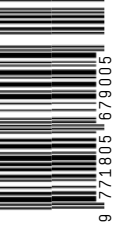


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ASPEN Review

ASPEN.REVIEW
CENTRAL
EUROPE

COVER STORIES Václav Bartuška, Edwin Bendyk, John C. Hulsman, Agata Łoskot-Strachota, Pavlína Louženská
POLITICS Claire Demesmay **ECONOMY** András Inotai **CULTURE** Patrycja Pustkowiak **INTERVIEW** Lorenzo Marsili



for the Future

**The Shale Revolution
and Donald Trump**

Waiting for Godot in Energy

**How #MeToo Failed Us
and How Gen Z Energy
Will Save Us**

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ASPEN
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Energy
for the
Future

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Waiting for God

Dear Readers,

The quest for new and available sources of energy has come to the forefront of public debate periodically since the time of the “steam revolution”. The peak of attention was reached globally during the oil crisis in the 1970s. Energy was at the center of structural transformation in this region in the 1990s. The inefficient and environmentally hazardous industries of centrally planned economies, dependent on energy supplies from the Soviet Union, were turned into modern, efficient industries with a diversified supply of energy. Climate concerns have recently led to quick advances in technological solutions focused on renewable sources of energy, its storage and smart distribution. Surprisingly, however, the technological progress, leading to more efficient and environmentally safer energy production, smarter distribution and lower consumption, has been slow in transforming itself into an economically viable and security resilient business model. A fundamental change in up-stream, distribution and down-stream structures requires massive investment with still uncertain long-term returns.

Is another technological revolution in the energy sector at our door? Is the speed of transition to renewable resources sufficient to make a significant change in the human imprint on our planet’s climate? Read Edwin Bendyk’s interesting comparison for some answer of investment returns: reaping the benefits of investment in information technologies is almost as instant compared to investment in the energy sector infrastructure, let alone energy production. In this issue, we also provide interviews

Ot in Energy

with leading energy experts in Central Europe: Agata Łoskot-Strachota and Václav Bartuška.

We continue tracking key challenges to political developments in the European Union. Contributions by Claire Demesmay and Martin Michelot will shed more light on the dynamism of Franco-German relations and an article by Lorenzo Marsili introduces certain provocative questions prior to the spring 2019 election to the European Parliament.

What are the economic implications for Central Europe as a result of the political uncertainties within the EU, and its relationship with the UK and USA?

The economic growth in Central Europe is higher than in Western Europe, but not sufficient to catch up with the latter. Despite additional resources from EU cohesion funds spent in the last decade, Central Europe seems to be “middle-income trapped” with no prospect of moving up to the higher global supply chain ladder. David Tramba contemplates whether Central Europe economies will remain assembly shops or whether they will be able to transform to more added value production and services. We have been paying increased attention to economic competitiveness in Europe at the annual conferences of the Aspen Institute Central Europe as of 2015. One of the key factors for future success or failure is education. We will return to it in future issues. Stay tuned to Aspen Review!

JÍŘÍ SCHNEIDER

Executive Director, Aspen Institute CE

The Helvetization of Central Europe

At the beginning of October, the Czech parliament passed a resolution condemning the launch of the Article 7 procedure against the government of Viktor Orbán. The authorities of Poland and Bulgaria announced earlier that they would not support any measures against the Hungarian government. The German Christian Democrats are also reluctant to do so. Although the CDU/CSU MEPs supported the launching of the procedure, which may lead to Budapest losing its right to vote in EU institutions, it does not seem likely that this will happen before the spring elections to the European Parliament. After the election, the “nationalist international” of Orbán supporters, according to polls, could gain up to a third of the seats in the European Parliament (his less obvious supporters, however, such as the Czech Communists who also voted for the resolution, are not even taken into account in this projection).

It seems that in spring of 2019, the Hungarian leader will obtain a powerful advantage regardless of whether he stays in the EPP or joins the new nationalist group as its spiritual or actual leader. In both cases, the European Parliament will have even less power than at present to take effective action against those member states whose leaders renounce the Copenhagen criteria, which conditioned the EU accession in the past. This means that countries adhering to the rules will not be able to enforce compliance by EU free riders. Nor does it seem possible for President Emmanuel Macron to find many supporters for his idea to switch to a faster means of

transport—there is no EU TGV. The European Union will therefore mean less and less (even less than today) in domestic politics, particularly in the countries of Central Europe, which joined the EU after 1989 in order to escape from East to West, to develop and grow rich, to gain a sense of security and to belong to a wider community.

All these goals have been achieved, but the appetite grows with eating. Recently, I heard the following conversation in the Warsaw underground.

He: Once we raved about the East, then the West, and now I don't know what we are raving about.

She: Now we are raving about ourselves.

Exactly. You might get the impression that Czechs, Poles or Hungarians are no longer impressed by being Europeans—now they dream about being like the Swiss. Exploit access to the EU market, even pay for it, but decide for yourself, for example, on migration and monetary or defense policy. It is no coincidence that the Swiss People's Party (65 seats in a 200-member National Council) resembles Fidesz or PiS to such an extent. Euroscepticism, isolationism, national conservatism, agrarianism, economic liberalism (as in Hungary, not in Poland), a kind of militarism expressed in universal access to firearms and a vision of the army as a national militia or territorial defense—we also know it all from Central Europe.

If the ruling Polish or Hungarian politicians wanted to be consistent, they would announce a program for the creation of a Central European Switzerland, say in the next one hundred years. This idea would definitely find its advocates in other Central European countries. For the time being, however, we face the biggest political crisis in the history of the European Union. And also a crisis of liberal democracy in an increasing number of member states. And we are not Switzerland.

ALEKSANDER KACZOROWSKI

Editor in Chief Aspen Review Central Europe



The Future of Energy

Discussions on the future of energy, and more precisely on the ways of producing and using it by humans, are not all that much different from fantasizing about artificial intelligence. That which is potentially possible is confused with what is actually needed, while reality develops anyway in accordance with its own unpredictable dynamics.

Thinking about energy is different from fantasizing about artificial intelligence in one fundamental aspect – the timescale. Systemic investments in the energy sector are pursued in the awareness that their full depreciation will take approximately 40-60 years, as is usually the case for coal and nuclear power plants. This is a completely different perspective than the pace of change imposed by the development of computer science and computers. The Internet is not yet 60 years old and has been a generally used medium for only two decades. It is the development, however, of the digital domain which shapes the human imagination and the conviction that the world and technological progress are accelerating.

A look at the energy domain makes one less optimistic. A 2016 report from the International Energy Agency (IEA) on Poland indicates that 62 percent of our coal-based production capacity is more than 30 years old and a

further 13 percent is between 26 and 30 years old. It would be heart-breaking to turn off the “thirty-year-olds”, for they are capable of working much longer, but they are as much as 20 percent less effective than new power plants, burning more coal and emitting more greenhouse gases than modern alternatives based on fossil fuels. It is therefore possible that Poland will end up producing electricity in power plants built in socialist times to power autonomous cars driven by artificial intelligence.

Energy policy as a crucial aspect of climate protection

Decisions taken in the past cannot be undone, but they will shape the future for a long time to come. Decisions taken today will have an even greater impact, for in this case it is not just about the time of depreciation of investments, which may be as long as the end of the century, but also about the period in which the systemic consequences of these decisions will be felt.

Energy policy forms a crucial aspect of climate protection policy at present. A strategic challenge for all humanity is to maintain the rise of global temperatures at a safe level, “safe” meaning here that the effects of temperatures rising, that is destructive weather developments such as drafts or melting of the ice cover, will not threaten the functioning of our civilization. At this moment, the atmosphere of the Earth is about 1°C higher than in the preindustrial era. The Paris Agreement on climate conclusion, during the UN Climate Summit in Paris in 2015, indicates that there is a need to attempt a stabilization at 1.5°C and that 2°C should not be exceeded.

Energy policy forms a crucial aspect of climate protection policy at present. A strategic challenge for all humanity is to maintain the rise of global temperatures at a safe level drafts.

These values can be converted by scientists into the amount of carbon dioxide, the main greenhouse gas, that can still be emitted. If we set the ceiling at 2°C, the “coal credit” that can still be used is about 1000 gigatons of carbon dioxide, while the 1.5°C ceiling brings this amount down to 300 gigatons. About 35.8 gigatons of carbon dioxide ended up in the atmosphere in 2016 and coal-fired power plants with a capacity of 273 gigawatts are built across the world. Facilities with a total capacity of about 570 gigawatts are planned for the future. If all of them are completed, even the level of 2°C will be impossible to achieve.

Nicholas Stern, a British economist and author of a celebrated report on the economy of climate change published a decade ago, claims in a new report entitled *The New Climate Economy* that the next two-three years will determine the future of the world (and energy). To maintain our civilization's infrastructure, investments at a level of 90 trillion dollars are needed by 2030. And such investments are planned. Stern argues that this is the moment to decide on a new development model, compatible with environmental and climatic goals. Most importantly, such a model will actually pay off, for it will not only help avoid ecological disaster, but also produce an additional economic stimulus of 26 dollar trillion by 2030, generate 65 million new jobs and allow us to avoid 700,000 premature deaths caused by air pollution.

It should be obvious what decisions need to be taken. Is this actually the case though? In a world where societies democratically entrust power to such leaders as Donald Trump nothing is clear.

Scientific knowledge vs. Political motives

The matter seems abundantly clear. We have scientific knowledge concerning the effects of climate change and high-quality economic and technological analyses showing that not only there is a technologically efficient alternative to the existing energy model, but also that this alternative is profitable in economic, medical and social terms. It should therefore be obvious what decisions need to be taken. Is this actually the case though? In a world where societies democratically entrust power to such leaders as Donald Trump nothing is clear.

The President of the United States announced in his campaign that he would end the “war against coal” and restore its importance to the American economy. He has consequently acted upon this during his stint in the White House. In August, the Environmental Protection Agency (EPA) announced the Affordable Clean Energy Rule proposal, the being regulations to replace the Clean Power Plan launched in Barrack Obama's time. The proposal effectively lifts emission restrictions on coal energy, both for carbon dioxide and for toxic substances. As a result, as the technical analysis attached to the proposal predicts, new regulations will lead to an additional 1,400 premature deaths per year.

The energy minister in Poland has proposed quality standards for the fuels available on the market which effectively mean that people will be allowed to burn anything that was lying next to a coal mine. The entire program of fighting air pollution, one of the most important challenges in environment and health protection in Poland, will consequently become meaningless. Political rationality follows a different path than the knowledge of scientists and experts. Donald Trump, just like the government in Poland, is held hostage by his constituency and especially that part of it which is most easily mobilized into forceful protests: employees of the strongly unionized coal and energy sector.

Political rationality follows a different path than the knowledge of scientists and experts. The government in Poland is held hostage by employees of the strongly unionized coal and energy sector.

The most coal-dependent states are moving away from it

A text on the future of energy could be ended at this point by stating that “no can do”; by arguing that you cannot make an energy transition to a world of clean, no-emission technologies, because the future is determined by decisions taken in the past and by the logic of the political process, which is also dominated by the interests of forces shaped in the past and constituting an all-powerful lobby bringing together all those who make their living on a civilization based on fossil fuels. It is a lobby going far beyond the energy sector, for it also involves the entire system of transport and its infrastructure.

Instead of ending on a note of failure, however, this text in fact just begins. As soon as the EPA announced its proposal and was applauded by representatives of the said lobby, the economics press reacted quite differently. *FastCompany*, a magazine devoted to new technologies, went as far as saying that the new regulations and pro-coal policy of Donald Trump were of little importance in actual reality. 18 percent of American electricity came from renewable sources, twice as much as a decade ago, in 2017. This occurred in the absence of pro-climate regulations, for Obama’s Clean Power Plan never came into force, as it was blocked by a court. Even without it, however, the American economy reduced emissions beyond the targets established in the plan.

It turns out that even the most coal-dependent states are moving away from it, for a growing number of institutional customers, especially large corporations from the new economy, require electricity from clean sources. Successive cities have declared that they will become completely coal-free and some, e.g. in Vermont, have already reached this goal. All this has occurred not only because company bosses in the new economy and inhabitants of Vermont love the outdoors and care about the climate, but also because they have concluded that it simply pays off even at present. The costs of energy from renewables are falling faster than analysts assumed years ago. As a result, as Stern sums up in his global report, new capacities in the energy sector based on renewables are higher already several years ago than new capacities based on conventional sources.

The coal-oil-car system is a relic of industrialism

In today's world, even the President of the United States is unable to change technological and capital trends with his policy. Capital flows wherever it has a chance of achieving the highest accumulation rates. In the case of energy it is not about a simple choice between available technological models of producing and distributing energy. The energy system in its full scope, that is combined with the transport system, constitutes an infrastructure of civilization, which in turn is an expression of the dominant regime of capitalist accumulation. The current coal-oil-car system is a relic of industrialism, where the main way of producing added value was industrial production.

It turns out that even the most coal-dependent states are moving away from it, for a growing number of institutional customers, require electricity from clean sources.

This model was exhausted already in the 1970s, while its successor, information capitalism in its neoliberal model, turned out to be a simulacrum based on creating value mainly through speculations of the financial sector. The 2008 crisis revealed the reality, that is the necessity of making the economy real through restoring the importance of the productive system. This requires a change to the old accumulation regime, which in turn demands a new technological infrastructure, a new energy and logistics system. Although we do not know what it will look like on the ground, we can feed our imagination with various visions.

An energy system as a self-organising network?

One of the most spectacular visions was presented by Jeremy Rifkin under the slogan the “hydrogen economy”. It is a vision of a world where energy is produced in a dispersed system, where thanks to new resources everyone can be both a producer and a consumer of energy, while an intelligent information network makes it possible to integrate these micro-links into one chain. If we add to that such innovations as hydrogen as an energy carrier, fuel cells, heat pumps and smart home applications increasing the effectiveness of energy use, a world free from coal and other fossil fuels can be imagined and a world where like today’s Internet users we are participants in an energy Internet structured as a self-organizing network.

As it has happened with the Internet, however, reality will be far removed from the vision of Rifkin and others like him. If technological change and the transformation of the energy and logistics system leads to the emergence of a new capitalist regime of accumulation, the logic of this accumulation will dominate. One aspect of this logic is aimed at concentration and monopoly, for example, through control of technologies crucial for a given regime. Visionaries of the Internet did not plan on the emergence of players such as Apple, Facebook, Google or Amazon monopolizing the digital world. Once, however, the Internet became a playing field for the capitalist game and an infrastructure of the regime of accumulation for information capitalism, it began to develop in accordance with capitalist logic.

If technological change and the transformation of the energy and logistics system leads to the emergence of a new capitalist regime of accumulation, the logic of this accumulation will dominate.

Central European energy strategies are doomed to failure

One can consequently easily imagine that the future energy and logistics network will have a dispersed physical structure, as Rifkin predicts, but will most likely be controlled by capital concentrated in a limited number of centers. Local players such as Poland, the Czech Republic, Slovakia and Hungary will oppose this concentration, in an attempt to protect their domestic resources over which they have political control within the nation state, for

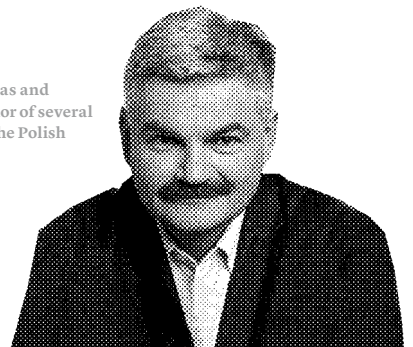
as long as possible. These resources are based on systemic energy production; in the case of Hungary and Slovakia nuclear energy plays a key role, and this situation is similar in the Czech Republic, although the participation of nuclear energy is lower. Poland is invariably dependent on coal, although its share in the energy mix has slightly decreased in recent years.

Energy and logistic transformation cannot be avoided, just as we have not avoided the Internet. In the new model we will largely lose the possibility of controlling the system.

If the claim about the inevitable change in the accumulation regime (the new Stern report is in fact concerned with this) is correct, then Central European energy strategies are doomed to failure in the long run. Energy and logistic transformation cannot be avoided, just as we have not avoided the Internet. In the new model we will largely lose the possibility of controlling the system. This means in turn that politicians will lose an important source of legitimacy (the example of Donald Trump quoted above illustrates this issue very well). They therefore attempt to use the last decision window to create a *fait accompli* and petrify the local structure based on the current model. Hence the plans for the expansion of nuclear power plants in Hungary, Slovakia and the Czech Republic as well as modernization of the coal base in Poland.

EDWIN BENDYK

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ASPEN.REVIEW
ROBERT SCHUSTER

COVER STORY

ENERGY

CZECH REPUBLIC

ENERGY SECURITY



Václav Bartuška: Your Perspective on the World is Determined by the Source of the Raw Materials for your Energy Supplies

The most important thing is having clarity about what kind of country we want to be and the direction in which the country's economy should develop. Our energy policy will then adapt accordingly, says Václav Bartuška, Ambassador-at-Large for Energy Security in the Czech Republic, in an interview with Robert Schuster.

ROBERT SCHUSTER: *The world powers have recently begun to once again use energy production as a political tool. Does this mean that countries the size of the Czech Republic will necessarily fall prey to new dependencies or spheres of influence?*

VÁCLAV BARTUŠKA: Energy production has always been an important part of the economy and it was our own fault if we

paid it less attention in the past. At the same time, it is an area over which the United States has traditionally clashed with Russia, and no amount of hugging between Presidents Donald Trump and Vladimir Putin in Helsinki will change that. The United States, an importer of oil and gas, have started exporting both commodities, and from having attained merely “Energy Security”, the country's declared

goal has become “Energy Dominance”. Americans have acquired the ability over the past few years to increase oil extraction by millions of barrels a day, something

I do not believe in small regional groupings. Visegrad is a good format for identifying things that need to be done, but in reality, very little happens as a result.

that had previously been Saudi Arabia’s prerogative and had enabled the Saudis to control OPEC in past decades. They have now been ousted from this position by the Americans, which has created a completely new dynamic in oil price formation. The US has been similarly successful in terms of gas production thanks to hydraulic fracking, effectively starting a third revolution in oil and gas extraction. This technology is still evolving, which means that its yield will likely keep growing.

Should the Czech Republic seek partnerships on energy issues within Central Europe? Or should it rely on the EU, or perhaps, go its own way?

In my view, the best option for us is to work with Europe, within the European Union, because it is an entity which everyone else has to take seriously. I do not believe in small regional groupings. Visegrad is a good format for identifying things that need to be done, but in reality, very little happens as a result. In June 2013 the prime

ministers of the Visegrad 4 countries agreed at their summit in Warsaw that they wanted to create a joint market in natural gas. In practice nothing at all came of this. And nothing could come of it, since Poland and Hungary effectively have state-controlled companies, Slovakia has renationalised a large part of their gas industry, while our gas industry has been fully privatised. We are currently in a completely different place from our V4 partners. We are fully integrated into the north-west European market, whereas Poland is seeking links with Norway and Hungary with Russia. Incidentally, last year we received 99.3 per cent of our gas from Germany, with only 0.7 per cent arriving via Ukraine and Russia. We are part of western Europe, and that is best for us. It is unrealistic to imagine that you can go and represent a country of 10 million in negotiations with Moscow and actually achieve something.

Are Europeans managing to stand up to Russia’s state-owned gas companies?

They are. The markets of north-western Europe comprise France, Germany, the Benelux countries, Great Britain, Denmark and, apart from us, effectively also Austria. Two hundred and fifty million people – customers: that is something a supplier has to take seriously. As for your question: when we speak of gas we are not talking only about Russia, which is something of an obsession here in Central

Europe. The French are far more interested in what is happening in Algeria, for example, and the Brits in Norway. Sometime around 2008 the US stopped importing liquid natural gas, which pushed prices down—this is, of course, a problem for traditional suppliers in Algeria, Norway and Russia, but they had no choice but to reduce prices. That naturally begs the question why some other European countries to the east and south of us have not joined the European market, but this is related to their domestic politics. Hungary is a good example, with Viktor Orbán due to travel to Moscow soon to negotiate a fresh long-term contract for the supply of Russian gas.

Russia is planning to supply gas to Europe via the new Nord Stream 2 pipeline. A number of countries see a risk in depending on Russian gas. Could Nord Stream 2 threaten European cohesion?

Where your key raw materials come from significantly alters your perspective on the world around you. Once Nord Stream 2 is completed, the logical consequence will be that the map of the flows of natural gas in Europe will be redrawn. This would be positive for our economy because it would mean great volumes of gas passing through our territory. But at the same time, it is important that Russian gas should reach Europe by several routes and that is why it makes sense to maintain

the routes via Ukraine and Poland. The Poles have an understandably negative attitude to Nord Stream, fearing some new deal between Germany and Russia at their expense. They are the only ones, however, who can judge how real this threat is.

While in terms of energy Hungary is clearly betting on close relations with Russia, Poland had, until a few years ago, pinned great hopes on fracking as a way of reducing the country's dependence on gas supplies. Now, however, this strategy seems to have been sidelined. Why is that?

That option still remains, it just has to be pursued for much longer and with greater patience. The thing about fracking is that

We are currently in a completely different place from our V4 partners. We are fully integrated into the north-west European market, whereas Poland is seeking links with Norway and Hungary with Russia.

you have to realise that you can't just drill a hole somewhere and four years later you are as rich as Kuwait or Qatar. That is why I think it is strange that after a few years Poland has put its fracking plans on ice. But this certainly doesn't mean that they shouldn't keep looking into it. Poland's energy industry currently still relies heavily on coal and admitting that this source will not be available for ever

will be very difficult. It will also be a very sensitive political issue since the mines in Silesia were one of the cradles of the Solidarity movement in the 1980s.

Is renewable energy the energy source of the future?

It certainly is. We are witnessing a trend whereby these sources will increasingly make economic sense, not only in terms of large installations but also at an individu-

That naturally begs the question why some other European countries to the east and south of us have not joined the European market, but this is related to their domestic politics.

al household level. The traditional energy industries will continue, however, to play a major role for decades to come. This means that our sources will consist of nuclear, coal, gas as well as renewable energy...

I believe that the fundamental debate in the energy industry will be about the pace of wholesale transition to renewable energy and how much we can bet on technologies that have yet to be tested in practice. What will play a key role here is whether we succeed in finding an economically viable form of storing energy on a large scale—both electricity and heating.

But the Czech Republic's energy strategy is almost exclusively focused on nuclear...

First of all, we have to be bear in mind the matter of scale. Right now, the total nuclear capacity of the Czech Republic is 4,000 MWe, with 2,000 MWe generated in Temelín and 2,000 MWe in Dukovany. If we are fortunate, Dukovany will supply the network until 2035, since the power station's lifespan, as originally planned, was 30 years and it opened in 1985-1987. In the case of Temelín, its period of operations could be extended up until 2050. Two-thirds of the country's electricity is currently generated by coal, but by 2040 the majority of coal power stations will have been decommissioned. This means we will have to replace the 4,000 MWe currently supplied by nuclear and a further roughly 5,000 MWe by thermal, power stations.

In other words, to have a real substitute, we are looking at eight to ten new nuclear reactors, rather than one or two as present-day discussions might suggest. The decommissioning of nuclear power plants involves another problem no one has mentioned. As a by-product, these power stations provide heat for large urban agglomerations. Once coal power plants are decommissioned, new solutions for the heating industry will also have to be found. Energy is a sector that requires us to think decades ahead, while our electoral cycle is only four years...

Our energy strategy envisages the share of nuclear energy growing from the current thirty per cent to fifty per cent.

The salient question is whether we are capable of constructing so many reactors and whether we will need so much power at all—if our economy continues to rely on industrial production, we certainly will. If we want, however, our economy to generate a higher value added, we will need less power. The west makes money by inventing and selling things, and they can be produced wherever the production margins are lowest ... Energy is thus part of a fundamental discussion about the kind of country we want to be, and what structure our economy should take.

Is nuclear energy even profitable considering how rapidly the price of electricity fluctuates?

It has become fashionable to calculate the returns of power stations in terms of the current electricity price. But that's like sitting on a see-saw: it may have made sense ten years ago, but it no longer does today. On the other hand, prices have been rising lately—two years ago they were half of what they are today. No one knows what the price will be in two years' time. That is why I think it is much more important for our national economy to define what kind of economy we want to have, what we're aiming for. And then we have to be frank about what we can build and what we can't.

Plans for expanding the Hungarian nuclear power station in Paks have a strong political dimension. Does it

mean that the decision of a particular supplier might, in the long term, herald future political developments?

Politics can never be separated from the energy industry, especially in the case of nuclear energy. It involves a partnership

I believe that the fundamental debate in the energy industry will be about the pace of wholesale transition to renewable energy and how much we can bet on technologies that have yet to be tested in practice.

with another country lasting decades and can redefine a country's situation. That is why the choice of a partner for a project on this scale also provides an answer to the question of where we want to belong. We are members of the EU and NATO. Without the EU, we would be an economic wreck—but does the current political debate give you the impression that we are aware of that? Our security stands and falls with the US and NATO, but we don't seem to fully appreciate that either. As for Hungary and the expansion of the Paks nuclear power plant, that is definitely not an example worth following.

Are Europeans sufficiently proactive when it comes to developing new technologies in energy?

We are doing what we can. We Europeans find it hard to admit that in science we are not as important as the US. Europe spends

large amounts of money on research and development. But the US government and corporations spend considerably more. We have yet to fully realise how immensely our civilisation depends on technology, which fewer and fewer people can keep up with. This applies to the energy sector, but also to the water industry and food supplies. And this is bound to backfire at some point. The number of people studying at technical colleges is decreasing as are the number of students who are good at maths. The energy industry is just the visible tip of the iceberg. I would even go as far as to say that finance, which is constantly on everyone's lips, may turn out to be less of an issue. You can always print more money but not even the best 3D printer can print a good engineer.

Politics can never be separated from the energy industry, especially in the case of nuclear energy. It involves a partnership with another country lasting decades and can redefine a country's situation.

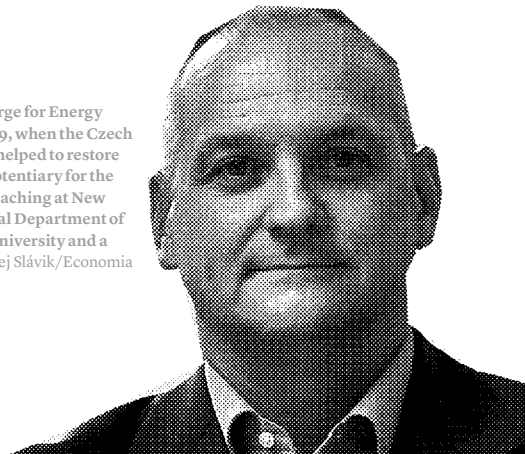
VÁCLAV BARTUŠKA

has worked at the Czech Ministry of Foreign Affairs as Ambassador-at-Large for Energy Security since 2006. He gained a public profile during the gas crisis of 2009, when the Czech Republic, which held the presidency of the European Council at the time, helped to restore gas supplies to the EU. From 2010 to 2014 he was the government's plenipotentiary for the expansion of the Temelín nuclear power station. Since 2003 he has been teaching at New York University, Prague campus, and since 2017 also at the Electrotechnical Department of Czech Technical University, ČVUT. He is a graduate of Prague's Charles University and a former Fulbright scholar at Columbia University in New York. | Photo: Matej Slávik/Economia

The decommissioning of nuclear power plants involves another problem no one has mentioned. As a by-product, these power stations provide heat for large urban agglomerations.

So it is also a question of insufficient support for relevant types of education?

Let me illustrate this with an example. In 2012, when the expansion of Temelín was put out to tender, it was the first time in the history of Czech Technical University (ČVUT) in Prague that its Nuclear Department (FJFI) and the Physics and Engineering Department had more first-year students than the Department of Mechanical Engineering. FJFI really savoured their moment because of their traditional competition. Now things have regressed, however, because cancelling the tender called into question the future of the nuclear industry in this country. It is only logical that young people are not attracted to these and other similar subjects offering uncertain chances of finding employment.



Agata Łoskot-Strachota: Everyone Wants Integration

ASPEN.REVIEW
ZBIGNIEW ROKITA

COVER STORY

ENERGY

V4

GAS

RUSSIA

Energy diversification in Ukraine is an opportunity for the V4 countries. Slovakia and the Czech Republic have already benefited from it. The direction of the gas transfer has changed, it now flows not only from east to west, but also from west to east—says Agata Łoskot-Strachota interviewed by Zbigniew Rokita.

ZBIGNIEW ROKITA: Has the energy security of our region increased since 2004 and since joining the European Union by the Visegrad countries?

AGATA ŁOSKOT-STRACHOTA: Yes. First, integration of transmission networks with the European Union and between the countries of the region is progressing. Second, the directions of the transfer have changed: as a result of the Russian-Ukrainian conflict the gas flows not only from east to west, but also from west to east—via other V4 countries. And third, new sources of supplies have appeared: one example is the LNG terminal in Świnoujście opened in 2015 or the integration of Czech pipelines with German ones, allowing the Czech Republic to import Norwegian gas. At the same time, the problem is that the transit role of some Visegrad countries is declining. The construction of Nord

Stream 2 will decrease the role primarily of Slovakia, and probably also of Poland as a transit country. Until now, this role served as a counterweight to the large—although on the region-wide scale gradually diminishing—dependence on gas supplies from Russia (and not only gas, but also oil or nuclear fuel). The region is not a monolith, however, because at the same time, thanks to the Northern Pipeline, the transit role of the Czech Republic is growing, for more gas has started flowing through this country to the Austrian hub in Baumgarten.

Our thinking about risks is shaped by the memory of numerous breaks or limitations in supplies to the countries of the region in the last few years and further back.

Does this mean that the interests of the Visegrad states are beginning to diverge?

Yes, it does undermine the cohesion of the region. The only planned branch of the Nord Stream 2 pipeline, Eugal, is to run from Germany through the Czech Republic to other European Union countries, including Central Europe, which will boost the transit role of the Czech Republic even more. Poland and Slovakia are guided by the belief that should political tensions arise, supplies of Russian gas through their territories will not be suspended, for it would strike at Moscow's key partner, that is Berlin. Once, however, we find ourselves at the so-called end of the pipe, the risk of supply problems will increase. And our thinking about risks is shaped by the memory of numerous breaks or limitations in supplies to the countries of the region in the last few years and further back. Negotiations are under way regarding the future of transit through Ukraine. We now know that it is possible to send the entire Russian gas contracted by the Czech Republic and Slovakia through the Nord Stream, that is completely bypassing Ukraine.

Energy acquired from low-emission nuclear plants plays a huge role in the energy mix of Hungary, the Czech Republic and Slovakia.

Rosatom plays a significant role in this sector in these three V4 countries; it received the contract for extending the Hungarian power plant in Paks. The Czechs and Slovaks also have to think about modernizing their nuclear power plants. Given that, will gas become more or less important for the region in the immediate future?

It is not all that clear, although recently an increase in the use of gas in the region can be observed. Its role may decline, for example, because of problems with security of supplies. Hungary, the Czech Republic and Slovakia already have atomic energy and in Poland there has been discussion about it. If sources of supplies will be diversified, however, and gas will reach the region from many directions—which is particularly important for Poland—its role will probably grow.

The construction of Nord Stream 2 will decrease the role primarily of Slovakia, and probably also of Poland as a transit country. Until now, this role served as a counterweight to the large dependence on gas supplies from Russia.

At which points do the views of the Visegrad countries on energy issues coincide?

The desires are similar, but the emphasis is placed on various things.



In the case of the Czech Republic, integration with the German market is more natural than, let us say, in the case of Poland. Hence the difference between the Polish and Czech perspective.

We all definitely want to integrate and reduce our dependence on Russia. Poland—similarly to Lithuania, to give just one example—places a special emphasis on diversification of supplies of energy sources. One manifestation of this aspiration was building the terminal in Świnoujście. There is also a widespread belief in Poland that you should be as independent as possible and capable of satisfying domestic demand for energy from your own resources to a significant degree. Other countries—this is explained by various factors, from their geographic position to the size of the market—place a greater importance on integration of the gas market or on costs. The Czechs think primarily about having an adequate number of connections with neighboring countries, mainly with Germany, and about bringing in gas from various sources through the German infrastructure. This means that they are also interested in diversification of supplies, but understood and implemented in a slightly different way. They see integration as a crucial guarantee of their energy security. Prague

assumes that the Western European gas market will be stable, increasingly more flexible, more liberalized and integrated, there will be no price manipulation, and that sound regulations will be introduced and enforced. The security of the German market is expected to also provide security for them.

This is a situation involving major dependence on Germany. Is there really no risk of price manipulation?

Some argue that it is impossible under the EU conditions, while others say that this is already happening. Time will tell. The size of the Czech market and its location play a role here—in the case of the Czech Republic, integration with the German market is more natural than, let us say, in the case of Poland. Hence the difference between the Polish and Czech perspective: Warsaw would prefer having a large hub in Central Europe—optimally in Poland, so that the Central European market would be a place for trading and shaping prices rather than an echo of what is happening on the markets of Northern and Western Europe. By the way, Ukraine has the same ambitions—and should they become true, a quite large gas market would emerge in the region.

I understand that from the Czech perspective the second branch of the Northern Pipeline is beneficial? In November 2017, during a

visit to Russia, President Miloš Zeman expressed his support for NS2. The position of the Czech government is ambiguous.

The Czech perspective is not uniform. On the political level, part of the Czech establishment has expressed critical opinions on the project, being opposed to the Russian aggression against Ukraine and skeptical towards the greater presence of Russia in Central and Western Europe. From the economic point of view, however, as we have already said, Nord Stream 2 is beneficial for the Czech Republic. This is why the country is straddling the fence.

Let us look at the second branch of the Northern Pipeline in a wider context and attempt to assess how its construction might influence the energy security of the Visegrad region.

It depends on how long it takes. If the pipeline is completed quickly, a number of processes appear. First, it will limit the possibilities of importing gas to the region from alternative sources, as Russia will be able to sell it cheaply. Second, and we are already observing this, the existing and currently constructed connectors in Central Europe will be reserved either for Gazprom or companies working with it which want to import Russian gas. And as the available capacity of the pipelines will be thus curtailed, it will be physically impossible

Currently, the presidency of the European Union Council is held by a state which is one of the greatest supporters of the project. Austria is in fact trying to slow down the work on a gas directive.

to import gas from elsewhere, even if we do find an alternative source. Gazprom reserved for many years the entire capacity of the not yet existent Eugal pipeline, that is the southern branch of NS2. Third, the price differences between Northern and Western Europe, on the one hand, and Central and Southern Europe, on the other, may increase—gas in this region will be more expensive. Needless to say, another consequence of the success of the NS2 project will be the increased importance of Gazprom in the EU, including Central Europe.

The project is vehemently opposed by the United States. In May 2018, for example, the Assistant Secretary of the Bureau of Energy Resources in the US State Department Sandra Oudkirk announced that the United States “will use all possible means of persuasion for the project not to be implemented” and repeated her threat of extending sanctions to European companies involved in North Stream 2. In your comment for the Centre for

Eastern Studies you wrote that such a step would probably result in suspending the project. Could Washington really block it?

We do not know if the United States will actually make such a decision. American policy is also quite unpredictable in this respect. Donald Trump is opposed to the project as is the American Congress. It is true that the American side is increasingly threatening to introduce sanctions. At the same time, Washington emphasizes that it is the European Union itself that should block North Stream 2. This is not, however, to be expected in the nearest future. Currently, the presidency of the European Union Council is held by a state which is one of the greatest supporters of the project. Austria is in fact trying to slow down the work on a gas directive meant to be an EU instrument capable of blocking the second branch of the pipeline.

As of 2016, Ukraine no longer imports gas from Russia, although previously it was highly dependent on it. It currently satisfies domestic demand with its own resources and imports from the West. To what extent is this energy emancipation a chance for the V4 countries?

Slovakia and the Czech Republic have already benefited from it. The direction of gas transfer has changed, as we have already said, for now gas flows not only from Ukraine through Slovakia and the

Czech Republic, but also in the opposite direction—from the EU through the Czech Republic and Slovakia to Ukraine. Ukraine thus receives gas from the West, which could be Norwegian, but also Russian. Contracts with network operators in Hungary and Poland have also been signed and an extension of the Polish-Ukrainian connection is planned. For Poland, the Ukrainian diversification of supply sources may also be beneficial in the context of the planned extension of the NLG terminal in Świnoujście and the building of the Baltic Pipe from Denmark. On the other hand, it is difficult to say what the domestic consumption of gas and its extraction in Ukraine will look like. We know that this country has significant possibilities for increasing gas production. The long-term perspectives of supplying gas to Ukraine through Poland are also unclear.

For Poland, the Ukrainian diversification of supply sources may also be beneficial in the context of the planned extension of the NLG terminal in Świnoujście and the building of the Baltic Pipe from Denmark.

Hungarians are considering buying Russian gas, meant to flow to the European Union through Turkey, using the planned Turkish Stream

pipeline—a project replacing the South Stream abandoned in 2014.

The Turkish Stream is being constructed even faster than North Stream 2. There are no such problems in Turkey with environmental permits, protests of third countries or transatlantic relations as is the case in the EU.

So the gas will flow to Visegrad countries from the South?

Yes, it is possible that it will flow through the branches of the Turkish Stream. Hungary is pursuing a two-pronged policy. They want to secure non-Ukrainian routes of Russian gas supplies, but are also seeking alternative sources of supplies. You can see that the priority of Budapest's energy policy is now connecting with Romania and supplies of gas from the Romanian sea shelf, where work on increasing production is increasingly advanced. They also want to integrate with Central Europe, which means small-scale import of gas from Poland—the LNG terminal or the Baltic Pipe—is being taken into account. One should remember, however, that Świnoujście

is not the only LNG terminal in the region—there is also the gas terminal in Klaipėda and yet another one is planned in Croatia, so Hungary will be able to buy gas there as well.

To what extent should we be concerned that the extension of the energy infrastructure, with the participation of Russia, may translate into an increase in military threats—that Russians may, for example, install spying devices?

Such threats are perceived by the Baltic and Scandinavian states and by America. In addition to bugs and monitoring devices, we also have an increased number of various kinds of Russian ships in the Baltic. In addition, bypassing Ukraine as a transit country exacerbates the risk of escalation of the Ukrainian-Russian conflict. The role of Kyiv for the EU will decline and the risks for Moscow will be lower, for in case of a larger-scale war it will not lose revenues from exporting gas to the West.

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The Shale Revolution and Donald Trump

Thanks to benign neglect on the part of government, private and commercial endeavors in the United States have revolutionized the global energy sector. As luck would have it, North America is as close to energy self-sufficiency as it is possible to be in the modern, interdependent world. Now, if only Trump can be stopped from squandering all this good fortune.

Foreigners have long had an in-joke (probably incorrectly attributed to Otto von Bismarck) about America's obliviousness to its own fantastic luck: "God protects Fools, Children, and the United States of America." There is a modern technological corollary to Bismarck's Law of America's great good fortune. Despite the fact that European elites are clearly as well (or better) educated as their American counterparts, the United States nevertheless monopolizes the game-changing innovators of the modern world. Why is that the people launching whole new cutting-edge industries out of nothing all come from the us? America has Alexander Graham Bell, Thomas Edison, Henry Ford, Bill Gates and Steve Jobs to its credit. This is an innovative first team unmatched in modern history. To many outsiders, this is just another sign that America (perhaps unfairly) is smiled upon by the gods.

Frankly, in Bismarck's supposed quote, there is more than a little envy at work. Yes, America has been blessed by great good fortune, but as my new book, *To Dare More Boldly: the Audacious Story of Political Risk*, makes clear, farsighted visionaries have made the most of it. For there are numerous practical reasons for the United States' "luck" in terms of innovation. One of them revolves around a tale I tell often: while the American government did little to sponsor Henry Ford or Steve Jobs, at least they left them alone—to the benefit of all.

Picture Steve Jobs and Steve Wozniak, tinkering away in a garage, perfecting the personal computer: they simply could not have done so in Europe. Given the continent's infinite rules and regulations, working in a garage would have been forbidden, being considered an "unsafe work space". Yes, the more we look at America's luck, the more the story regarding fabled Red Sox slugger Ted Williams comes to mind. Late in his career, Williams had a lucky bounce of the baseball and found himself with an undeserved hit. A rookie said to him, "Gee, Mr. Williams, that sure was lucky." The dour Hall of Famer replied, "The more I practice, kid, the luckier I get."

Americans' advantage is that they have been allowed to practice, to tinker at things, to dream and to make those dreams come true, with the government (at its best) merely shrouding them in benign neglect. The country's genius has not been primarily located in the public sphere—I can name many more bad presidents than good ones—but rather in the practical wisdom that if government leaves its people alone, their private, commercial genius will drive everything.

We who practice foreign policy analysis have an in-built bias towards public and governmental—rather than private and commercial—actions. It is what we have grown up studying and assessing, and where we are at our most comfortable. But such a statist interpretation of the world does not begin to fully explain a country such as America, with its genius for non-governmental, commercial solutions.

The game changer

The shale revolution that occurred during the time of the Obama administration is a case in point. Fracking (or hydraulic fracturing)—that is, using water and other liquids at high pressures to far more efficiently and cheaply force residual oil and gas to the surface through existing fissures—has utterly

transformed the global energy industry. And thanks to the federal government's benign neglect, wells and whole fields of gas and oil that had proven uneconomical just years before were made viable across the American West, from Texas to North Dakota. This was a private, commercial engineering initiative that evolved over decades, and all without much governmental involvement—or interference. This revolution and its fruits have landed squarely in Donald Trump's lap—making him look lucky. President Trump's energy strategy is, in truth, entirely beside the point; it is the private, commercial shale revolution that matters for America and the rest of the world.

It is almost impossible to overestimate the importance of the shale boom. The numbers tell the tale and they amount to a revolution that has almost incalculable geopolitical and macroeconomic consequences for a world that has largely missed its monumental significance. With the advent of fracking, US oil production has increased 80% over the last decade. The US Department of Energy estimates that in 2018 American production levels will reach 10.3 million barrels per day (mb/d), besting the all-time record set in faraway 1970. Of this, fully 2 mb/d will be exported. The gas industry is being revolutionized too. By 2015, more than half of all gas produced in the United States came from shale.

Nor is the shale boom a flash in the pan. The US Energy Department estimates that America has enough shale gas reserves (coupled with oil and other gas resources) to last for two centuries. Quite amazingly, the International Energy Agency (IEA) forecasts that US oil production is set to top that of energy superpowers Saudi Arabia and Russia in 2018, with more than 80% of global energy supply growth likely to come from the US in the next decade. Staggeringly, by the 2020s, the IEA expects North America to be self-sufficient in energy.

This revolution and its fruits have landed squarely in Donald Trump's lap—making him look lucky. President Trump's energy strategy is, in truth, entirely beside the point.

The Permian Basin in west Texas, accessed through the fracking engineering revolution, is estimated to have as much oil beneath it as Ghawar, the largest field in Saudi Arabia. Further, the oil is far cheaper to extract than are the riches in most OPEC countries. Almost overnight, the United States has risen phoenix-like to transform itself into one of the global big three (along

with Russia and Riyadh). The US has gone from energy mendicant to determiner of the global price of energy in the blink of an historical eye.

It would seem Bismarck's Law holds regarding America's endless luck. Just a few years ago, everyone thought the US would be forced to import energy for the foreseeable future, with all the geoeconomic and geopolitical risk that entails. Suddenly, seemingly magically, America finds itself one of the major energy producers of the world.

The Saudi's Rockefeller gambit

There are two great geoeconomic takeaways from the advent of the shale revolution. First, the Saudis (until now the world's primary energy superpower) have not succeeded in killing the shale revolution at its birth. Nothing can stop it now. Second, in trying to do so, Saudi Arabia unwittingly made shale the new ceiling for global energy prices for the foreseeable future.

Initially, the Saudis attempted to kill shale, playing a version of a very old business game. Their John D. Rockefeller energy strategy—named for the late nineteenth/early twentieth century oil monopolist who forced overall oil production up (taking a temporary loss) and prices temporarily down in service of the greater goal of driving his competitors out of business and thereby boosting his overall market share over time—failed to work. While the price of oil plummeted a dizzying 70% from its June 2014 highs of \$120 a barrel to a trough of just over \$30 a barrel, shale did not throw in the towel.

Constant shale productivity gains meant that US output fell only moderately, from a still impressive total at the time of over 9 mb/d. Also, turning shale wells on and off is far less expensive than doing so with the fixed-rig wells in Saudi Arabia and the rest of OPEC, making shale more price sensitive. The Saudis were forced to suspend their game of energy chicken, and ended up giving in to the inevitable: with OPEC (and with the help of an equally hard-pressed Russia) they reversed course, cutting production frantically to limit the financial damage to its members.

The September 2016 OPEC deal to cut oil output amounts to nothing less than Saudi Arabia's surrender to the power of American shale.

The self-inflicted wounds of Riyadh's Rockefeller strategy drove the Saudis to economic extremes unthought-of in recent years. In 2015, the Saudi budget deficit amounted to \$98 billion, or a whopping 15% of its GDP. While

Riyadh has mountainous reserves, it needs the price of oil—the sole motor of its economy—to fetch around \$85 a barrel to adequately finance public spending. Despite significant price increases of 35% over the last six months of 2017, this figure is still barely on the horizon today.

While the temporary anti-shale Russian-Saudi alliance, first put in place in September 2016, has proved remarkably durable—with both powers agreeing to keep cuts of 1.8 mb/d in place until the end of 2018—it is now clear that nothing will be able to put the shale genie back into the bottle. A year on from the deal, shale production had actually increased by a very healthy 10.8%, year on year. While the Russia-OPEC deal has put a floor on the global energy price of around \$50 a barrel, the shale revolution has surely put a ceiling on the global energy price, meaning energy prices will travel in a far narrower band than in the past.

Unwittingly, the Saudis have made the Americans the new global energy swing producer, fixing the permanent ceiling for the global price of oil.

The Saudi sisyphus and the end of an era

The young, feckless Crown Prince Mohammed bin Salman (MBS), has blundered: employing Saudi Arabia's John D. Rockefeller strategy to permanently drive us shale out of the energy market has led to the exact opposite result. Unwittingly, the Saudis have made the Americans the new global energy swing producer, fixing the permanent ceiling for the global price of oil. Just as prices inevitably rise due to Saudi and Russian cuts, so do more shale wells come online, thereby stabilizing the global energy price. Like the mythological Sisyphus, mbs will roll the boulder of energy price increases up a hill, only to have it perennially tumble down as shale production increases in turn, over and over again.

This, in its way, is as momentous a shift in global power as the stunning Brexit and the Trump political ructions. Whereas Brexit highlights a Europe in absolute decline, and whereas President Trump's election brings to an abrupt end seventy years of American global ordering power, the Saudi's meek surrender brings the long age of OPEC domination of the world's energy market to a close. The year 2016 truly saw the death of one world order, and the uncertain birth of another.

Boundless geopolitical riches

Coupled with the tar sands energy boom in Canada and the liberalization of Pemex, Mexico's heretofore state-controlled oil company, North America now stands as close to energy self-sufficiency as it is possible to be in the modern, interdependent world. If properly grasped, this is a geopolitical treasure almost beyond measure. Imagine the decrease in political risk if, rather than having to focus primarily on the chaos of the Middle East in order to secure its energy supplies, the United States could concentrate only on Mexico and Canada.

The second great geostrategic benefit flows from the first. For the first time in modern history, the US will not have to worry so much about the Middle East (and with such tragic results). Indeed, from late 2016 to late 2017, American imports from OPEC decreased a significant 20% due to the shale revolution. At last, a policy of offshore balancing vis-à-vis that snake pit of a region—the graveyard of many a presidency—is possible.

Third, the shale boom will dramatically turn the US into a net exporter of energy, able to use its exports as a geopolitical tool. This strategy involves supplying hard-pressed Eastern Europe with more of its energy needs over time (as of April 2018, Moscow accounts for fully one-third of Europe's gas needs), so they are no longer at the tender mercies of the Russians. This will decrease the Kremlin's sway over Europe as a whole.

The shale boom will also make it possible to entice energy-starved China into buying American exports. Over time, this newfound dependence would help keep the Asian giant from emerging as a revolutionary power, as it is unlikely that Beijing would want to come to blows with a vital energy supplier. It also makes the possibility of a full-blown Sino-Russian alliance—the only power configuration in the near term that can challenge US global dominance—far less likely.

The confounding of Bismark's law

No amount of luck—even paired with the genius of leaving people alone to be creative—can survive disastrous statesmanship. The defiantly wrongheaded foreign policy of Donald Trump therefore puts at great risk almost every geostrategic treasure offered up to the US by the shale revolution.

First, in threatening the future of the wildly successful Nafta accord, the Trump White House endangers not just the significant continental gains made so far, but also imperils the glittering prospects of North American consolidation

of near-energy independence in the medium term. After all, neither Mexico City nor Ottawa will likely want to formalize consolidating energy ties with a US that has shown itself to be such a fickle and unreliable economic partner.

Second, the same goes for the White House's threatened trade war with China. There is no doubt that Beijing has not played fair in many ways in terms of its trading regime—from habitual intellectual property theft to endowing lavish subsidies on state-owned enterprises. However, by unilaterally threatening up to \$150 billion in tariffs (and actually imposing a 25% tariff on Chinese steel and a 15% tariff on aluminum) the Trump administration is not taking the longer-term picture into account. To put it mildly, Beijing, so ripe to be won over due to its pressing energy needs and the advent of US shale, will hardly turn to the United States for its long-term energy supplies in the midst of a trade war. The geostrategic losses could be incalculable.

Third, by ignoring the Obama administration's efforts to extricate the US from the cesspool of the Middle East and, instead, by reverting to form in mindlessly supporting Saudi Arabia, President Trump has increased the American footprint in a region when it is both unnecessary (offering little strategic gain) and highly perilous. The US fiddles in the Middle East while the primary geostrategic arena has decisively shifted to Asia: most of the world's future growth will come from the latter region, along with much of its political risk. The shale revolution provided the United States with an elegant reason to truly pivot away from the Middle East, yet sadly—and for no gain—this opportunity is being tragically ignored.

There is absolutely no doubt that Bismarck's law holds. Through a combination of great good luck and the skill of believing in the genius of its people, the United States has been given the Holy Grail that is the shale revolution. The tragedy is that all this good fortune is being squandered by a president who remains resolutely determined not to let facts get in the way of his theories.

*John Hulsman © Aspen Institute Italia 2018. This article originally appeared in *Aspenia international* 79 "Charging ahead: the energy transition". www.aspeninstitute.it*

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The Future is Bright

ASPEN.REVIEW
PAVLINA LOUZENSKÁ

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MILLENNIALS



If Generation Z stays on the barricades, how #MeToo failed us and finally how Gen Z will save us.

Emily Ratajkowski was your usual swimsuit supermodel until she wasn't. On October 4, she posted a picture on her Instagram scoring almost two million likes. Nothing unusual for her profile, but this time she was fully dressed and protesting the Supreme Court nomination of Brett Kavanaugh with a *Respect female existence or expect our resistance* poster. Emily Ratajkowski was your usual swimsuit supermodel until she was arrested for speaking up.

#MeToo began a year ago and has become a signifier for a movement that is changing the future. Being a woman has suddenly become an opinion. A way of life. A destination. Oprah, Lady Gaga or Michelle Obama and many more have given incredible speeches celebrating female empowerment. *Lean in* by Facebook's Sheryl Sandberg has become a bestseller and *Feminist* a proud label. And as fashion always follows zeitgeist, a pantsuit has become the go-to trend of the last season.

In the time when everything is measured in likes and views, female empowerment has become a recipe to attract a millennial audience all over the world. The French blogger Siham Jibril has created a podcast about female entrepreneurs GenerationXX which has scored two million downloads in less than two years. Media houses such as Forbes or Huffington Post have

introduced female-oriented sites and many brands are following their lead. From Audi's Super Bowl *Daughter* ad to *Run like a girl* by Always, empowerment has suddenly become a powerful marketing tool.

The Washington Post¹ proclaimed 2017 as the Year of a Woman. An outspoken, fierce and digitally-savvy one.

Being a woman has suddenly become an opinion. A way of life. A destination. – In the time when everything is measured in likes and views, female empowerment has become a recipe to attract a millennial audience all over the world.

Once you have a word for it, it exists

It would be easy to diminish celebrity speeches and Instagram posts, but they all add up. When learning a foreign language, it is said that you need to hear and say a word seven times to memorize it. Every time you hear someone saying he or she is a feminist, it is becoming part of your own vocabulary. Every time you see a female CEO, you start believing you can become one. The Austrian philosopher Wittgenstein explains that something exists once you have a word for it. So by describing the future, we are creating it. Turning what has one been a black swan into an everyday reality.

I started a female empowerment movement for women in business *#HolkyzMarketingu* after attending a tech conference, where I was taken for a waitress. I was a speaker, but at that time only 12% of women chose a career in tech and only 3% of creative directors in advertising agencies were female. I was a black swan, somebody considered not to exist, until she did. Five years later, we united over 13,000 women from the Czech Republic with a single mission: to change the status quo.

This is long suppressed anger that has been transformed into energy, that is changing the future. It turns swimsuit models into activists and causes a record number of women to seek office for the first time in the U.S. *"My 16-year-old turned to me after the election and he said, 'America doesn't want a smart qualified women in office.' By Friday I was running."* The January New York magazine² cover sums it up: it is the frustration that drives reaction.

Many movements have bloomed out of this frustration: from Time's up, girlboss to HER, women seem more united than ever. With new role models to follow not only on social media, but in their footsteps, the future looks equal.

Instagram's adoption vs Feminism

Millennials are used to change happening very quickly. Many of the jobs they hold, did not exist ten years ago. The same is true for the tools they work with. Technological adoption has accelerated and what once took years, now takes days. Gen Y are used to immediate feedback on social media. Since Google AdWords, they measure all campaigns in a precise return on investment.

Deloitte's study on Millennials in the workplace reveals their frustration that companies set their priorities differently from where they should be. On revenue, instead of a mission and true impact. *Generation What*, European research among young people between 18-34, states that 89% (and 81% in the Czech Republic) believe banks and money rule the world.

Kat Gordon, founder of the *The 3% Movement* Conference, has pointed out: *"True change doesn't happen in ads, it happens in boardrooms and paychecks."* And that is where the true issue lays. According to TechCrunch³, the money invested into companies, with at least one female founder, represents just nine percent of the venture dollars invested in Q1 2018 and only three percent of the venture dollars were invested in solo female founders. Fortune 500 companies still only have 5% of female CEOs and the ratio of female founded startups in Europe is still below 27%⁴, and the female investor rate is under 7%.

"True change doesn't happen in ads, it happens in boardrooms and paychecks." The money invested into companies, with at least one female founder, represents just 9% of the venture dollars invested in Q1 2018 and only 3% of the venture dollars were invested in solo female founders.

It is therefore not surprising that the anger that started empowerment accompanies it now. That the change is not as quick or visible as they hoped for. *"Perhaps one of the most telling of the #MeToo lessons has been just how quickly many of the accused have been "cleared". (...) Even those who have admitted wrongdoing have found the stigma of their actions quickly slip away. (...) Others who stood accused have emerged unscathed,"* shares Jo Ellison⁵ in October's Financial Times.

When politicians, comedians or judges still hold their positions after being accused, a feeling of resignation begins to kick in. When female CEOs

1) <http://wapo.st/2C5o54u>

2) <https://www.thecut.com/2018/01/women-candidates-2018-elections.html>

3) <https://techcrunch.com/2018/04/17/q1-2018-global-diversity-investment-report-investing-trends-in-female-founders/>

4) <https://www.f6s.com/womenstartupcompetition>

5) <https://www.ft.com/content/f3f5e7fc-c7cf-11e8-ba8f-ee390057b8c9?segmentid=9b41d47b-8acb-fadb-7c70-37ee589b60ab>

still seem like black swans, the lack of hope that incubators, mentors or communities can really have an impact is apparent.

As Janan Ganesh states in October's Financial Times: "*The anger of the day stems from a kind of innocence. It assumes progress to be the natural order of things—not just the way the world should be, but the way it has been most of the time.*" But the financial crisis, among other things, has given us a lesson. That it is only technological adoption that accelerates without any comments below the line.

Acceptance, social awareness and social activism have become their favourite hashtags. V4 Gen Z was born not only into a connected world but into connected countries. The ability to move and work wherever they want, has become a natural order, not a privilege.

Y+ Z = future

It should be no surprise that different empowerment movements are so visible now. Millennials have already been labeled purpose-driven, but for Generation Z, it is the key driver. Acceptance, social awareness and social activism have become their favourite hashtags.

The Czech Republic joined the EU in 2004, together with Poland, Hungary and Slovakia. V4 Gen Z was born not only into a connected world but into connected countries. The ability to move and work wherever they want, has become a natural order, not a privilege.

The first generation that was born into a connected world has learned to share what they like or not. And act on it. Young British voters have become more active in politics, with an estimated 58% of 18- to 24-year-olds voting in the 2015 general election, according to the British Election Study; this represents a significant jump, from 38% turnout among the same age group in 2005.⁶ "*What we're seeing is a generation of children who are expressing much more clearly that they are just generally so unhappy with themselves and the situations around them,*" says Emily Cherry, head of participation at the British National Society for the Prevention of Cruelty to Children.

And it is not the political ecosystem, that is changing. Only 63% of British teens define themselves as 100% straight and only 78% of young men and 80 % women identify as 100% male or female, according to the

National Citizen Service. What has been a label to Millennials has become a choice for Generation Z.

What Gen Y has so painfully uncovered and defined, the following generation can take as a building ground for action. Movements like #MeToo might have been slow to cause real change, but they have started it. *“Until quite recently, such criticism was written off, or dismissed, as liberal hand-wringing. Or a niche point of view. That’s not so easy any more. The hand-wringers have been activated and they are getting harder to ignore,”* states Jo Ellison⁷ in the Financial Times.

Organizations like the Czech IT initiative to empower women in tech Czechitas or the Armenian sports program for girls GOALS⁸ are changing the lives of girls, who are yet to enter the workforce. They have understood that impact is measured by scalability and sustainability and therefore it is the most logical to shape what is ahead of us. We already know all of this.

Last night, when I sat through pitches at Propeller, a social entrepreneurship incubator in New Orleans created to rebuild the city’s success post-Katrina, I realized that change does not happen overnight, it needs a movement to sustain it. What we have started, needs the energy of future leaders, to fulfill its full potential. And the more we talk and act now, the more powerful it becomes tomorrow.

6) <https://www.theguardian.com/lifeandstyle/2016/dec/10/generation-z-latest-data-teens>

7) <https://www.ft.com/content/f3f5e7fc-c7cf-11e8-ba8f-ee390057b8c9?segmentId=9b41d47b-8acb-fadb-7c70-37ee589b60ab>

8) <http://newsroom.aua.am/2018/01/19/aua-students-keep-the-ball-rolling-at-goals-ngo/>



We invite alumni of the Aspen Young Leaders Program to present their projects, thoughts and inspiration in Aspen Review. Aspn.me/AYLP

PAVLÍNA LOUŽENSKÁ

Pavlna’s passion is to build pioneering platforms that enable turn-around in creative industries. Her goal is to lead and create innovative products which can tell a great story. Pavlna is greatly interested in female empowerment in a business environment. She started #HolkyzMarketingu which has grown into a 13,000+ women network. She has been selected as one of the Young Transatlantic Innovative Leaders Initiative Fellows. She is a Board Member for Transparency International.



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INTERVIEW
ITALY
ELECTIONS
DEMOCRACY



Lorenzo Marsili: Europe is not in Crisis Because of Putin

The next European elections are going to be a litmus test for the state of democracy worldwide—says Lorenzo Marsili in an interview with Jakub Majmurek.

JAKUB MAJMUREK: Italy has elected a government supported by the Five Star Movement (M5S) and Lega Nord—two political parties generally regarded as dangerously populist and more or less anti-European. How were the populist forces able to win the support of the majority of the Italians?

LORENZO MARSILI: Italy has experienced twenty years of economic stagnation. Despite boasting a nearly uninterrupted trade and primary surplus since the mid-1990s, the economy has been underperforming in comparison with European partners. Following the 2008 crisis, the situation worsened considerably, and today the country's output still remains below pre-crisis levels. Over 4 million Italians live below the poverty line, while in excess of 200,000 are leaving the country each year in search of better prospects. Successive governments have blindly, and badly, implemented austerity measures, while doing virtually nothing to actually change the economic fundamentals of the country. The result is that Italy today is an unsustainable economy sitting within a dysfunctional Eurozone. The entire 'traditional' political spectrum—from the center-right to the center-left—is, with some

The Communist party has morphed into today's Democratic Party, the party that, prepared the victory for the Five Star Movement and the League.

justification held accountable for this predicament. Voters have shown a preference for the unknown over continuity.

Why are there no "Italian Podemos"? Why didn't the anger and the disenchantment of Italians with traditional political parties help create a new leftist force? Those times when the Communist party in Italy used to be a second political force seem to be the very distant past, don't they?

The Communist party has morphed into today's Democratic Party, the party that, led by Matteo Renzi, prepared the victory for the Five Star Movement and the League. Before Renzi came to a leadership position, and following a path familiar to most social democracies, the party was instrumental in implementing the largest privatization drive in Italy's history and in significantly weakening labor protections. Around 2011, Italy—just like Spain with the Indignados or the UK and USA with Occupy Wall Street—was crossed with lively protest movements. That year, over 27 million Italians demanded, obtained, and then won a referendum demanding the removal of the water provision from the market and a ban on nuclear energy. This might have formed the base for a "new left" in Italy. 2011 was the year, however, when the newly founded Five Star Movement successfully ran in local and regional elections and intercepted much of that protest vote. Don't forget that

the key discursive apparatus of Podemos—the people versus “la casta”—comes straight from Italian politics and was first pioneered by the Five Star Movement.

What kind of party is the Five Stars Movement actually? Can it justifiably be labeled as one of the forces of a new right wing populism? Does it have something in common with the radical left?

The Five Star Movement represents a new kind of centrist populism. It mixes right-wing and left-wing messages, depending on the circumstances and political opportunity. It is, for instance, to the right of center on migration policy, while being to the left of the Democratic party on the issue of privatizations or extending welfare protection. It is a catch-all party, and as such works much better in opposition or during election campaigns than in the government. It is no surprise that it is now being overshadowed by its junior coalition partner, the far-right League. The League knows exactly what it wants. The Five Star is mostly interested in being in power, without any particular vision as to how to actually use that power.

Both M5S and Lega Nord used to express their skepticism toward Italian participation in the Eurozone. Now they seem to have made some kind of truce with the euro, haven't they? Do you think that the issue of the costs of the euro

for the Italian economy is going to return to Italian political debate?

Both parties realized there is no appetite in the country for an euro exit. Italians still have high savings, about 80% home ownership, and the country is dotted with SMEs demanding financial and political moderation. Above all, both parties realized that any attempt to exit the Eurozone would have to be sold to the electorate as a reaction to external events and not as a policy objective. While the Five Star Movement stops short of a full-blown confrontation with the EU, the League would be much happier with a show-down leading to a speculative attack on Italy's debt that would prepare the political terrain for an euro exit. In the midst of a financial attack like that of 2011, it would be reasonable to expect this government to introduce capital controls and a parallel or fiscal currency.

Matteo Salvini—leader of Lega Nord and the current Italian Minister of the Interior—is known in Europe primarily for his ardent opposition towards EU policy regarding refugees and migration. How will the new Italian government be able to influence European politics in that area?

Salvini cannot be against EU migration policy as such a policy does not exist. And that is precisely the problem. Salvini has put himself in a win-win situation. His strong-arm policy—essentially taking

human beings hostage at sea to demand redistribution within the EU—can lead to two outcomes. Either some EU states cave in and accept redistribution, or they don't and continue keeping their ports shut. In the first case, Salvini will be able to argue that his policies worked and forced other partners to share the burden. In the second, he will be able to accuse all the EU countries of hypocrisy, showing that they're implementing exactly the same policy of closure he has brought to Italy.

The party was instrumental in implementing the largest privatization drive in Italy's history.

Mr. Salvini has also been less than shy about his admiration for Vladimir Putin. How might his stance on Putin affect Italian and European politics regarding Moscow?

There is an instinctive proximity between new far-right leaders the world over: they all share a penchant for authoritarian, xenophobic, and mostly illiberal governance. But we have to be clear: Europe is not in crisis because of Putin. It is undergoing a self-made political and economic crisis due to misguided policies, the inability to deepen integration through a democratization of the EU, and adherence to a failed economic model. Putin's strength is a symptom of European weakness, not its cause.

The Great Recession of 2007-2008 revealed the weaknesses of southern European economies. Do you think that the politics of austerity which followed the crisis managed to help address the inherent problems of economies of such countries as Spain, Portugal, or Greece?

Spain is experiencing moderate economic growth mostly due to a rising level of private debt. Greece remains mired in a humanitarian crisis with 20% unemployment and an output one quarter below 2008 levels. Italy has insignificant growth and no improvement in its fiscal stance. Austerity policies have been a failure in all ways except one: in fueling the rise of extremist politics.

Do you think that Lega and M5S will be able to repeat their success in the European elections next year?

That depends on what political alternative is presented to the electorate. Sadly, at the moment there is nothing to stand in their way.

The pan-European movement DiEM25, which you represent, is far from being a Eurosceptic force, but none the less it's extremely critical of the politics of contemporary European elites. What are the main problems with the current EU?

The EU is victim to its own undemocratic nature. The inter-governmental

system—pitting government against government in the secrecy of the European Council—is structurally unable to guarantee the common interests of Europeans. Think about this: would it really be difficult for a Union of 500 million people to humanely and effectively manage migration flows of a few hundred thousand people? Or: why do EU countries have to lose €1trillion in taxable income due to tax competition and tax havens within the EU itself? The answer is short-sighted, and ultimately self-defeating: national interest. Whether it is Hungary blocking migrant relocations or Ireland blocking actions against tax havens. What’s holding Europe back, and what ultimately will cause its demise, is our collective inability to create a functioning transnational democracy.

DiEM25 has been vocal in its criticism of the current form of the Eurozone.

What are the main problems with the monetary union as it is now?

There has never been so much liquidity sitting in Europe’s financial system. And yet, several parts of Europe suffer from significant under-investment: from German ports to Italian industrial districts to Eastern European railways. More worryingly, Europe is falling behind in the race for the future. While China is investing in excess of USD150 billion to become the world’s leader in Artificial Intelligence by 2025, the EU barely has any

digital company to speak of. Before getting bogged down in the complexities of Treaty change, Europe needs investment. And this can be done immediately, without any institutional change. One proposal: the European Investment Bank should issue up to 500 billion of investment yearly, equivalent to 5% of the EU GDP, for a continent-wide project of industrial and ecological transformation. With a ECB guarantee—a better use of funds than QE—such resources would come at zero cost.

Is any real reform of the Euro probable, considering how the current state of eurozone seems to suit the interest of such strong European players, like Germany?

Short-sighted economic nationalism leads to disastrous consequences. Germany risks trading short-term financial gain—notably, easier exports with a devalued currency and near-zero refinancing rates—for political turmoil across the EU and in Germany itself. I am convinced that there are still enough people in strong European countries like Germany who understand that.

Do you think that the next European elections can significantly change the politics of European institutions and bring about any vital reform to the EU? Or is the reform only possible through national elections and the politics of national governments?

It is hardly coincidental that Steve Bannon, Trump's former chief strategist, has decided to set up a new foundation to support far-right parties in advance of the May 2019 European elections. This will be a litmus test for the state of democracy worldwide, impacting nearly 500 million people in 27 democracies. The plan is simple. Turn the European elections into a confrontation between status quo politics and a new, nationalist far-right: a strategy that worked so well in the race between Trump and Hillary Clinton. In order to break out of this trap there is only one way: presenting a groundbreaking program of political and economic change across 27 European countries.

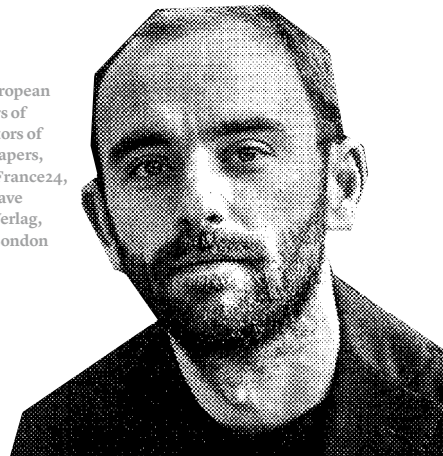
From the Central-Eastern European perspective, new movements on the left often seem quite frivolous on issues of European security. What do bodies such as DiEM have to say on such issues as the crisis of NATO under Trump's presidency, Russia's meddling in European affairs, or the situation in Ukraine?

LORENZO MARSILI

is an author and social entrepreneur. In 2008 he co-founded transnational NGO European Alternatives, and he is now of the organisation's directors. He is among the initiators of pan-European movement DiEM25 and, since 2018, a member of the Board of Directors of the international NGO CIVICUS. He is a regular contributor to international newspapers, including *The Guardian*, *Al Jazeera*, and *Il Fatto Quotidiano*, and a regular guest for France24, BBC World and Italian television. His latest book is "Citizens of Nowhere: How to Save Europe from Itself" (Zed Books, 2018; German edition forthcoming by Suhrkamp Verlag, 2019). He holds degrees in Philosophy and Chinese Studies from the University of London and SOAS. He is currently finishing a new book entitled "New Internationalism".

There is an instinctive proximity between new far-right leaders the world over: they all share a penchant for authoritarian, xenophobic, and mostly illiberal governance.

It actually seems to me that it's Eastern European far-right authoritarians that are rather frivolous on security. Viktor Orbán and Jarosław Kaczyński should be careful what they wish for. If their actions do bring about a structural weakening and fragmentation of the EU, then the first countries to suffer in terms of security will be their own. Europe needs a shared defense and a shared diplomatic voice. But with one, fundamental caveat: there can be no shared defense system without the democratic accountability that goes with it. And that is why, again, European democracy is the premise of it all, including the security of Eastern Europe.



The European Union's Houdini

Edit Zgut As has been rightly pointed out by Jacques Rupnik, the European Union as a liberal, elitist, supranational project is a perfect target for populist nationalists since it represents a combination of important grievances. This has been mirrored accurately in Hungary where Prime Minister Viktor Orbán depicts himself as the only defender of national identity and sovereignty against “external threats”. Due to the nature of his regime, the latter has to be rhetorically present permanently. Hungary is a unique case because Orbán’s government has spent an unprecedented amount of public money on numerous billboard and media campaigns, national consultations and even a referendum targeting Brussels, which is allegedly working on undermining its national sovereignty.

This is nothing, however, like the Brexit campaign. The main goal of the Hungarian Prime Minister is not to abandon integration, but to legitimize his regime and change the nature of the European Union. In contrast to Western European liberalism, he wishes to turn the EU towards a politics built on preserving religious and national self-identification, in which societies would be based on ethnically homogenous, Christian, traditional values. This is embedded in a wider discourse on sovereignty based on the notion that there is a potential conflict between the Hungarian nation and the dangerous, decadent West advancing in the wrong direction.

Migration helps Orbán transform the political system

While Orbán is depicting himself as the anti-Merkel of Europe saving Christianity by protecting traditional values from multiculturalism and immigration, he seeks to create conditions for cementing his authoritarian regime on the EU level. He has been using migration as a pretext for consciously transforming his political system by relegating human rights and procedural norms, considered to be at the foundations of liberal democracies, to secondary roles. While the current macropolitical environment helps him in depicting himself as the defender of white, Christian Europe, with this anti-immigrant stance becoming one of the mainstream positions in European politics, Orbán is nonetheless walking a slippery slope. Due to the economic burdens arising from Brexit and the migration crisis, the EU is facing one of the biggest budget reforms in its history which could harshly affect Hungary for two main reasons. According to the Commission's proposal, not only would less subsidies be allocated to Hungary but payments could also be tied to rule of law-related requirements.

The main goal of the Hungarian Prime Minister is not to abandon integration, but to legitimize his regime and change the nature of the European Union.

Orbán, who used to try to calm the intra-European People's Party (EPP) tensions generated by illiberal state-building and systemic corruption, is now open about the possibility of potential blackmail. In his latest speech at Băile Tușnad, he emphasized that 2019 should be a turning point in the integration involving replacing the current, "European elite from '68," and allowing people more closely aligned with Fidesz's politics to take over control. Orbán, who often draws a parallel between the Western intelligentsia from 1968 and the administration in Brussels, has built up a conspiracy theory that the elites in question are implementing the Soros-plan, which revolves around bringing as many Muslims as possible to Europe, rendering it impossible for parties founded on Christianity to win an election in the future.

The EPP is not able to insert influence on Orbán

He has highlighted the fact that he is ready to leave the largest European parliamentary group if they do not stop criticizing the Hungarian government.

He has derived his potential for blackmail from the shift in German and Italian domestic politics to the right and the strengthening of anti-immigration, anti-EU European parties. Eurosceptic, anti-immigrant, parties will presumably be strengthened further, and he continues to base his strategy on the assumption that the EPP will not be willing to sacrifice its Fidesz delegation of 12 MEPs.

With Orbán quickly curbing judicial and academic independence and criminalizing humanitarian help and homelessness it has become apparent that the European People's Party is not able to exert an influence on him.

With Orbán quickly curbing judicial and academic independence and criminalizing humanitarian help and homelessness it has become apparent that the European People's Party (EPP) is not able to exert an influence on him. Orbán's party has also hinted that expelling Fidesz would have serious consequences for the entire EU as they would accept Italian Interior Minister Matteo Salvini's invitation to join his planned Eurosceptic, anti-globalist, anti-immigrant platform, a group called "The League of Leagues," which would render the EU inoperative, by vetoing, for example, the EU budget. It might not be worth it, however, for Orbán to join a platform where Salvini would advocate the mandatory relocation of refugees and Austrian Freedom Party (FPÖ) would claim a smaller EU budget after 2020, these both being issues which are not in the core interest of Fidesz.

A destructive strategy to achieve different goals

While Orbán is pushing to become a relevant figure on the international level by showcasing himself as a successful model and reformer of conservative (what he himself defines as "Christian democratic") politics, primarily by adopting topics from the far right, Hungary has a limited influence within the Council. That is why he has vetoed EU decision-making on migration, increasingly frequently, doing so in the name of protection of national sovereignty and its anti-EU freedom struggle.

The root of the conflict is that the government objects to all proposals that are aimed at managing as opposed to entirely stopping migration. Moreover, Orbán has extended his anti-West freedom struggle to the multilateral level by withdrawing from the Migration Compact of the United Nations,

which means that Hungary is on its own weakening the unified EU position for negotiation. This is particularly crucial with the EU having assumed the central force for developing countries both symbolically and literally after Donald Trump's removal of the United States from the talks.

Apart from advocating a "Europe of nation-states", Orbán is planning to continue his destructive, anti-EU strategy, in order to achieve another two goals: undermining the legitimacy of EU institutions and obstructing them from operating successfully, especially in the field of home and justice affairs. His tactic has been to try to iron out its rule of law conflict with the EU in the form of separate infringement procedures and other legal procedures while transforming the political system to centralize power and weaken checks and balances. Although the Hungarian government has retreated on a number of issues, for instance finally respecting the judgment of the Court of Justice of the European Union on the early retirement of judges, the damage was already been done before the verdict was given. Fidesz's goal was achieved as they have been able to get rid of most of the head judges of courts and replace them with loyalists. In the case of the Orbán regime, which is firmly based on the informal exercise of power, the EU has had a limited leverage thus far given that most of the legal and political practices of the community were designed for formal institutional issues.

EDIT ZGUT

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Germany and France: The Expensive Friendship

When it comes to the rhythm of European integration, Paris and Berlin evidently do not share the same starting points.

Since the formation of a new German government in spring 2018, the Franco-German machine has been running at top speed. High level meetings have followed one other and all resources are being mobilized to achieve compromises on major European issues such as Eurozone reform and asylum policy. And yet, agreements are sparse. Moreover, they remain distant from the French President's ambitious European projects. Indeed, a wide gap lies between Emmanuel Macron's speech about Europe at the Sorbonne and Angela Merkel's interview at the Frankfurter Allgemeine Sonntagszeitung (FAS) eight months later,¹ in which she reacted to the French President's proposals. When it comes to the rhythm of European integration, Paris and Berlin evidently do not share the same starting points. And this on several issues, for instance, European defense; what constitutes a major advance for the one represents merely a first step for the other.

The demonstrated willingness of the German federal government to deepen Franco-German cooperation faces two main obstacles: on the one hand, Berlin's opposition to any new financial transfer; on the other, its fear of upsetting European partners hostile to the deepening of European integration, and thereby weakening cohesion within the EU. In trying to

reconcile contradictory, or to say the least, hardly compatible demands, Germany risks not really choosing, and thus displeasing several of its partners at once.

Consensus on the revival of Franco-German cooperation

There is a clear consensus in German political circles to prioritize the Franco-German partnership. In this respect, the German coalition agreement signed by SPD, CDU, and CSU in February 2018 leaves no space for doubt: “We want to develop as much as possible common positions on all important questions of European and international politics, as well as in the areas where the EU, with its 27 members, proves inefficient.” Among the issues mentioned are the resolution of the conflict in Eastern Ukraine, cooperation on security matters, tax harmonization (including the introduction of a common framework for corporate taxes), the fight against global warming, and the creation of a Franco-German center for artificial intelligence.

Before the federal government was even formed, a working group of French and German members of Parliament from all backgrounds began defining modalities and sketching the contours of a new Élysée Treaty. The current version, dating back to 1963, lay the groundwork for bilateral cooperation at the very beginning of the European construction. After adopting a parliamentary resolution for a new bilateral treaty in January 2018, the working group presented a series of ambitious proposals only a few months later, covering economic and social questions, as well as foreign policy and cross-border cooperation.²

The end of resistance

Two factors explain such an eagerness. Firstly, the election of a President who is both reformist and pro-European is globally perceived as an opportunity in Germany—especially as the campaign was punctuated by scathing critiques of the EU and the German government. For years, political leaders from the right as well as from the left have lamented the lack of reform in France, considering it both a risk for the economic stability of the Union, and a hindrance to the deepening of the EU. Emmanuel Macron’s program for domestic policy has thus been welcomed as marking the end of such resistance to change. Its atypical character has allowed each to project onto it her own preoccupations,

1) “Initiative pour l’Europe” – Speech of Emmanuel Macron in favor of a sovereign, united, and democratic Europe, 26 September 2017. Interview with Angela Merkel in the Frankfurter Allgemeine Sonntagszeitung, 3 June 2018.

2) Franco-German working group from l’Assemblée nationale and the Bundestag, common position on the renewal of the Élysée Treaty, 20 June 2018. <www.bundestag.de/blob/561190/473c87a6bde-81ba91851631c3a3bb09b/drittes-positionspapier-der-deutsch-franzoesischen-arbeitsgruppe-data.pdf>.

whether concerning labor market reform on the right, or the consolidation of European solidarity on the left. This feature, in turn, has enabled the German political community to reach a quasi-consensus on the subject.

The second factor concerns international instability. Faced with multiplying crises at the borders of the EU—of which migratory pressure is only one expression—and the uncertainties weighing on the transatlantic partnership since Donald Trump's election in 2016, Berlin is aware that Europeans must now take their destiny into their own hands. Yet, in a European Union itself experiencing serious tensions and soon to be deprived of the presence of the UK, France is the partner best equipped to cooperate with Germany on these issues. This is the case not only because it wields traditional leadership on diplomacy and security issues, particularly thanks to its permanent seat on the UN Security Council, but also because the two nations have a long history of cooperation on these matters, e.g. on the peace process in Ukraine and the Iran nuclear deal.

Budgetary reticence

The two fields in which France and Germany are the closest are foreign policy, as well as asylum and migration policy. While they do not share the same vision regarding defense and security, both governments see themselves as advocates of a multilateralism threatened by the repeated attacks of the American President. On this point, Germany should take advantage of its temporary seat on the UN Security Council for 2019/2020 to demonstrate its unity with France. Regarding migration issues, they have shared interests. They both wish, on the one hand, to strengthen border control on the external frontiers of the EU by granting more resources to Frontex and, on the other, to place the coordination of asylum policy in the hands of a newly created European agency—a proposal that goes hand in hand with distribution of refugees within the EU, which the states of the Visegrad Group reject.

When it comes to reformation of the monetary Union, however, reaching a Franco-German agreement is proving far more complicated. In Germany, Macron's flagship project of creating a Eurozone budget provoked an outcry from the start. This immediately resulted in the resurfacing of a reflex closely linked to Germany's European discourse: the fear of having to pay for others, and thus be roped into an adventure with unpredictable consequences. Nothing better expresses this than the magazine *Der Spiegel*

characterizing France the day after the election as “Teurer Freund”—which means both “dear friend” and “expensive friend”. If a Eurozone budget is unacceptable to the federal government, it is because it suggests a “union of transfers” to which public opinion is viscerally opposed, and because it concerns only a portion of the EU member states.

3) Speech by Emmanuel Macron at the award ceremony for the Prix Charlemagne at Aix-la-Chapelle, 10 May 2018.

Germany has no appetite for ambitious European projects

Admittedly, the two governments have, in the meantime, agreed on reform of the Banking Union and the creation of a budget for the Eurozone. Announced in June 2018 at the Meseberg meeting, the latter initially appears to be a concession to France. Yet insofar as neither the sum nor the nature of this budget has been specified, the agreement remains vague. The reasoning is in fact

Poland and other Central Europe countries also rejected a budget specific to the Eurozone, albeit for other reasons. They fear that this will entail a reduction of the European budget.

quite different on each side of the Rhine. For Paris, the budget must be permanent and relatively significant (1 to 2% of the GDP) in order to help states in difficulty and finance common investments. While the German Chancellor also refers to an “investment budget”, her approach is far more cautious, both with regards to the sum and the functioning of the mechanism. If such a Eurozone budget ever comes out, the federal government will ensure that it is not a blank check and that it is equipped with safeguards. It should also insist that the funds be aimed at specific, temporally limited projects—e.g. digitalization and infrastructures, fields in which Germany lags behind.

Furthermore, the priority given to a balanced budget by the German government restricts its appetite for ambitious European projects. The participation of the Social Democratic Party in the government has no impact on this budgetary “fetishism,” to use the French President’s oft quoted expression.³ While its candidate may have supported French proposals during the campaign, its leaders fell back in line quickly thereafter. From a political perspective, it seems more profitable to insist on maintaining pension levels rather than pushing for costly European projects. The success of the Alternative für Deutschland (AfD), the nationalist party which entered the Bundestag in fall 2017, is evidently not inciting the traditional parties to take risks in this regard—in fact, quite the contrary.

Cohesion before strengthening

Apart from budgetary questions, Germany is torn between reviving the Franco-German cooperation and maintaining European cohesion. The French government clearly prefers a multi-speed Europe, of which the Eurozone would be at the forefront, even if this requires leaving behind countries reluctant to go deeper in European integration. Concerned about the centrifugal forces threatening the stability of the EU—more than ever since the implementation of Brexit—and convinced that guaranteeing European unity is its own responsibility, the German government is tempering Parisian fervor. The negotiations regarding PECSO, the Permanent Structured Cooperation on Defense, reveal Germany's caution. While France has hoped for ambitious measures, Germany has insisted on their inclusive character. It was ultimately decided in late 2017 that all member states (with the exception of the United Kingdom) would participate, but the project's ambitiousness was seriously diminished.

Although France will remain a privileged partner, the Franco-German cooperation should not be, according to Berlin, at the expense of internal EU cohesion.

Among the French President's proposals, the most contested by other Europeans is the Eurozone budget. Due to the political vacuum left by Germany's lengthy governmental negotiations, several northern European states came together, echoing the message that had been, until then, communicated by Berlin: the reinforcement of the Eurozone can only pass if budgetary rules are respected. Poland and other Central Europe countries also rejected a budget specific to the Eurozone, albeit for other reasons. They fear that this will entail a reduction of the European budget—from which they profit—and also that states that do not belong to the monetary Union will be sidelined from major EU decisions. Sensitive to this twofold opposition, Berlin is softening its position. It has only barely accepted the notion of such a budget, of which the modalities will be defined with the other members of the Eurozone—half of whom are opposed.

The risk of too moderate propositions

Another disagreement is linked to EU asylum policy, in particular to quotas for the distribution of refugees. The four states of the Visegrad group are ve-

hemently opposed to it. The situation is different from that of the Eurozone budget, insofar as their objection does not so much concern a Macronian project as a demand of the German government made since the summer of 2015. Germany is nevertheless trying to be conciliatory. Without abandoning the idea of distribution, it is treating the subject more discreetly. Moreover, it has joined a discourse, present elsewhere in Europe, by foregrounding its desire to harden asylum policy and reinforce protection of the EU's external borders. The threat from the AfD, pressure from the Christian Social Union (CSU) within the governmental majority, and the dissatisfaction of a portion of the population have all contributed to this change. Germany is simultaneously seeking the support of Paris in the search for middle- and long-term European solutions.

Although France will remain a privileged partner, the Franco-German cooperation should not be, according to Berlin, at the expense of internal EU cohesion. In the future, concessions to the French government will likely be made on two conditions: on the one hand, that other European partners not be slighted; on the other, that the German population realize the benefits from them, or at least not consider them contrary to the country's interests. European border controls and investments in a digital economy fall into this category. Certain ambitious projects are at risk, however, of being trapped, especially if they are divisive and require financial transfers. This wide gap between the deepening of Franco-German cooperation and the maintaining of European cohesion has the advantage of avoiding the *status quo* in a Europe that is subject to internal tensions. The flip-side of the coin is that the proposed answers risk being too moderate or delayed for the EU to be able to address its challenges. Furthermore, the risk for Germany is to upset an impatient France, which it needs support from, while at the same time rushing European allies hostile to European deepening.

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Macron and the V4: Will the Red Lines Move?

Paris has seen that it can advantageously use tensions within the Visegrad Group to firmly anchor its political aims in the region.

More than a year after the election of Emmanuel Macron as French President, and after his Sorbonne speech, other EU member states still seem to have been caught flat-footed about the activism of the President on the topic of the future of the EU. Germany, the only other European power remaining in light of the result of the British referendum, has only recently timidly responded to the numerous proposals Macron put forward in 2017 on the future of the Eurozone, EU security and defense, or the issue of European competitiveness.

In the equation to create a pan-European consensus on the future of European integration, Macron has also paid a remarkable amount of interest to Central and Eastern Europe, with a keen focus on V4 countries. This represents a change from the relative disinterest expressed by previous presidents, from François Mitterrand to François Hollande. The question in the air, however, is whether this represents a fundamental change in the French approach to European policy, and a structural change destined to placate the feelings of V4 countries that they are not “first class members” of the EU, or whether this a short term move aimed at shoring up support for Macron’s reforms.

Europe is “not a supermarket”

Finding an answer requires understanding what is on the agenda with relations between France and the V4, but also understanding the nuances of the European platform on which Macron was elected. While the victory of Macron against Marine Le Pen was met with a loud sigh of relief across Europe, the newly elected President’s pledge of a “Europe that protects” (*Une Europe qui protège*) has the potential to put the two sides on opposite paths, especially on economic and social issues. This was symbolized by the interview given by Macron to the European press in the sidelines of his first European Council, where he proclaimed that Europe was “not a supermarket” and repeated campaign statements linking lower wages, social dumping and rule of law. He also promised to levy sanctions against the Polish government within three months of his election. Symbolic of this desire was the first phase of the reform of the Posted Workers directive, which was agreed upon in October 2017, with notably the Czech Republic and Slovakia voting in favor, after Macron had met the Prime Ministers of these two countries earlier during the year.

The question of where the V4 as a group, but especially its member states, fit in the vision of a Europe that protects is what will determine the nature of the future relationship, especially now that Chancellor Angela Merkel has finally realized where her coalition stands on Macron’s proposed reforms. While Berlin’s silence provided useful political cover for a region that still sees Germany as the main engine of Europe, and the most important player for V4 countries, Paris will now ramp up pressure on Bratislava and Prague to position themselves and put forward tweaks or counter-proposals that could form part of a greater European negotiation on the future of the EU.

The bridges to Hungary and Poland

The tensions between Paris, on the one hand, and Budapest and Warsaw, on the other, on rule of law issues and social dumping mostly, reinforce the perspective that the Czech Republic and Slovakia can and should act as bridges to Hungary and Poland, but also give the impression that Paris has seen that it can advantageously use tensions within the Visegrad Group to firmly anchor its political project in the region. Without going so far as trying to hamper the unity of the group (which will always remain an ad hoc construct), finding partners for its policies is key for France’s ability to implement its proposed plans.

In the equation to create a pan-European consensus on the future of European integration, Macron has also paid a remarkable amount of interest to Central and Eastern Europe, with a keen focus on V4 countries.

In this regard, the Czech Republic provides an excellent example in terms of defense and security. Prague enthusiastically took part in discussions around setting up Permanent Structured Cooperation, which allows small groups of countries to cooperate in organizing joint trainings and capacity-building exercises or procuring joint capabilities. In addition, the Czech Republic can also be seen as a clear “role model” for European integration from the French perspective, as progress can still be measured in terms of joining the Eurozone—a very frequent topic of conversation in Paris—and being able to adapt its competitiveness model to move away from dependency on the manufacturing sector. Similarly, Slovakia, as the only Eurozone member in the region, represents a key partner for Paris in discussing future monetary and fiscal orientations and the governance structure of the Eurozone, and can serve as a messenger for regional concerns on these issues. Given the importance of economic and security issues, Paris will continue to engage Prague and Bratislava on these matters, providing the more frictionless part of the V4-France agenda of cooperation.

Visible differences on labor market reforms

Similarly, the migratory issue seems to have lowered in intensity, as recent French legislation, destined to streamline the asylum process and allowing for a longer detention period for illegal migrants coupled with an increased role for border police and a more repressive French approach to migration, has subtly but assuredly erased certain fundamental differences. In this light, it can be said that France is building the conditions for a large-scale asylum deal to be agreed upon in 2018 at the EU level. Paris can therefore build goodwill on this topic of shared importance, on top of maintaining strong bilateral relations on other issues, demonstrating that Central Europe is not viewed negatively in the concept of a “Europe that protects”.

There are other issues that will prove more challenging for Macron to find allies in the region. On social and economic issues, the agreement on the next Multi-annual Financial Framework and reforms of the EU, France

and V4 countries start from a very different perspective which may preclude genuine progress.

Reform of the EU labor market may represent the issue on which differences are the most visible. Macron's avowed desire to push for more social and fiscal convergence—in other words, leveling the playing field—presents clear risks for the competitiveness model of Central Europe and is at the heart of Macron's idea of a Europe that protects. Proposals to harmonize tax rates for companies and to agree, by 2020, on a set of rates that would apply to all member states and be a condition for access to cohesion and structural funds, which are destined to prevent the use of said funds for indirectly financing social dumping, have caused concerns in Central Europe, and will only be marginally supported. The dependency of V4 countries on foreign direct investment, and the major role that German companies play in the region, indicate that France will in all probability be in a minority on this agenda. Any discussion will have to be accompanied by how further incentives can be provided in order to compensate, especially in the more forward-looking digital and technological sectors, for any potential loss of competitiveness.

Macron does not refuse cuts in the Common Agriculture Policy

The same reasoning applies to any discussion on a European minimum wage, which was already watered down at the Social Summit in Gothenburg in November 2017. Given that all these discussions do not fall within the legislative competences of the EU, any such discussions will fall within an intergovernmental process that does not favor V4 countries, which will only add to their reluctance. Macron's plan, in contrast, to reduce disparities

Paris will now ramp up pressure on Bratislava and Prague to position themselves and put forward tweaks or counter-proposals that could form part of a greater European negotiation on the future of the EU.

in terms of social contributions (across sectors, for unemployment and retirement, for example) in order to curb any systematic abuses could well, in the long term, be of interest to the region, and could provide a good issue on which to launch a larger discussion about the Social Europe agenda. The posted workers directive is only, however, the tip of the iceberg regarding Macron's desire to bring more predictability—for workers and for

investors—into the European labor market, while attempting to curb any inequalities that may harm the stability of the system in the long term.

Such thinking in France represents the beginning of a departure from earlier thinking about the EU (thinking back to the *peaceful functionalism* of the Mitterrand presidency), according to which the EU was built as a political project, which allows for the projection of French power, rather than an economic project. France has always sought to obtain compensatory mechanisms for its participation in the single market, whether they be in the form of pushing for pan-European industrial policies or a more robust carbon tax, or the existence of the Common Agricultural Policy (CAP). This last domain is symbolic of the change of thinking brought forward by Macron: he is the first President not to refuse the proposal that the budget line for CAP in the next MFF would be diminished, this having constituted a red line for this policy dating from Charles de Gaulle. Indeed, a French reflection paper called for “deep reform of the oldest policies (CAP and cohesion policy) ... to better meet the challenges to which these policies must respond, for the sake of efficiency and added value at the European level”. It is not difficult to see, from the V4 perspective as important beneficiaries of these two policies, how such a desire can lead to a certain amount of nervousness.

The trick employed in the CAP discussion is particularly relevant to this discussion. France has proposed changing the method of calculation of direct payments to farmers, which was taken over in the Commission proposal. This would mean that farmers from larger operations would receive less money per acre; in general, direct support to farmers would be much less reduced than funds for rural development, which also are important for the smaller V4 countries.

Finally, just as importantly, it looks increasingly clear that France will support the Commission proposals on the reform of cohesion policy funds, and will also push for a reform of the calculations determining how monies are allocated to countries. The introduction of new elements in this equation, such as unemployment rates or the impact of immigration, rather than focusing solely on the GDP per capita, can also mean that fewer funds would be dedicated to CEE countries (and more to southern Europe); this comes on top of the harsh reality of numbers which reveals that in real figures, the Commission proposal plans for a 7% decrease in cohesion policy funding. The discussions over the final numbers could therefore become fractious

between France and the V4 countries, and represent quite accurately how the desire for reforms of the EU, expressed by Macron, could clash with the positions of CEE countries.

The V4: A destructive rather than a constructive group

There are therefore a certain number of hot points in the future relationship between France and the V4 countries, which should however not obscure the overall agreement regarding the future budgetary priorities of the EU: defense, border management and protection, investments in technology and innovation and youth. Discussions about the relationship should not be limited to the more difficult, more intergovernmental in nature, dissensions concerning the reform of the labor market which will be harder to find an agreement on at the European level in the short term. The V4 should not underestimate, however, the clear need for Macron to obtain results before the European Parliament elections in the spring of 2019. These will be the first elections for Macron since his election, and his success, not only at the national level but also in his ability to build an influential group at the EP, will be premised on his ability to portray himself as a reformer (in France and in the EU) and to find partners to carry out these policies.

Paris is looking to the V4 to provide reactions to the proposals floated in the last year. If there are none, the V4 countries will remain, from France's perspective, a destructive rather than a constructive group, whose ability to influence European debates and future orientations will remain rather limited. It is a question of choices to make for countries such as the Czech Republic and Slovakia in terms of maintaining a more productive relationship with Brussels, and whom Paris sees as natural partners.

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Skeletons in the Closet

The governments of Poland and Hungary have attempted to build an alliance with Israel for several years now, based on their ideological affinity to Likud, the ruling party in the country. The general condemnation of anti-Semitism by Orbán and Kaczyński is accompanied, however, by a historical policy based on the affirmation of political traditions of which anti-Semitism was an extremely important part.

Israel's Prime Minister Benjamin Netanyahu very cordially received the Hungarian Prime Minister Viktor Orbán in July 2018. Both politicians emphasized that their personal relations and the relations between their countries were very close, and justified it with ideological similarities between Fidesz and Likud. Indeed, in recent years both politicians have declared a hostile attitude to Muslims, a skeptical approach to the European Union, liberal democracy, rule of law and human rights (including sharp criticism of George Soros, a liberal American philanthropist of Hungarian-Jewish origin), as well as admiration for the US president Donald Trump. After Law and Justice (PiS) assumed power in 2015, Poland has also attempted to build an alliance with Israel based on ideological affinities.

At the same time, however, PiS and Fidesz have pursued an identity and historical policy for domestic consumption which involves presenting the history of their own nations as almost exclusively composed of heroes and victims, and an affirmation of political traditions (National Democracy and the extreme-right sections of the war-time underground in Poland, and the regime of Admiral Miklós Horthy in Hungary) for which anti-Semitism

was a very important element of their identity. Part of this policy is an unprecedented leniency towards far-right groups, often voicing more or less openly anti-Semitic views. These groups have been admitted into the mainstream in both countries (interviews in pro-government media, joint celebrations of historical anniversaries with the local structures of Fidesz and PiS, privileged treatment of demonstrations organized by them, for example, the Independence March in Warsaw, which is the largest regular nationalist manifestation in Europe).

Public support for anti-Semitic views

Over the long term, the greatest challenge for the alliance of Poland and Hungary with Israel is the historical policy of the governments in Warsaw and Budapest, downplaying or denying the responsibility of Hungarians and Poles for their complicity in the Holocaust. This policy enjoys very large social support. Opinion polls in both countries indicate that an overwhelming majority of Poles and Hungarians believe that they suffered during the war as much as the Jews and that their ancestors often helped Jews and rarely persecuted them. Sociological research also demonstrates that support for anti-Semitic views in both countries, especially among right-wing voters, has been growing over the last few years and has reached a significant level.

Orbán launched this historical policy during his first term 1998–2002 when its flagship project came into being, namely the House of Terror devoted to the history of Hungary in 1941–1989.

It cannot be disputed that the main perpetrator of the Holocaust was Nazi Germany. This great crime occurred so rapidly, and on such a large scale, thanks to collaboration of groups within other nations of occupied Europe. The cases of Poland and Hungary are radically different. During World War II, Hungary was an ally of Germany for the longest time, although in 1944 it gradually lost its sovereignty. Unlike other allies of Hitler, Hungary did not undertake any serious attempt at armed struggle against Germany.

Military support of Hungarian political forces for the alliance with Hitler was very high during the first phase of the war. It began to decline after 1943, but the pro-German option maintained significant support within Hungarian society up until the end of the war, as did the Fascist party (the

Arrow Cross), which took power in October 1944. Poland was the first country, however, to offer armed resistance to Germans, and the German occupation of Poland was one of the most brutal in Europe, leading to the death of more than two million ethnic Poles. The Germans did not attempt to create a collaborating government in Poland and no serious Polish political force was interested in large-scale cooperation with the Germans. These differences are reflected in what is highlighted in the historical policies of both countries.

Hungarians: Victims of... German Occupation

The foundation of Orbán's historical policy involves downplaying the responsibility of Horthy's Hungary for its complicity in the Holocaust. This is done in three contexts:

- presenting the deportations of Hungarian Jews to Auschwitz in the summer of 1944 as organized exclusively by the Germans, for Hungary since March 1944 supposedly had been under full German occupation;
- emphasizing above all the crimes against Jews perpetrated by the Hungarian Fascist Ferenc Szálasi from October 1944 until March 1945, when Hungary indeed was no more than a German satellite;
- devoting much more attention to the crimes of the Communist regime in Hungary than to the Holocaust of Hungarian Jews.

Orbán launched this historical policy during his first term (1998-2002), when its flagship project came into being, namely the House of Terror devoted to the history of Hungary in 1941-1989. Out of more than 25 rooms, only two small ones show the crimes of Szálasi's Arrow Crossers. All the rest is focused on the Communist period. The exhibition in the House of Terror gives very little space to the deportation to the German death camp Auschwitz of almost 440,000 Hungarian Jews in May-July 1944, where almost all of them were murdered in just a few weeks. This was the fastest Holocaust during World War II. The display in the House of Terror does not make mention of the crucial role of the Hungarian administration, police and gendarmerie in carrying out the operation.

The affirmation of Horthy's regime

This omission results from the claim that Hungary lost its sovereignty in March 1944. This view has become the foundation of Hungarian national identity after Orbán's return to power in 2010. The preamble to the new Constitution

adopted in 2010 even contains a statement to that effect. In 2014, on the 100 anniversary of the deportation of the Jews, a Monument to the Victims of the German Occupation was built in Budapest, presenting Hungary (the Archangel Gabriel) as an innocent victim of German aggression (a swooping eagle). The problem is that the German occupation took place in March 1944 without a single shot and did not abolish or replace any Hungarian state institutions.

The negative reactions from these groups has been one of the reasons which has prevented the establishment thus far of the House of Fates, intended by Orbán as a museum on the Holocaust in Europe.

A large part of the Hungarian elite supported it (especially the generals) and an overwhelming majority, including Horthy, were reconciled with it. The participation of the Germans in the physical deportation was negligible and Horthy was able to stop it after a few weeks. The House of Terror also “forgets” to inform the visitors that, before the German occupation in March 1944, Horthy’s regime was complicit in the death of almost 65,000 Jews (as compared to about 50,000 victims of the Arrow Crossers) and was ready to deport 100,000 Jews to Germany. It is worth recalling that the number of victims among Hungarian Jews, before the German occupation in March 1944, was much higher than the number of victims of the Communist regime.

The policy of condoning or even affirming Horthy’s regime was markedly intensified after Orbán’s return to power in 2010. In recent years Horthy and certain anti-Semitic politicians of his regime, including those active during Szálasi’s period, have been commemorated (street names, plaques, religious ceremonies, monuments, galas, conferences, etc.). Under this policy, anti-Semitic pre-war writers have been introduced into the school curricula.

Criticism from the Jewish community in Hungary

In June 2017, Orbán went as far as calling Admiral Horthy an outstanding statesman. In contrast, under pressure from international opinion, Orbán reluctantly withdrew from some controversial plans to commemorate anti-Semites, and in July 2017, during Prime Minister Netanyahu’s visit to Budapest, he stated that Horthy’s government had “made a mistake and even committed a sin [...], because we decided to cooperate with the Nazis instead of protecting the Jewish community”.

Referring, however, to the Horthy's regime's participation in the extermination of half a million Hungarian Jews (one of the most assimilated Jewish communities in Europe) as a mere "sin" and hiding it under the vague formulation of "cooperation with the Nazis" means that Orbán is not actually willing to genuinely confront the dark chapters of the Hungarian past.

Orbán's historical policy has met with criticism from the Jewish community in Hungary, one of the largest in Europe, as well as from Western politicians, Israeli parties other than Likud and from academic communities including the Yad Vashem Institute. The negative reactions from these groups has been one of the reasons which has prevented the establishment thus far of the House of Fates, intended by Orbán as a museum on the Holocaust in Europe. People particularly strongly objected to the plan to make Mária Schmidt, who created and now runs the House of Terror, director of the new institution.

The most righteous among the nations?

In the case of PiS, the basis of the historical policy has been an emphasis on Polish heroism and martyrdom during World War II, including the exceptionally positive attitudes of Poles towards Jews (providing massive help and compassion).

PiS politicians claim that the allegedly humanitarian attitude of the Poles resulting from its unique Polish identity based on Catholicism, and from the "typically" Polish traditions of the nobility and chivalry. PiS's historical narrative on Polish-Jewish relations radically differs, however, from the results of research published in the spring of this year in the monumental work "It Is Still the Night" (1700 pages) by historians from the Polish Center for Holocaust Research, which is highly regarded in international academic circles.

According to the authors, roughly 200-300 thousand Jews in Poland sought out rescue, after the liquidation of the ghettos by the Germans, in 1942-1945. Only 40-50 thousand of them survived. In the opinion of the authors, "the message of the numbers is inexorable: two out of every three Jews seeking rescue died—most often at the hands of their neighbors, Christians. Despite local differences, our research provides evidence for a significant—and larger than it has seemed until now—scale of Polish participation in the destruction of their Jewish fellow citizens. Although for many it may be

difficult to accept, the historical evidence assembled in this book does not leave the slightest doubt in this matter: large—to a significant extent possible to define and identify—groups of the Polish population took part in liquidation operations, and then in 1942-1945 directly or indirectly caused the death of thousands of Jews seeking rescue on the Aryan side”.

Local pogroms against Jews

It should be noted that the number of Jewish victims estimated in “It Is Still the Night” does not even take into account the complicity of various organizations and informal Polish groups assisting the German forces, which played a key role in these operations, in the liquidation of the ghettos, when the massacres and deportations of Jews to death camps occurred. Moreover, in the summer of 1941 after the German aggression against the Soviet Union, a wave of local pogroms were committed against Jews by their neighbors, including also Poles, in the Polish lands then occupied by the Soviets. Other murders, although on a smaller scale, including pogroms of Jews by Poles, took place immediately after the end of World War II. Denouncing Jews in hiding by the Poles continued throughout the entire war.

A critical reflection of PiS on Polish attitudes towards the Jews during World War II was very unlikely from the start, for it would require an in-depth analysis of the prolonged impact of the nationalist ideology promoted by Roman Dmowski’s National Democracy on Polish society, one of its crucial elements being anti-Semitism. This political formation was unambiguously supported by the mainstream of the Catholic Church in Poland. PiS manifests a positive, and with some of its leaders even very affirmative, attitude towards National Democracy. Moreover, PiS promotes nationalist armed formations from the times of World War II (National Armed Forces, National Military Union), which were strongly anti-Semitic, as a model of patriotism. PiS’s assessment of the role of the Catholic Church in Polish history is, not surprisingly, completely uncritical and hagiographic.

The price of straddling the fence

In late January 2018, on the eve of International Holocaust Remembrance Day, the Polish Parliament passed an amendment to the Act on the Institute of National Remembrance (IPN) making it a criminal offence to “counterfactually” attribute co-responsibility for the crimes perpetrated by Nazi Ger-

many to the Polish nation. The amendment was sharply criticized by foreign academic circles, EU states, the USA, Israel (including Prime Minister Netanyahu) and the Jewish diaspora, all of them fearing that the new law could be used for blocking discussion on the participation of Polish people in the Holocaust. It should be stated that in the case of certain Israeli politicians and journalists this criticism was very radical. One demonstration of this is the deliberate use of the formulation “Polish death camps”, which implicitly questions the primarily German responsibility for the Holocaust.

Due to the crisis with Israel, Polish-American relations underwent the most serious deterioration since 1989. Fearing that the cooling of relations with the USA could bring negative consequences for Polish security, after a few months of behind-the-scenes negotiations with Israel, PiS removed the amendments from the law in June 2018, breaking all parliamentary procedures in the process. The Prime Ministers of Poland and Israel also signed a joint declaration on the history of the Holocaust in Poland.

Jarosław Kaczyński stated that the declaration was a diplomatic success for Poland—a not completely unfounded claim. According to him, “the Israeli government [...] fully confirmed the Polish position: the perpetrators are the Germans; Polish society and the Polish underground state had nothing to do with the Holocaust; on the contrary, it did what it could to save its citizens of Jewish nationality”.

A critical reflection of PiS on Polish attitudes towards the Jews during World War II was very unlikely from the start.

A negative spillover on the relations

According to the Yad Vashem Institute, however, the declaration is an “insult to historical truth”, for it contains “highly problematic formulations which contradict the existing and accepted historical knowledge”. In Yad Vashem’s opinion “helping Jews by Poles during the Holocaust was relatively rare, while attacks and even murders perpetrated on Jews were a widespread occurrence”. The Institute argues that the declaration contained an “attempt at enhancing the role of Polish help and presenting it as a large-scale phenomenon, and at minimizing the role of Poles who persecuted the Jews”. Yad Vashem also criticized the use of the vague term “collaborators” in the declaration. The Institute emphasized that “they were Poles and Catholics and

that they cooperated with the German occupants, whom they hated, in persecuting the Jewish citizens of Poland”.

Additionally, Israel’s Minister of Education introduced a new mandatory set of courses for school trips to Poland, informing about the role of Polish people in the Holocaust. Up until the present, the materials for students contained a great deal of information on Polish-Jewish relations, but a focus on the direct involvement of Poles in killing Jews was not required. This situation demonstrates a marked difference between the position of Likud, on the one hand, and of PiS and Fidesz, on the other. The latter enjoys a constitutional majority, PiS has an absolute majority, while Likud has only 25 percent of seats in the parliament and belongs to a coalition of... six parties. Its members, as well as the opposition, have sharply criticized the declaration signed by Netanyahu.

In summary, the chasm between the historical policy of Poland and Hungary and that of Israel will in all probability only deepen. This situation may cause a negative spillover on the relations between these countries, the sense of ideological affinity between Fidesz, PiS and Likud notwithstanding. When all is said and done, historical memory turns out to be more important than ideology.

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How Vulnerable?

Export-oriented new member countries of the European Union and the spread of trade protectionism.

A ghost is on the loose in the world. The ghost of protectionism. The bottle was opened by the Trump administration but can rapidly attain global dimensions with irreparable harm not only to world trade but also to the global economic and political landscape with serious security implications.¹

The consequences of trade protectionism, following the 1929-33 global crisis, are well known. Politicians did learn this lesson at times when they did not react to the global financial and economic crisis in 2008 with widespread and national/regional protectionism. They did understand that any breakdown in terms of high-level interdependence would lead to unpredictable consequences. International trade, although it suffered a double-digit recession in one year, was therefore able to remain a key pillar of stabilization and recovery.² In the European Union, GDP decline by 4.5 per cent in 2008 was accompanied by an 18 percent fall in trade. Trade returned, however, to the pre-crisis level as early as 2010, several years before the EU average GDP reached this stage.

Moreover, ten years of continuous growth, a rare case in modern economic history, was largely driven by rapidly increasing and deepening economic interdependence both on the level of member countries and in the framework of rapid spreading and qualitative upgrading of global value chains. Global economic trends can hardly therefore explain why protectionism is once again with us, just at the peak of the economic growth cycle and preceding expected slowdown.

The negative impact of a protectionist policy

It was the Trump administration that, based on the “America first” view of the world, decided to initiate a frontal attack on international trade in general and against “evil countries” with a huge surplus in bilateral trade with the United States (mainly China and the EU with Germany in particular). As a first step, tariffs of 25 and 10 per cent were introduced for steel and aluminum products, first against China and some other countries, and with a small delay, as of June 2018, also in trade with the European Union, Canada and Mexico. This policy was followed and reached serious dimensions by the introduction of punitive tariffs on 1,333 Chinese products with a value of about USD 60bn. Without any delay, China retaliated with a list of more than 100 products imported from the USA worth approximately USD 50bn. Escalation of the trade war, impacting the transatlantic economy, cannot be excluded either.

Global economic trends can hardly therefore explain why protectionism is once again with us, just at the peak of the economic growth cycle and preceding expected slowdown.

The USA is starting to feel the negative impact of the protectionist policy. First, higher import prices or even higher prices of import substitutions by domestic production had the greatest impact on lower income groups and the relative or absolute losers of globalization, both decisive supporters of the Trump electoral campaign.

Second, several commodities, facing higher tariffs and other restrictions, have been produced by US companies settled in various countries offering lower production costs. Thus, US companies can also be identified among the losers. Third, Chinese retaliatory countermeasures have already caused substantial loss to US farmers and generated a USD 12bn subsidy package negatively affecting the already shaky US budget. Last but not least, trade protectionism diverted attention from a much more serious problem, namely the rapid increase in Chinese interest and investments in, and many times illegal access to, American and European high-tech achievements.

Export-based economies

The economic structure and longer-term development of the new member countries of the EU are characterized by two basic features: a decisive share

1) Kupchan, Charles and Alden, Edward, Trump is poised to do irreparable harm to world trade. Foreign Policy, 24 July 2018

2) For a detailed analysis, see: András Inotai: European Integration at a Historical Crossroads. Personal Remarks on Key Challenges and Policy Options. In: Public Policy Challenges - European and Regional Dimensions. Economic Policy Institute, Sofia, 2017, pp. 23-43.

of exports in GDP and high-level dependence on intra-EU trade. Therefore, at least in principle, exposure to external shocks could be mitigated by high involvement in the intra-EU trade environment.³

EU-28 exports revealed a continuously growing share in EU-28 GDP over the last decade. Although the export/GDP share of 39 per cent in 2008 fell to less than 35% as a result of the financial crisis, it bounced back in 2010 and, in the following years reported a constant rise up to 45.8 per cent in 2017. In other words, the international involvement of the EU has been steadily growing, both due to rapidly growing exports to extra-EU emerging markets and to the long recovery and growth period within the EU and the Eurozone.

Although almost all member countries, except for Finland and Sweden, followed the overall path of growing export-orientation, a basic driver of overall economic growth, differences in the GDP-related weight of export-orientation remained very strong. NMS countries excel by the highest export-orientation even in a global ranking. With the exception of the special cases of Luxembourg and Malta, Ireland leads this list with 120 percent of export/GDP ratio, followed by Slovakia (96%), Hungary (90%), Slovenia (82%), and the Czech Republic (79%). Even the less developed and previously less export-oriented new member countries register a higher than EU-average export/GDP ratio (Bulgaria 66%, Croatia 51%), with only Romania remaining below the EU average (41%).

Higher import prices or even higher prices of import substitutions by domestic production had the greatest impact on lower income groups and the relative or absolute losers of globalization.

In contrast, the export-exposure of all large EU member states (France, Italy, Spain, United Kingdom) remains in the range of 30-34 per cent, with the exception of leading and highly export-oriented Germany with 47%, a bit over the EU-28 average.

A strong link to the intra-EU markets

Interestingly, and in contrast to the older and larger member states, growing export-orientedness mainly resulted from a strong link to the intra-EU markets. This development is in sharp contrast to the overall EU figures that indicate a manifest opening towards third markets. Over one decade, the share

of intra-EU exports in total exports of the EU-28 fell from more than two-thirds to about 62 per cent. The above average growth of extra-EU orientation can be explained by several factors, including the discovery of rapidly growing extra-EU emerging markets, dynamic commodity sectors, sustained competitiveness but also “export-pressure” imposed on certain member countries in recession in order to keep production (and employment) levels up and turn to expanding external markets at times of intra-EU recession or sluggish growth.

3) All figures in the article are from personal calculations based on Eurostat External and Intra-EU trade publications (time series from 2007 to 2017 and, if not indicated separately, the latest figures for 2017).

The international involvement of the EU has been steadily growing, both due to rapidly growing exports to extra-EU emerging markets and to the long recovery and growth period within the EU and the Eurozone.

The dynamics of export-orientation to intra- and extra-EU markets deserves some additional remarks. First, the crisis initiated a quick (even if partial) reorientation of exports in several member countries, without questioning the key role of intra-EU markets (with the exception of the United Kingdom and Cyprus). In less than one decade, however, the share of extra-EU exports grew by 3 to 4 percentage points for Germany, France, Italy, Spain (and by 7 percentage points for the United Kingdom). Although to a smaller extent, also some smaller and highly export-sensitive old member countries, such as Belgium, the Netherlands, Austria, Portugal or even Greece followed this trend.

The development of exports from the new member countries followed a different trend. Between 2009 and 2017, the share of intra-EU trade not only remained dominant, but also stagnant, in some cases even with increasing intra-EU share, despite the already very high intra-EU levels (Bulgaria and Romania due to the accession impact of 2007, but also for Hungary). This development took place despite sometimes government-led export-reorientation initiatives.

The importance of the US market

Due to their key intra-EU orientation, the NMS-7 only amount to 6.9 per cent of total extra-EU exports (with 5.2 per cent for the V-4). More than 28 per cent are accounted for by Germany, followed by the United Kingdom, Italy and France, each slightly above 10 per cent. The NMS-7 share is even

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smaller if we consider extra-EU exports to the United States (4.1%, within it V-4 with 3.5%) or to China (4.5 and 3.5%, respectively).

Much more important is their presence in exports to Russia, with 17.7% (V-4 with 14.6 per cent) of total EU exports to Russia. Looking at exports to the United States, Germany is most involved with 30 per cent of total EU exports, followed by the United Kingdom (14%), Italy (11%) and France (9%). Apart from Poland (1.5%) none of the NMS-7 reaches 1 per cent of the EU exports to the USA.

The combined share of the USA, China and Russia in total extra-EU exports of the NMS-7 is similar to the EU average (33.7%, but including a very high 45% share for Slovakia), but with a different geographic distribution. While the old and larger EU countries reveal a clear preference for the US market (above 20% for the United Kingdom, Germany and Italy), the same indicator for the new member countries is about 13 per cent for Poland, the Czech Republic and Hungary, and much less than 10 per cent for Romania, Slovenia and Bulgaria.

The only exception is Slovakia with 19.3 per cent of its total extra-EU exports directed to the USA. As a consequence, the direct impact of any current or potential protectionist decisions by the Trump administration would be much more limited for the NMS-7 than for most of the other and stronger EU member countries. The figures are even more telling if we take into account the share of US-related exports in total exports of the individual countries. It accounts for 2.5 per cent for the V-4, as compared to 13% for the United Kingdom, 9% for Germany and Italy, or more than 7% for France.

It should be added that the NMS-7, although all with a trade surplus with the USA, have a cumulative surplus of about Euro 5bn, or slightly more than 4 per cent of the total EU surplus of Euro 119bn. If the Trump administration wants to target high US bilateral trade deficits, it could easily find Germany (66 bn, or more than half of the total EU surplus), Italy (25 bn) or Ireland (18 bn). Another issue is that trade restrictions, once introduced, would be against the EU and not against separate member countries, even if commodity-related punitive measures could easily change the overall distribution of the impacts and consequences.

Potential direct and indirect impacts of growing US (and global) protectionism

Due to their unique openness, based on the limited size of the domestic market as well as in-depth participation in the international division of labor as a major source of sustainable development, catching-up, competitiveness and higher living standard, the NMS are obviously more vulnerable to any adverse development in international relations (both in security, political, financial and economic terms) than most of the other EU member countries. Their direct exposure to US trade protectionism is also limited. The indirect impacts cannot, however, be ignored.

First, any trade protectionist measure to be introduced by the United States in the future against the EU, would seriously affect the position of the NMS-7 in global and European value chains in general, and, in the automotive industry, in particular. Any restriction or higher tariffs on cars exported by Germany would have an almost immediate negative impact on Central European subsidiaries, generating a substantial part of the exports of these countries.

Trade protectionist measure to be introduced by the United States in the future against the EU, would seriously affect the position of the NMS-7 in global and European value chains in general.

Second, the global and transatlantic spillover of US protectionism, followed by adequate countermeasures by the EU, may have unpredictable and incalculable consequences on the world economy. Such a situation could cause a significant disruption in trade and economic relations between the NMS-7 (and even more the V-4) and their key export partner, Germany.

Trade protectionism may lead to “competitive devaluation”

Third, foreign direct investments, a key pillar of “competitive globalization” would suffer twofold. On the one hand, already existing networks might be destroyed, while, on the other hand, general insecurity would hold back companies from establishing new subsidiaries and supplier chains abroad.

Fourth, the financial implications would have to be addressed. Continuing trade protectionism would cause enormous damage to the international financial system and could lead to “competitive devaluation” with unforeseeable consequences.

Fifth, beyond retaliatory instruments, the EU, as an export-oriented integration, may be forced to find new markets in order to alleviate the losses caused by US trade policy steps. One cannot rule out the possibility that several countries punished by US protectionism would be ready to mutually open up their markets to each others' products (including services and investments). This would generate additional extra-EU trade flows, in which the NMS, at least based on their current performance, are unlikely to be full-fledged participants. Opening up of such new channels could be used through European transnational companies, further fostering intra-EU exports which will be reexported by the host countries of these companies.

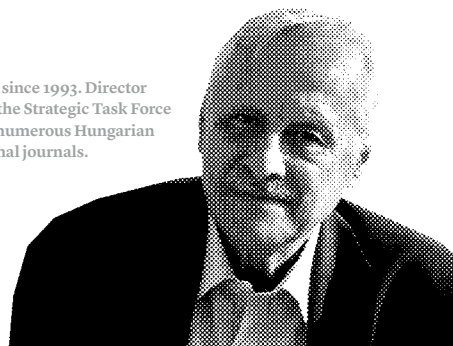
Continuing trade protectionism would cause enormous damage to the international financial system and could lead to “competitive devaluation” with unforeseeable consequences.

Sixth, the real threat of US trade protectionism continues to divert attention from the lasting negative impact of (recently prolonged) EU-level (and largely also by US-driven) sanctions imposed on Russia after the occupation of Crimea in 2015. NMS-7 exports to Russia are as important as those to the USA (about 14 per cent of extra-EU and 2.5 per cent of total exports).

Finally, several NMS countries consider potential trade restrictions in relation with the USA less a priority than some other issues. As an example, for Poland (and probably also for Romania), the stability of NATO and its commitment to offering efficient military protection against potential Russian initiatives or concrete moves is a dominant pillar of future Polish-US relations. Recent developments also seem to indicate that the US administration has been changing its previous attitude towards the Orbán regime in Hungary. Non-trade and non-economic priorities seem to be more relevant, sometimes for external security reasons, sometimes only for the domestic “stability” of an authoritarian regime.

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Is Europe Lost for GMOs?

ASPEN.REVIEW
MARCIN ROTKIEWICZ

ECONOMY

EU

GMO

AGRICULTURE

POPULISM

The narrative of eco-activists, attacking modern agricultural biotechnology based on genetic engineering, is as unreliable as the campaigns of the opponents of global warming. It is based on demagoguery, ignoring data and a selective treatment of what science actually says.

Mark Lynas is a well-known and respected British journalist. In the 1990s, as a member of a radical organization of eco-activists Earth First!, he personally destroyed test crops of plants modified with genetic engineering, that is the notorious GMOs. He later became interested in the problem of global warming. His book on this subject, entitled *Six Degrees* (2008), was highly regarded by the academic community, receiving the prize of the Royal Society (the most prestigious British scientific society) for the best popular science publication.

Thanks to GMO crops, local agriculture has a chance to increase its productivity while reducing its negative impact on the natural environment and human health, mostly by scaling down the use of pesticides.

When researching global warming, Lynas encountered groups undermining the scientific consensus on the matter, namely people claiming that temperatures on the Earth were not rising and if they were, the rise was not caused by human activity (greenhouse gases' emissions). Lynas had to consequently learn how to navigate within the confusion of conflicting information and distinguish reliable science from manipulated data. This also

encouraged him to take a critical look at a claim which he had adamantly believed in for a long period of time: that GMO plants were dangerous and should be banned. Organizations of eco-activists such as Greenpeace had been persuading the public for years that GMOs posed a great threat to humanity. Lynas was very much surprised to discover that their narrative, attacking modern agricultural biotechnology based on genetic engineering, was as unreliable as the campaigns of the opponents of global warming. It was based on demagoguery, ignoring data and a selective treatment of what science actually said.

Politicians from EU countries succumbed to pressure and in 1999 introduced an informal moratorium on the cultivation and import of GMO plants from North and South America.

The flourishing of anti-scientific populism

The British journalist diametrically changed his views on GMO crops and publicly apologized in 2013 for what he had been doing in the 1990s. He currently participates in campaigns supporting the use of modern agricultural biotechnology in developing countries, primarily in Africa and Asia. Thanks to GMO crops, local agriculture has a chance to increase its productivity while reducing its negative impact on the natural environment and human health, mostly by scaling down the use of pesticides. Small farmers can increase their revenues, helping them emerge from extreme poverty.

Mark Lynas is undoubtedly a person whose opinions on biotechnological issues are worth listening to. And for some time the British journalist has voiced a controversial—at least at first sight—claim that in the area of using GMO plants the European Union is “a lost, dark continent where anti-scientific populism flourishes”. As he told me in the fall of last year, “because we are wealthy and have a lot of food, this irrational attitude towards agricultural biotechnology mostly irritates, but in Africa or Asia it is a matter of life and death”.

This is a very harsh, but rather accurate assessment, especially in the context of the verdict passed in late July 2018 by the Court of Justice of the European Union (CJEU), which effectively puts a stop to the development of modern agricultural biotechnology in Europe. Before presenting, however, the essence and consequences of this verdict, we should go back to

the mid-1990s in order to understand why the European Union declared war on GMOs.

Ideological, not scientific arguments

This was a time when plants with new features, acquired with the help of genetic engineering, began to grow in the fields of Northern American farmers. These were mostly soya and corn with individual bacteria genes copied. This made soya resistant to the not particularly toxic herbicide glyphosate, which meant great advantages for farmers. They could give up deep plowing, which depletes the soil. As for corn, it became capable—also thanks to a gene copied from bacteria—of defending itself against the most dangerous pests and did not need to be sprayed with insecticides any longer.

The cultivation of corn with such a feature was approved in the European Union in the late 1990s. During that same period activist groups in the US and then Europe (headed by Greenpeace) launched a campaign against GMO plants, counterfactually accusing them of damaging the natural environment as well as human and animal health, and being an instrument of dominating food production by biotechnological corporations. In actuality the original reason for waging war on GMOs was a protest of eco-activists against “breaking the natural barriers between species”, which was supposedly done by way of transferring genes between evolutionarily distant organisms (for example, from bacteria to corn).

This process, known to science as “horizontal transfer of genes”, has actually been occurring in nature of its own accord for ages. In addition, humans have been modifying plants genetically—not through transferring genes from one plant to another, but through various less precise methods (selection, crossbreeding, generating random mutations with the use of irradiation)—for more than 10,000 years. There is no plant growing in farmers’ fields which can be found in the wild. Corn, for example, does not look in the least like its predecessor, that is wild-growing teosinte grass, from which it differs in appearance, size and the chemical composition of the grains. The arguments of opponents of GMOs were thus purely ideological rather than scientific.

The strong pressure of public opinion

Nevertheless, politicians from EU countries succumbed to pressure and in 1999 introduced an informal moratorium on the cultivation and import of

GMO plants from North and South America. It was lifted four years later after losing a case brought to the World Trade Organization, where Europeans were unable to present reliable scientific evidence for the claim that GMO plants posed a greater threat to human health and to the natural environment than conventional varieties.

European politicians, still under strong pressure from eco-activists and public opinion, were still not willing to capitulate. The European Food Safety Agency (EFSA) was established with the task of assessing (the institution consists of scientific experts) if a given GMO plant was safe for people, animals and the environment. This process was quite complicated and costly, which immediately excluded small biotechnological companies from the market, leaving the field open only for corporations capable of paying 35 million dollars for an opinion on just one plant. Moreover, a positive EFSA decision did not guarantee anything, for the final approval had to be issued by politicians in Brussels.

To cut a long story short, representatives of EU member states took a vote and if the necessary majority for approval or a ban on a given crop was not reached, the decision was passed on to the European Commission. The Commission was and still is ready and willing allow the import of such plants, for EU countries buy a number of them (mostly soya for animal feed, which is cheaper than conventional feed), but blocked issuing crop permits. The impact today is that European farmers may use only one GMO crop: corn with the MON810 feature, which is capable of defending itself against pests and does not require spraying. Even this, however, is not allowed in every EU country. The individual member states were given the right to ban a given GMO crop for any reason in 2015 (for example, because we do not like it). Certain countries took advantage of this opportunity (among them Italy, Hungary, France, Germany, Austria and Poland), and now MON810 corn is only grown in two countries (data for 2017): Spain (124 thousand hectares) and Portugal (seven point 3000 hectares).

Institutional ping-pong

The complex system of GMO authorization in the EU is well illustrated by the story of maize 1507, resistant to glyphosate and producing bacterial proteins which make it resistant to insects. It had been grown by the Pioneer/DuPont Co, which filed an application for allowing its cultivation in the EU

back in 2001. The moratorium on GMO plants was then in force. In 2005 the EFSA issued a positive opinion: maize 1507 was found to be safe for the environment, animals and people. In accordance with the procedure, the opinion found its way to Brussels, only for certain countries opposing GMOs to voice their objections. The European Commission again referred the matter to the EFSA in 2006, which again issued a positive opinion.

In summary, the complex European regulations on GMO crops were constructed in such a way as to effectively block the practical use of these varieties by farmers.

This ping-pong lasted for several more years and maize 1507 was assessed seven times in all, always receiving the green light from the EFSA experts. According to EU rules, the final European Commission decision should be issued within a maximum of five months after obtaining documents from the EFSA. This did not happen, however. In 2010 Pioneer/DuPont filed a complaint with the Court of Justice of the European Union. Finally, three years later the court sided with the company, stating that the authorization process for maize 1507 was unlawfully protracted. Only then did the second vote by representatives of EU member states take place. Once again a qualified majority for or against was not reached. The buck was once again passed on to the European Commission, while Pioneer/DuPont was still waiting for the decision. The European Parliament adopted a resolution in the meantime calling on countries to forbid the cultivation of maize 1507, for according to certain deputies the long-term impact of the plant on non-target organisms (that is other than pests) had not been sufficiently taken into account. This entire story looks quite absurd in view of the fact that maize 1507 had been sown since 2001 in the US, to give just one example, and no negative impact on the environment or humans had been observed.

European laboratories are being moved across the Atlantic

In summary, the complex European regulations on GMO crops were constructed in such a way as to effectively block the practical use of these varieties by farmers. Biotechnological companies consequently stopped applying for crop permits and their European laboratories are being moved across the Atlantic.

Scientists have meanwhile developed new plant breeding techniques. One of them, CRISPR/Cas9, uses the immunological systems of bacteria and other organisms which protect them against attacks of viruses, slashing their genetic material in precisely defined places. Several years ago scientists succeeded in using this system as an instrument for a precise gene edition in plants and animals. It can be used, for example, to cut the DNA strand in a designated place, only for the cell repair mechanisms to glue it back together. This can serve to influence the operations of these mechanisms. When repairing such a cut, the cell introduces the change desired by the experimenter. This method is called gene editing, for it resembles the work of an editor correcting typos in a text. You can also remove a designated fragment of DNA, like an editor deleting words from a sentence. CRISPR/Cas9 also makes it possible to damage a certain gene, thereby turning it off, or changing it into a different variety. It is not possible (at least thus far) to introduce something which was not previously present in the plant or animal's DNA. This can once again be compared to editing a text: you can delete a word, but you cannot add an entire sentence to an article or a chapter to a book.

The dispute over the question as to whether these new plant breeding techniques are GMO or non-GMO finally found itself before the Court of Justice of the European Union.

These kinds of methods should not raise concerns of eco-activists, for they are not used for copying genes between evolutionarily distant organisms. Organizations such as Greenpeace, however, have protested against excluding plants modified with CRISPR/Cas9 or other gene editing techniques from the rigorous GMO regulations.

Is European agriculture turning into a museum?

The dispute over the question as to whether these new plant breeding techniques are GMO or non-GMO finally found itself before the Court of Justice of the European Union, which finally ruled, against the previously published position of its spokesperson, that the new methods fall under the stringent GMO regulations. This means that in practice no plant produced with the use of, for example, CRISPR/Cas9, will be authorized for cultivation in the EU.

Eco-activists welcomed the decision of the CJEU, while scientists and plant breeders assessed it as disastrous for the future of agricultural biotechnology in Europe. The European Plant Science Organization (EPSO), for example, bringing together 220 scientific institutions from 31 countries, said in a statement that GMO regulations in their current form hamper research and innovation in agriculture aimed at acquiring crops which would be safer for consumers and would allow farmers to reduce the use of pesticides and fertilizers.

So how will the situation develop for agricultural biotechnology in Europe? First, everything could stay the same, and European agriculture would increasingly turn into a museum in the negative sense of the word. Second, some countries (such as Sweden, which already some time ago decided that CRISPR/Cas9 and other gene editing techniques are not GMO) will place political pressure on Brussels to initiate a change in regulations. A possible compromise would be that the EFSA would keep approving crop varieties produced with the use of CRISPR/Cas9, but once it gave them the green light, it would be up to particular countries to decide if they allowed the cultivation of such a modified plant within their territory. The third possibility is that the regulations will be changed in such a way as to exclude new plant breeding techniques from the GMO strictures.

There is also a fourth scenario, involving a complete change in the European Union's "philosophy" with regard to genetic modification of plants. It will no longer matter what method was used to modify a given plant, the important thing will be what new feature or features were introduced. Is this specific variety safe for humans, animals and the environment? To use a culinary comparison, it does not matter if you whip cream with a whisk or a mixer, the important thing is whether the result is tasty and well whipped.

For the time being, however, the last, most rational, scenario stands no chance. This serves to confirm the pessimistic diagnosis of Mark Lynas: for now, we are a dark continent plunging into anti-scientific populism.

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Central Europe Between an Assembly Shop and Global Success

The V4 countries currently have a broad range of industries from sophisticated production to basic assembly shops. The current trends inspire modest optimism.

The Czech Republic saw a significant growth in imports from Bulgaria and Serbia in the first half of 2018. An examination of detailed data, provided by the Czech Statistical Office, indicates that the growth was driven primarily by cables for car production and other, more basic, electrotechnical components. This gives quite a strong sign that the Czech Republic is gradually ceasing to be a country providing cheap labor, as this role is being assumed by other, poorer, countries.

We are, therefore, moving to a higher level, to use the language of computer games. At present, Slovakia, Slovenia and Estonia are at a stage similar to that of the Czech Republic. These are the four countries that have been most successful in catching up with the original fifteen members of the European Union, with Poland, Hungary and Lithuania lagging slightly behind. Growth in these seven countries has been driven largely by industrial production or rather, to be precise, an investment boom, backed mostly by foreign capital: German, French and American, but also, increasingly, Japanese and Korean.

This boom is an occasion for rejoicing as well as for being cautious about setting up assembly shops that rely on cheap labor (not to mention a massive outflow of revenues in the form of a dividend, an issue that calls for an article in its own right). All this begs the question: have the Visegrad 4 countries turned into an assembly-shop zone? And if so, is there a way out?

How to spot an assembly shop

The term assembly shop usually conjures up the image of a primitive factory with badly paid workers, frenziedly assembling products using imported components. In short, a scene from the opening of Chaplin's *Modern Times*, except with better health-and-safety standards and an eight-hour working day. It therefore might be of help to begin by looking at the value added and average wages in the Czech industry.

Only a few manufacturing plants, in contrast, exceeded the 50 per cent mark. This is due to the present-day character of industry, which no longer relies on producing, in a single location.

Data for 2015 indicate that the greatest share of value added in terms of revenues was generated by IT companies (such as Avast Software and Seznam.cz) and hubs of shared services of the kind established in the Czech Republic by IBM, Lufthansa and Accenture. In their case the value added—labor costs, depreciation costs, unit profit and other “internal” items—amounted to 70 to 90 per cent of the revenue. This provides a straightforward guide for politicians: growth in GDP benefits most from a boom in IT industries and shared services centers.

Only a few manufacturing plants, in contrast, exceeded the 50 per cent mark. This is due to the present-day character of industry, which no longer relies on producing, in a single location, an entire automobile or TV set, from melting metals to final assembly. The clearly dominant trend at present is for purchasing component parts and semi-finished products from external suppliers, both domestic and foreign.

Even many traditional Czech companies that are regarded as the country's ‘family silver’, such as Škoda Auto, Tatra Trucks, Škoda Transportation or Agrostroj Pelhřimov—hovered around the 25 per cent mark in terms of value added revenue, while actual assembly shops mostly remained below 15%. These include the automobile plants: Hyundai Motor Manufacturing

Czech and TPCA Czech, the TV assembly plant Panasonic AVC Networks Czech and some car component manufacturers.

The assembly plants in the Czech Republic owned by the Taiwan-based concern Foxconn represent an extreme example, assembling as they do computers, notebooks and servers from imported component parts, and subsequently supplying markets across Europe, the Middle East and Africa. Although the annual revenue averaged 120 billion Czech crowns, the value added in the Czech Republic amounted to a paltry two per cent.

Up until the 1980s, three European industrial powers—Germany, France and Italy—seemed to vie for dominance. Germany’s industry clearly dominates at present, while its former competitors have declined.

Foreign companies pay decent wages

As tempting as the image of modern drudges slaving away in gloomy production plants for the benefit of anonymous global capitalists may be, it does not reflect reality. An overview of the payrolls of the largest Czech companies, published by the weekly *Euro* last November, shows that foreign owners generally pay better than local businesses and industry.

In fact, it was locally-owned companies that came out bottom in the rankings of individual companies. Examples include Brano, SOR Libchavý and Karsit Holding in the auto industry, and plants that form part of Agrofert holding, owned by the billionaire Andrej Babiš, in the chemical and food industry. It is actually quite difficult to find a large manufacturing company with a foreign owner with gross salaries falling below 25,000 Czech crowns per month (including commission and bonuses). Companies whose salaries were just above this threshold include Foxconn, mentioned above.

The payroll survey published by the weekly *Euro* also highlighted companies that provide exemplary care to their staff. Companies which paid average gross salaries in excess of 40,000 Czech crowns in 2016, including bonuses, include Škoda Auto as well as ABB, the Bosch Group, Doosan Škoda Power, Unipetrol and the car component manufacturer Valeo Autoklimatizace. It is probably no accident that all these companies have, in addition to production, invested heavily in the research and development capacity in the Czech Republic.

In contrast, a number of basic assembly shops relying on cheap labor no longer operate in the Czech Republic. A well-known example is Alcoa Fujikura Czech, a plant that produced wire harnesses for automobiles, employing 3,200 people in the Pilsen region before 2008. Due to labor shortages and rising wages, the investor decided to close the factory down and move production to Romania, where the costs are lower.

A new wave of industrialization

Let us now move from the company level to the macro level. The pace of growth in Central European industries, which has at times almost matched that of China, may have benefited from the boom in assembly shops. Eurostat data also provide, however, a valuable alternative perspective on industrial expansion, i.e. the long-term growth in value added. The comparison is rather favorable for the Visegrád 4 countries.

Poles and Slovaks have been the top achievers, having made the best use of the opportunities arising from membership in the single European market. Eurostat figures indicate that between 2005 and 2017 these two countries increased value added in industry by a full 90 per cent. The Czech Republic lagged behind in third place with 52.5 per cent. Growth in Romania, Bulgaria, Lithuania and Estonia amounted to some 40 per cent. The only other countries of the original members of the European single market to have done well over the past twelve years are Germany and Austria with roughly 26 per cent growth in value added.

The pace of growth in Central European industries, which has at times almost matched that of China, may have benefited from the boom in assembly shops.

In contrast, quite a few countries in western and southern Europe have been affected by deindustrialization. Company owners have been curtailing production or even shutting down completely because of diminishing competitiveness. Greece has been worst hit, losing a quarter of the value added in industry over the period under scrutiny while Italy, Great Britain and Finland have slipped around six per cent into the red.

Up until the 1980s, three European industrial powers—Germany, France and Italy—seemed to vie for dominance. Germany’s industry clearly dominates at present, while its former competitors have declined. Industrial

output has gravitated towards the center of Europe, with a tendency to disappear from the countries on the edges of the continent. The close intertwining of the V4 countries' economies with that of Germany has proved to be an advantage we ought to maintain and nurture.

The first years following the Czech Republic's EU accession were marked by a spirit of optimism.

An escape from the middle-income trap

The current prospects for the Czech economy are much rosier than they were four years ago. At that time it almost seemed as if the Czech Republic might get stuck in the middle-income trap, which would have been very difficult to dig its way out of. Stagnant wages and the controversial decision by the Czech National Bank to artificially weaken the currency's exchange rate also contributed to this state of affairs.

The first years following the Czech Republic's EU accession were marked by a spirit of optimism. There was a significant growth in wages, and the Czech crown strengthened vis-à-vis the euro. It seemed that we were fast approaching the EU average. The global economic crisis of 2008 brought about, however, a change for the worse. In the period from 2009 to 2015, growth in average annual wages amounted to a mere 3 per cent, and the actual final figure, adjusted for inflation, was close to stagnation.

The first indication of a changing trend came in 2016, when the growth in average salaries jumped up to 4.2 per cent. The year-on-year growth amounted to 7 per cent by 2017 and in the first quarter of 2018 as much as 8.6 per cent. Average gross salaries in the first quarter exceeded 30,000 crowns (1,150 EUR). Nevertheless, the median ("an average Czech's salary") is actually lower, i.e. 25,674 crowns (roughly 990 EUR). A substantial gender imbalance in terms of incomes also persists, with the median men's salary being slightly above 28 thousand crowns, while the median for women is just 23 thousand crowns.

The only way the label of a country providing relatively cheap labor can be shed is by outpacing Germany's growth in economy and wages. The fact that the Czech National Bank relaxed the local currency's exchange rate in April 2017, leaving it once more to market forces, might also help. After a

period of strengthening against the euro, the crown has weakened in recent months; the uncertainties arising from Donald Trump's tariff wars, Brexit and the developments in Turkey, have not been beneficial to Central European currencies.

Three basic scenarios

Three basic scenarios are conceivable over the next decade: an optimistic one, a pessimistic one and one that is worse than pessimistic, which we might dub the Italian scenario. The optimistic scenario envisages the Czech Republic, Slovakia, Poland and Hungary gradually catching up with Germany. A precondition of this would be a sustained, though not excessive, growth in wages, a high level of investment in research and development, a boom in domestic brands and also (except for Slovakia) a moderate strengthening of the currency vis-à-vis the euro and US dollar.

Although Germany, with its perfectionism, may represent an unattainable goal, Central European countries have a chance to overtake at least some other EU members. In terms of GDP as an indicator of purchasing power parity, the Czechs, Slovaks and Slovenes are already better off than the Greeks and the Portuguese. These three countries could overtake Italy by 2022 and 2023 and, soon afterwards, also Greece. Within a further five years, the Hungarians and Poles might also succeed in reaching this goal. Over the longer term it is conceivable that they might draw level with Great Britain and France.

The global economic crisis of 2008 brought about, however, a change for the worse.

The pessimistic scenario is just as likely. The new EU member states' key economic weakness consists in the fact that their industry is, to a large extent, controlled by foreign (predominantly, West European) capital. Multinationals often comprise the main share of individual countries' value added, be it in the form of research and development or in the area of sales and related services. New member countries can often boast 'only' production plants or companies supplying component parts.

Provided this model continues over the long term, the Visegrad 4 group countries could become stuck in the middle-income trap, and the pronounced gap between their economies and Germany's will not decrease over time. A possible solution might be a shift of investment stimuli and

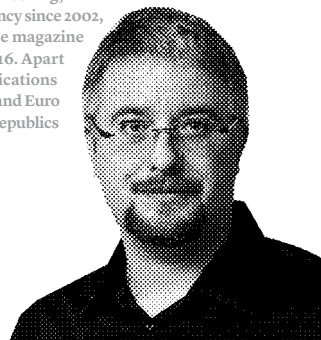
The optimistic scenario envisages the Czech Republic, Slovakia, Poland and Hungary gradually catching up with Germany. A precondition of this would be a sustained growth in wages and a high level of investment in research.

European subsidies for small and medium-size companies towards those that have established within the country a complete chain of activities from development to sales of the final product. This is a key factor in achieving success. And as long as it is achieved, it does not matter whether a company is owned by a Czech, a German or a foreign investment fund.

The worst thing that could possibly happen would be following in the footsteps of Italy or Greece, that is to say, stifling homegrown industry through a combination of a high tax burden, poor technical and university education, overheated growth and wasteful social policies. This inevitably creates an environment in which industry slows down and unemployment rises precipitously. And while assembly shops cannot survive in this kind of environment, nor is it conducive to sophisticated, world-class production.

DAVID TRAMBA

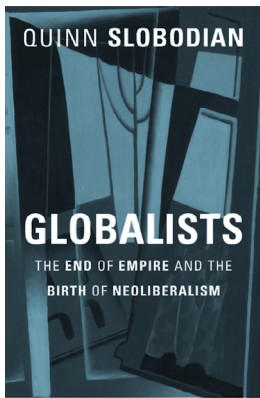
After graduating in finance from the Prague University of Economics (VŠE), David Tramba embarked on a career in economic journalism, with a specific focus on power engineering, investment and industry. He has worked, consecutively, for the Czech Information Agency since 2002, the daily Lidové noviny (2010-2013), the weekly Ekonom (2013-2015) and the online magazine Dotyk Byznys. He has been a staff writer with the weekly Euro since December 2016. Apart from writing for print and online media, he is also the principal author of the publications Česká energetika [Czech Power Engineering 2013-2015], Atom Energy Outlook (2015) and Euro Top miliardáři ČR a SR (od roku 2017) [Top Euro Billionaires in the Czech and Slovak Republics since 2017]. | Photo: Mladá fronta



A New Narrative for Neoliberalism

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CULTURE
NEOLIBERALISM
GREED
GENEVA SCHOOL



Globalists: The End of Empire and the Birth of Neoliberalism

Quinn Slobodian

Harvard University Press, 381 pp, 2018

Ronald Reagan and Margaret Thatcher are alternately credited or condemned for instigating a global economic and political shift that began in the late twentieth century. For them, the state equated a force of repression from which businesses and individuals needed liberation and government was synonymous with theft. “It is good to recall how our freedom has been gained in this country, not by great abstract campaigns but through the objections of ordinary men and women to having their money taken from them by the State,” Thatcher once said.

Not even nominally socialist societies in Scandinavia or Communist China were immune and belief in the transformative power of markets took on messianic proportions. Greed is good.

Starting in the late 1970s, such views spread and neoliberalism became the dominant organizing paradigm for society. After gaining traction in the United Kingdom and the United States, it spread to the rest of the world. Not even nominally socialist societies in Scandinavia or Communist China were immune and belief in the transformative power of markets took on messianic

proportions. Greed is good. Human well-being, the popular neoliberal narrative goes, is best guaranteed by prioritizing individual entrepreneurial freedom. Economic growth equals success-at-large and is best advanced through privatization, deregulation and liberalization. The state's role is to maintain the integrity of money, keep basic order and organize the military. As a last resort, the state must safeguard the functioning of markets. Other than that, the market itself is said to regulate all other activity.

With rhetoric like this it is not surprising that most of us have come to think of neoliberals as hostile to the state and intent on stripping government of as much power as possible. But this is a mistake, argues the historian Quinn Slobodian in his latest book, "Globalists." In fact, he says, our tendency to focus on Reagan, Thatcher and their intellectual antecedents leads to a misinterpretation of neoliberal intentions. This necessarily results in a misdiagnoses of where the world is now as well. We do this, Slobodian contends, because we view the evolution of neoliberalism through the wrong neoliberals. "Most histories of the neoliberal movement begin in continental Europe with the meetings in the 1930s and 1940s but shift their gaze to the United States and Great Britain," he writes. This is a mistake.

Rather than the predominant "Chicago School" of thinkers—most famously embodied by Milton Friedman, Gene Fama, Robert Fogel and others—and the group most closely linked with Reagan and Thatcher, we would do better to examine the thinking of the what Slobodian calls the "Geneva School" of scholars that were either academics based in the Swiss city, frequent collaborators or employees of the General Agreement on Tariffs and Trade (GATT)—the precursor to the World Trade Organization (WTO). Among this group he counts Wilhelm Röpke, Ludwig von Mises, Michael Heilperin, Friedrich Hayek, Lionel Robbins, Jan Tumlir, Frider Roessler and others. From the very beginning, Slobodian argues, these neoliberals consciously sought to transfer state power (which is often subject to some form of democratic control) to supranational institutions (which are not). While they were hostile to the nation-state, contrary to assumptions these neoliberals did not seek to do away with institutional power altogether.

Neoliberals wanted to "encase" the economy

Few serious people dispute that power has shifted dramatically away from elected bodies in recent decades. Even those who would argue that this

change is for the better would admit that institutions like the International Monetary Fund (IMF), World Bank, WTO or the European Court of Justice wield tremendous power and operate beyond direct democratic control. If the construction of such institutions occurred when neoliberalism was predominant this would seem to run counter to the claim that neoliberalism frees individuals from soul-crushing bureaucracies. Up until now, attempts to reconcile this discrepancy have been attributed to the difference between theory and implementation. In other words, practical real world needs called for constructing such institutions and they thus grew organically. In contrast, Slobodian argues that this global architecture was not some accident of evolution or deviation from neoliberal theory, but rather the intention all along.

Most histories of the neoliberal movement begin in continental Europe with the meetings in the 1930s and 1940s but shift their gaze to the United States and Great Britain.

Neoliberals wanted to “encase” the economy, Slobodian writes, not liberate it. He cites the political economist Jamie Peck, who characterizes the neoliberal project as “a simultaneous roll-back and roll-out of state functions.” While the Chicago School argued that markets provided the only information needed to order society, the Geneva School combined the “Austrian emphasis on the limits of knowledge and the global scale with the German ordoliberal emphasis on institutions and the moment of the political decision,” Slobodian writes.

Defending the world economy against the excesses of democracy

Geneva School thinkers inverted the two-world concept of the philosopher, and Nazi jurist, Carl Schmitt, who sought to prioritize the world of imperium (the rule of the state) over the dominium (the rule of property). While Schmitt was concerned that property interfered with the necessary exercise of state power, neoliberals sought to buffer economic activity (dominium) from the impact of politics (imperium). None other than Hayek—the famed author of “The Road to Serfdom: and a thinker claimed by not only the Chicago and Geneva schools, but also by a third strand of neoliberal thinking,

the Freiburg School—spoke of the need for “a double government, a cultural and economic government,” one that he thought could revive some of the governing principles deployed by the old Austro-Hungarian Empire.

Indeed, the breakup of the Habsburg monarchy prompted a preoccupation with reconciling national self-determination within the global economy. Unlike future waves of Chicago School thinkers, Hayek and others from the Geneva School were skeptical that markets alone would be sufficient for organizing society and, even if they were, that human beings were capable of interpreting market signals correctly. “On the one hand, the world economy had to be defended against the excesses of democracy,” Slobodian writes. “On the other hand, the world economy itself was invisible and beyond reason and representation.” To counter this conundrum, the Geneva School envisioned a dominium that operated above the level of the nation-state.

The mass enfranchisement after decolonization was not a good thing

While most of us view the Cold War and World War II as the most significant events of the twentieth century, Slobodian argues that neoliberal thinkers, the Geneva School and others, tend to emphasize three other historical ruptures: World War I, the Depression and the post-colonial world’s assertion of influence in the 1970s. The First World War spelled the end of the gold standard, the 1930s depression prompted protectionism and the 1970s saw poorer countries, for example, oil-producing states, clamor for a greater share of the global economic pie. Such events translate directly into neoliberal emphases on monetarism, free trade and global institutions to enforce trade rules.

In some of the book’s most interesting sections, Slobodian demonstrates how decolonialization—seemingly a good thing for anyone purporting to believe in individual liberty—frightened neoliberals. For them, the mass enfranchisement that followed was not a good thing, but a threat. “With the knowledge of possibilities spreading faster than the material benefits,” Hayek wrote, “a great part of the people of the world are today dissatisfied as never before and are determined to take what they regard as their rights. As their strength grows, they will become able to extort such a redistribution.” As Slobodian notes, the word “extort” does not exactly convey respect for democracy, the means by which those people would seek economic rights.

Economics have globalized, politics remained national

Based at Wellesley College near Boston, Slobodian is the author of two previous books: “Foreign Front: Third World Politics in Sixties West Germany” and “Comrades of Color: East Germany in the Cold War World”. Like those, this book traces a detailed European phenomenon to its global impact. “My narrative presents a vision of neoliberal globalism viewed from Central Europe,” Slobodian writes, “because it was Central European neoliberals who most consistently looked at the world as a whole.” While disputing which group of neoliberal intellectuals had a greater impact on how neoliberalism was implemented may seem a specialized discussion, and their differences may seem subtle at first, the argument is sufficiently convincing as to fundamentally alter perspectives on contemporary problems.

Geneva School thinkers inverted the two-world concept of the philosopher, and Nazi jurist, Carl Schmitt, who sought to prioritize the world of imperium (the rule of the state) over the dominium (the rule of property).

Perhaps the strongest undercurrent in today’s populist political revival is the general feeling that voting—that is changing leadership democratically at the ballot box—does not matter. As power concentrates in institutions bereft of democratic oversight, such grievances feel legitimate. After reading Slobodian’s version of events, this anger feels even more justified. It is one thing to perceive the dispersion of power to non-democratic supranational institutions as some sort of evolutionary accident driven by the confusion and speed of globalization. It is quite another, however, to see this as the nakedly ideological intent all along. “If the world economy did not have a demos, this was precisely the point,” Slobodian writes. “It was a world of people but a world without a people.” Put simply, economics have globalized, politics remained national and a select few have been able to exploit that gap.

The neoliberal attempt to protect global trade may have broken democracy

In light of this, the Reaganist rhetoric that has sought to connect economic and political freedom for the past three decades is all the more cause for anger. For if capitalism and democracy were never meant to reinforce one another

and democracy is instead perceived as a nuisance to overcome, then neoliberalism's most vocal proponents were either liars (as they parroted a liberating narrative while simultaneously seeking to curb democratic influence), or stupid (as they really believed what they were saying even as neoliberalism reoriented society in the exact opposite direction).

Unlike future waves of Chicago School thinkers, Hayek and others from the Geneva School were skeptical that markets alone would be sufficient for organizing society.

And yet, even this might be excused, and the public could willingly cede global economics to experts and supranational institutions—so long as they believed that those experts could effectively manage economic affairs. In the wake of 2008, and the years of crisis that followed, few do. Experts are no longer perceived as making decisions based on expertise and all manners of institutions, from unchecked private sector investment groups, to colluding ratings agencies and incompetent international mediators, have failed the public. This is how the crisis fomented in Greece proceeded to years of enforcing economic policies that caused untold suffering, all to see Greece exit their second bailout in August 2018 with a debt-to-GDP ratio even higher than when the eurozone crisis began. Divorced from democratic oversight, it is hard to believe such illogical policy making will change, prompting yet more skepticism of institutions generally—including those that may offer alternatives. In the end, we are left wondering whether the neoliberal attempt to protect global trade by neutering politics may have broken democracy for good.

BENJAMIN CUNNINGHAM

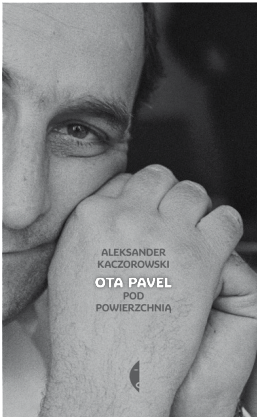
is a writer and journalist dividing his time between Barcelona and Prague. He contributes to *The Economist*, *The Los Angeles Review of Books*, *Le Monde Diplomatique* and is an opinion columnist for the Slovak daily *Sme*. He was formerly editor-in-chief of *The Prague Post* and a fellow at the Institute for Human Sciences (IWM) in Vienna.



The Most Depressing Book in the World

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PATRYCJA
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CULTURE
FISHING
MENTAL ILLNESS
HOLOCAUST



Ota Pavel. Pod powierzchnią

Aleksander Kaczorowski

Czarne 2018, p. 328

A Chinese proverb says that to be happy for an hour you should get drunk, to be happy for three days you should get married, and to be happy all your life you should become a fisherman. Ota Pavel, although not Chinese, but a Czech of Jewish origin, seemed to have learned these words well. “Death of the Beautiful Deer”, a collection of short stories about an idyllic childhood spent in pre-war Czechoslovakia, is a literary return to the only moments of happiness in life, invariably associated with fishing, for this writer of genius. Called the “the greatest antidepressant book in the world”, it is actually the opposite of that in my opinion. It is heartbreakingly sad, as every page is a record of past happiness, irretrievably lost beauty, permanently broken by the brutality of life, by mature consciousness, but also, or above all, by the war, which irreversibly and once for all swept away the world of beautiful deer, ponds full of fat carp, of daddy and mummy, who had not yet been marked with the imprint of the Others.

I cried my eyes out over it numerous times, for example, when reading the passage about the funeral of an uncle: “I was old enough to know that I was burying not only Uncle Prošek, but all my childhood and everything related to it. Lying in this coffin were also an authentic English ball, cool buttermilk, marinated fish and venison, the dog named Holan, Prague

The life of Ota Pavel, born in 1930 as Otto Popper, was dramatically interwoven with the history of Central Europe and could actually serve as its symbol. This was a biography marked by the Holocaust.

sausages and a gramophone record *1000 Miles*;" and I probably never recovered from it. I somehow doubt that's the way antidepressants are supposed to work. "Ota Pavel: Pod powierzchnią" [Under the Surface], an excellent book by Aleksander Kaczorowski, does not make things any easier, because it is a story about a tragic and broken life—broken by his stamp of origin, the war and finally by mental illness. The life of Ota Pavel, born in 1930 as Otto Popper, was dramatically interwoven with the history of Central Europe and could actually serve as its symbol. This was a biography marked by the Holocaust (during the war the writer observed the tragedy of his family, deported to concentration camps), post-war entanglement in Communist ideology and eventually growing disappointed by it, and finally an identity rift, a grim symbol of which was the name change caused by persecutions of the Jewish minority; an act which is a metaphorical image of the schizophrenia reigning in this part of Europe in those days.

Writing as an obsession

Pavel took up his first job, already as a member of the Communist Party of Czechoslovakia, in 1949 as a radio sports journalist. Although he knew and understood sports, he was extremely nervous, could not speak on air and was confined to writing texts for others. This actually served him well, for this is when he began to read in depth. He rapidly made up for his literary deficits, reading nineteenth century classics, especially Russian ones, several times over. Equally rapidly, as a 20-year-old radio employee who was listened to by millions and with a press card which offered many opportunities, he felt special. "I simply went crazy, like the majority of young people who think that if they manage to put the ball between the goalposts or in some other hole, the world belongs to them," he admitted years later.

The radio also brought changes in his personal life, this being where he met his future wife. Věra Ujčková was a secretary at the sports editorial office, and a twice married mother of two sons. She liked the fact that 24-year-old Ota was quite mature for his age. They were married in the mid-1950s, when

Pavel quit his radio job and began working at the weekly *Stadium*. He was unable, however, to write texts off the top of his head, correcting them for hours on end and trying to turn a simple cable into a masterpiece. Writing slowly became his obsession. When his son Jiří was born in 1956, Ota concluded that he could not cope with the fast pace of work in the editorial office. “This constant melee is not for me. To be able to write, I must have peace, and here something is happening all the time, I can’t do it any more,” he announced and found a job in the biweekly *Československý voják*, which allowed its authors to work on texts at home.

Great plans for the future

This is where his talent was first recognized. Sports articles also took him many weeks of preparation, for he felt that he had to find a certain unique point in a given sportsman’s life from which he could start his story. This could be the reason why his texts soon met with popularity, so popular that the regime heard about them. His pieces were assembled in his first book. He waited with great expectation for the first copies. He confessed to his brother: “How terrible that most people aren’t able to do what they really want to do in their life—most have to earn their bread doing a job they hate.” Fortunately, this was not his case. He was in top form, planning his future and intending to write a book on the well-known footballer Kučera. This was when he went to Austria for the Winter Olympics.

“I went mad at the Winter Olympics in Innsbruck. My brain got cloudy, as if a fog from the Alps had enveloped it. I came face to face in that condition with one gentleman—the Devil. He looked the part! He had hooves, fur, horns, and rotten teeth that looked hundreds of years old. With this figure in mind I climbed the hills above Innsbruck and torched a farm building. I was convinced that only a brilliant bonfire could burn off that fog.” He fell ill at the age of 33, ending up in a locked ward 16 times. He had delusions of being Christ—until pharmaceuticals put him right. “Eyes are shadowed with sadness, you already know that you are not Christ, but a wretched man lacking that common sense which makes humans human,” he recalled.

While in the hospital, he waited for a miracle for weeks on end. While lying in a straitjacket, streaming with sweat, he was told to think about pleasant things to help the drugs do their work. “I wasn’t thinking about love or roaming around the world. I wasn’t thinking about night flights across the ocean or

about playing Canadian hockey in Sparta Prague. I went fishing again—over streams, rivers, lakes and ponds. And I realized that this was the most beautiful thing that I had experienced in the world,” he confessed to his brother.

A sense of happiness

Doctors began testing an innovative method of lithium therapy. The therapy brought about effects. The writer regained his freedom in 1967. He bought a typewriter and began to write his finest book that fall. A piece, as he said, about ordinary life, about mummy and daddy, fishing, walks along the river, but also a shadow hovering above it all of the approaching World War II. He actually had an idea for two books—one about his father and the other about fishing. These are the most concise descriptions of two of his most famous books – “Death of the Beautiful Deer” and “How I Came to Know Fish”.

He worked tirelessly, although it was not the best thing for him. Writing gave him a sense of happiness, but he himself knew best how much he would eventually have to pay for it. “[...] I almost went crazy from it and the doctors admitted that it was from excessive mental stress and overwork. But madness is one of the worst things in the world, I was marked by it forever, I have been a broken man ever since,” he wrote in a letter.

Despite all this, even the doctors began to hesitate when they saw the resulting text. Aware that something amazing was emerging, they decided to reduce the dose of the drug, although it could potentially end in disaster. When Pavel was close to the end of the book, writing about the death of the ferryman he loved like his own father, he cried for the first time while working. Tears were dripping on his typewriter, flowing onto the floor. “It was something beautiful – and terrible,” he recalled. And he told his brother: “This is the story of my life. I managed to stay in the loony bin for five years, so that I could write it.”

It was immediately apparent that it was a masterpiece.

Psychotic attacks

“Death of the Beautiful Deer”, published for the first time in 1971, is the book which gave Pavel a place in literary history. This tale of cheerful family life set in an idyllic landscape is in fact a tale about the drama of assimilation of Czech Jews, of the Holocaust and Czechoslovak anti-Semitism in its post-war edition. It came out in 1976 in Poland in one volume along with “How I Came

to Know Fish”; republished up until today. It enjoys a kind of cult following, with many (including the author of this text) listing it among their favorite and most important books.

Unfortunately, Pavel accurately predicted his future. “[...] I know that whatever I don’t write by the age of forty, I will never write it; I fear that I will be unable to write any longer,” he confided to a friend. In 1970, his condition worsened once again. He was prone to psychotic attacks when leaving the house. One day he stabbed a policeman in the center of Prague. He was again taken to the hospital. He died in 1973 during his sixteenth hospitalization. The truth about what actually happened is still unknown, although there is a suspicion that the writer was killed by too large a dose of a psychotropic drug which reduced the amount of oxygen in the blood.

Aleksander Kaczorowski, an expert and translator of Czech literature, the biographer of Hrabal and Havel and other works, wrote an unusual biography, combining a journalistic report with a literary essay. When describing the dramatic fate of the Czech-Jewish writer, he follows his footsteps, conducting a sort of investigation, which basically ends with a question rather than an answer. “Pod powierzchnią” is an account written by a person discreetly fascinated by Pavel, full of respect and restraint, but at the same time approaching the author of “Death of the Beautiful Dear” as close as possible.

While in the hospital, he waited for a miracle for weeks on end. While lying in a straitjacket, streaming with sweat, he was told to think about pleasant things to help the drugs do their work.

A story about the nightmare of mental illness

Kaczorowski quotes letters by Pavel’s friends and family. He has talked to those who knew him and visited places where he lived and worked. He skillfully intertwines great and small history—placing the personal story of the writer against the background of epoch-making events. This results in a story about the nightmare of mental illness, about growing bitterness, disappointment with both Communist ideology and with himself, and also the price you have to pay for great talent. “Pod powierzchnią” is above all an exploration of identity and the ghosts it breeds, that is an attempt on a micro-scale to depict the nightmare which tormented Central and Eastern Europe in the second half of the twentieth century.

Pavel, as seen by Kaczorowski, is someone who believed that he was a typical child, only to realize during the war that he was different, just as his father and brothers, and that he was in danger of death because of that. He remained different of course despite changing his name. And then he went mad. Writing was supposed to help him unravel these dramatically intertwined knots, but it only became a testimony to his helplessness—in the face of the mechanisms of history and those governing human life.

When Pavel was close to the end of the book, writing about the death of the ferryman he loved like his own father, he cried for the first time while working. Tears were dripping on his typewriter, flowing onto the floor.

One could make a sensational story out of it, but one could also, like Kaczorowski, basically stick to what is stated in the title itself: attempt to reconstruct this both simple and extraordinary, heroic life, time and again subtly peering into this gap through which one glimpse the mysterious and the unobvious. The biographer does all of this while maintaining a unique sense of humor and imbuing the book with a Czech climate, which demands truly great skill. This is arguably the best way to approach a biographical book, writing it in such a way that one remains close to the temperament and spirit of the great writer's work.

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is a writer and journalist, author of the novels *Maszkaron* (*Mascaron*, 2018) and *Nocne zwierzęta* (*Night Animals*, 2013), shortlisted for the Nike Literary Prize and nominated for Gdynia Literary Prize. She received a scholarship from the Ministry of Culture and National Heritage. Winner of the Adam Włodek Prize.



Political (N)ostalgies

ASPEN.REVIEW
JAKUB MAJMUREK

CULTURE
POSTCOMMUNISM
CULTURE CLASH
MODERNITY



Poor but Sexy

Agata Pyzik

Zero Books 2014

It has been almost thirty years since the fall of the Berlin Wall and the Iron Curtain. Today's German capital was not only divided by the wall built in 1961. Most of the former Eastern Bloc countries are today part of the Transatlantic structure and are participating in the project of a United Europe.

The former East-West division line still plays, however, a role in the mental and political geography of the continent. Europe once again has a problem with its eastern part. After the Communist threat in the East, a new one has emerged in the shape of the populist right led by Viktor Orbán and Jarosław Kaczyński, hostile to the idea of European unity. Western experts increasingly express doubts as to whether admitting the former “socialist democracies” into the European Union was not “premature” to say the least; whether our region was actually “ready for democracy”.

The East Sent to School

Regardless of one's attitude to Kaczyński and Orban, this kind of language comes across as deeply patronizing. In his book "Post-Communism: a Transition zone" the Bosnian philosopher living in Austria, Boris Buden, attempted to reconstruct the origins of this language. In the late 1980s and early 1990s, that is in the era of Solidarity, the Round Table and the Velvet Revolution, the West looked at our region quite differently. It also saw hope for itself in the emancipatory risings of the societies inhabiting it. The energy and enthusiasm evoked in Poles, Czechs and Hungarians by the democratic promises were to serve as a source of inspiration for the burnt-out "mature democracies" suffering from a lack of life-giving ideas and uncertain as to the reasons for their own existence.

The energy and enthusiasm evoked in Poles, Czechs and Hungarians by the democratic promises were to serve as a source of inspiration for the burnt-out "mature democracies".

The 1990s slowly, but completely, changed this perspective. Now it was not the West which was to learn from the East, but the other way around. The post-communist states aspiring toward democracy, a free market and a United Europe were sent to school. The language with which they were described and with which they began to describe themselves mostly took the form of pedagogical tones. It is enough to leaf through Polish press from the 1990s to see how often they themselves used the phrase "growing up to democracy".

The situation in the region, described by Buden, resembled the adventures of the protagonist of Billy Wilder's comedy *One, Two, Three* (1961), Otto Piffle. Otto is a deeply committed Communist from East Berlin. The daughter of the president of Coca-Cola, Scarlett, falls in love with him during a visit to this part of the city. The girl wants to abandon the West and leave for Moscow with her beloved. This cannot be allowed, however, by the head of the Berlin branch of the corporation, C.R. MacNamara, to whom the president personally entrusted his daughter for the duration of her foreign trip. MacNamara launches an intrigue, as a result of which Otto and Scarlett have to flee to the West pursued by the East German secret police. The young couple is also inseparable, however, in the Western part of Berlin. MacNamara consequently invents a new identity for Otto, more

suitable for the future son-in-law of Coca-Cola's president. MacNamara not only persuades the boy to abandon Marxist ideas, but also invents an aristocratic pedigree for him.

Otto's transformation is quick and easy in Wilder's film. The transformation of our region after 1989 was slightly harder. The more intensely it tried to deny its Communist past and attempted to assume a new Western identity, the more it actually lagged behind the standards required by Western Europe.

The “postcolonial” discourse of the West

Agata Pyzik writes about Wilder's film in her book *Poor but Sexy: Culture Clashes in Europe East and West*. Just like Buden's “Post-Communism”, this book attempts to express the Eastern post-communist experience in a language other than “catching up with the West”. Pyzik's book is distinctly polemical, it targets three discourses employed to describe the Europe East of the Elbe.

The first is the “post-colonial” discourse of the West concerning the Eastern part of Europe (often internalized by its inhabitants), constantly cast in the role of a lazy, retarded pupil, a poor relation, a “savage” who needs to be “civilized”. *Poor but Sexy* was written in English and first published in 2014 in Great Britain. Pyzik addresses Western readers directly, exposing their ignorance and the assumptions with which they approach the “worse part of the continent”. She rebels against narrowing her experience into the stereotype of “a backward East”.

A new, populist right is on the rise. Its Polish variety combines radical anti-Communism and hostility to all which is leftist with an aversion to Western liberal universalism and its Polish spokespeople.

The second discourse she takes up is Polish liberalism of the 1990s. Pyzik identifies it with the editorial line of *Gazeta Wyborcza* from the heyday of this daily, when it was one of the most important centers producing narratives on our transformative experience. Pyzik accuses this discourse of imitativeness, shallow anti-Communism, an actual ignorance of the West to which it aspired, and finally of completely ignoring the interests and sensitivities of all the groups for which the collapse of the “really

existing socialism” was not the beginning of freedom and well-being, but brought with it dramatic social and existential costs.

The third discourse, or rather the entire family of discourses *Poor but Sexy* is struggling with, is the one claiming that the downfall of Communism in the former “Eastern Bloc” ultimately demonstrates that there is no serious alternative to a combination of neoliberal capitalism and liberal democracy—merely eruptions of irrational populism and fundamentalism. In her argument with this thinking, Pyzik is strongly indebted to the British critic and cultural scholar Mark Fisher, the author of the concept of “capitalist realism”. This is how he referred to the type of imagination which according to him predominated in contemporary popular culture: unable to imagine, even in such genres as fantasy, a different future than a continuity of our present, fully defined and colonized by capitalism. In the culture of capitalist realism, every genuine rebellion against the ruling system is at best turned into a merchandise of cultural industries, an item for symbolic consumption disarmed of its truly subversive potential by irony and nostalgia.

Pyzik consistently attempts to globalize the experience of the Communist East and show it as a specific variety of the great adventure of twentieth century modernity, with all its ups and downs.

Following Fisher, Pyzik looks at post-war popular culture from both sides of the Iron Curtain, searching for an alternative to contemporary capitalist realism, for culturally and politically emancipatory moments of opening. Just like the British critic, the Polish author reads popular culture very seriously, treating it as a form of “vernacular modernism”, which needs to be interpreted with the use of the most theoretically sophisticated instruments. She therefore very fluently moves in her argument between very different registers: from an analysis of feminist motifs in Polish punk from the 1980s to Andrzej Żuławski’s *Possession*; from interpretations of socialist realist cinema to Polish popular press from Communist times.

Communism and modernity

Writing about Polish experience with Communism, Pyzik also attempts to go beyond two complementary metaphors organizing the memory of this

period: “the world upside down” and “the freezer”. In the first metaphor, the period of Communism is a world put on its head, a denial of fundamental Western values and everyday common sense, which at best led to absurdities straight out of Bareja’s films and at worst to Stalinist crimes. The second metaphor presents Communism as a “freezer”, making it impossible for nations to undergo “genuine” modernization.

In “Post-Communism” Boris Buden encourages us to look at the Western welfare state and on Communist experiments in Eastern Europe as on different variants of the same form of socialization.

Pyzik consistently attempts to globalize the experience of the Communist East and show it as a specific variety of the great adventure of twentieth century modernity, with all its ups and downs. She demonstrates that the East and the West are mutually looking at each other and inspiring each other in searching for modern forms of life.

Socialist realism, the art most often described in the narrative of anti-Communism, can be seen as “a world upside down”. Pyzik sees in it the same quest for the ideal of the happy, healthy body in a clean, wealthy, egalitarian space which inspired Western popular culture in the first half of the twentieth century. Let’s look at the painting *New Moscow* by Yuri Pimenov. Painted in a slightly “Impressionistic” style, it presents a young, elegant woman seen from behind, sitting at the wheel of a road cruiser with an open roof. She is heading towards a high-rise building on the horizon. She is liberated from work, home, her role of the mother, she freely submerges herself in the fabric of the great city. Technology, the city and the machine, allow her to leave the past behind, taking her towards a fulfilled promise of modern emancipation.

Wasn’t a similar dream about the city, mobility and technology dreamt of by all popular culture at that time? Pimenov’s painting would not have been out of place on a poster for some Hollywood film from the 1930s. Writing about Stalinism, we often forget how eagerly it drew on American models. Magnitogorsk, an urban monument to Soviet heavy industry, was rebuilt under Stalin’s five-year plan along the lines of American centers of the metal industry, that is Pittsburgh and Gary in Indiana. Both spaces were organized by the same dream about such a

form of modern life where technology would be capable of solving the most important social problems on its own.

Not just ruins?

The West is also looking at itself in the mirror of the East. In the arguably most interesting fragment of her book, Pyzik describes how the notions of gloomy cities beyond the Iron Curtain—headed by East Berlin—became a source of inspiration for a wave of post-punk musicians from the West such as David Bowie, Ultravox or Joy Division. In fact, the latter band was initially to be called Warsaw. In such cities as the former capital of East Germany, musicians and their audiences saw a metaphorical image of the breakdown of their world—the post-war welfare state. After thirty years of flourishing, it went into a deep crisis in the 1970s, only to be violently remodeled by politicians such as Margaret Thatcher.

In “Post-Communism” Boris Buden encourages us to look at the Western welfare state and on Communist experiments in Eastern Europe as on different variants of the same form of socialization, based on mass culture, social democratization, domination of the city over the countryside, and large industrial plants as centers not only of economic life, but also of everything that is social. The downfall of Communism in our region coincided with neoliberal transformations in the West: both processes can be perceived as symptoms of the decline of some of the most general twentieth century form of organization of social life, manifesting far-reaching similarities regardless of the political and economic system.

The second discourse she takes up is Polish liberalism of the 1990s. Pyzik identifies it with the editorial line of *Gazeta Wyborcza* from the heyday of this daily.

When making such comparisons, one should of course recall the entire authoritarian or sometimes totalitarian nature of this variant of modernity which ruled over our region. Pyzik is aware of this and often writes about the brutal violence in “socialist democracies”. At the same time, she goes further than Buden. She seeks out inspiration for contemporary emancipatory projects in the ruins of the Communist experiment, or at least for a language which would allow us to formulate them. In the

situation where capitalist realism clamps down on the future, where we are unable to imagine it as anything other than a continuation of the present, the archives of the Communist experiment in the East—or more precisely, of its heretical, abandoned side alleys—become for Pyzik a treasury of scenarios for the future which are truly different from the present.

The East of Europe turns on its pages into a monolith, perceived mostly in terms of what happened in the Soviet Union and to a lesser extent in Poland and East Germany.

Following the English writer Francis Spufford, Pyzik looks with fascination at the period of Khrushchev's thaw, when Soviet scientists, with government support, attempted to create a new system for managing the economy based on the rapidly developing science of cybernetics. This was intended to bring about "red abundance", a socialist consumer society wealthier than the Western one, but free of exploitation and alienation. The outcome was expected: when Brezhnev took power, he said "no experiments". Pyzik sees in such unfulfilled projects not only ruins, but also the specter of a future which has not arrived yet, but repeatedly haunts our present.

Untimely Reflections

Four years have passed since the English edition of *Poor but Sexy*, and unfortunately you feel it when reading the book. The liberal domination against which the book rebels so vehemently is today much weaker than it was then. A new, populist right is on the rise. Its Polish variety combines radical anti-Communism and hostility to all which is leftist with an aversion to Western liberal universalism and its Polish spokespeople. The aggression of Pyzik's argument against the old dominator seems therefore excessive, belated and misdirected. Contrary to the clearly leftist position of the author, it merges with contemporary right-wing anti-liberal backlash.

In many places, the author's polemics at best repeat the arguments which have often been articulated in a more thought-out form over the last few years. At worst, they succumb to numerous simplifications, transposing on Polish reality certain Anglo-Saxon concepts which are incompatible with it (for example, she calls the Christian Democratic Liberty Union a libertarian party).

It is true that the desire of the elites from the 1990s—which today often seems childish—to disown everything “Eastern” and “Communist”, and especially their recklessness about the social costs of transition, require a critical analysis. In order, however, to make such an analysis, one must be aware of the conditions in which Poland found itself in the early 1990s and the horizon within each the decision-makers from that time were forced to act. You cannot demand the ability to think in terms from 2014 from the protagonists of events from 1989. And Pyzik’s dissatisfaction with it can be perceived in many fragments of the book.

When reading *Poor but Sexy*, it is also difficult to resist the impression that this book often falls into traps which the author herself set. In the end, all the (pop)cultural phenomena from the East and the West analyzed—often very brilliantly—by the author turn the book into a kind of post-communist curiosity shop, a collection of items for nostalgic consumption.

Beyond Self-Orientalism

Most importantly, the book in a sense falls into the Orientalist trap it was meant to disarm. The East of Europe turns on its pages into a monolith, perceived mostly in terms of what happened in the Soviet Union and to a lesser extent in Poland and East Germany. The peculiar experience of (pop) culture and post-Communism, characteristic for the smaller nations of the region, is completely lost in this narrative—for example, Hungary and Czechoslovakia are absent in *Poor but Sexy*. Additionally, many analyses are written in such a way as if there had been no constant tension between the culture and the regimes of the Eastern Bloc countries, as if culture had not been one of the areas where society, deprived of the possibilities offered by normal political life, was seeking at least some autonomy for itself.

In effect, we also often have an impression of observing someone who is looking at the East of Europe from afar, from a distance which causes Moscow, Warsaw and Budapest to merge into one—rather than a narrative of someone who can break up this optical illusion by looking from close up. The shortcomings of *Poor but Sexy* in this area are very well seen when we compare the book with the fantastic exhibition *Notes from the Underground*—exploring the connections between musical counterculture and visual arts in the former Eastern Bloc—exhibited in the late 2016 and early 2017 in the Łódź Museum of Art.

Despite all these weaknesses, *Poor but Sexy* is an important work; especially today when the narrative of “catching up with the West” has been replaced by an even more intellectually sterile discourse of “getting up from our knees” and an ill-conceived pride in the periphery—present in Moscow, Budapest, and Warsaw. Looking at how this discourse transforms the region, we even more poignantly see the necessity to break away from the vicious circle of imitative modernization and neo-nationalisms. Agatha Pyzik displays an apt intuition when she points out that the key to this is rethinking our attitude to the Communist experiment and our situation against the East and the West, going beyond the naively anti-Communist self-Orientalist stereotype. Although the book does not always develop this intuition in a satisfactory fashion, it does point towards intellectual quests which could be very rewarding.

JAKUB MAJMUREK

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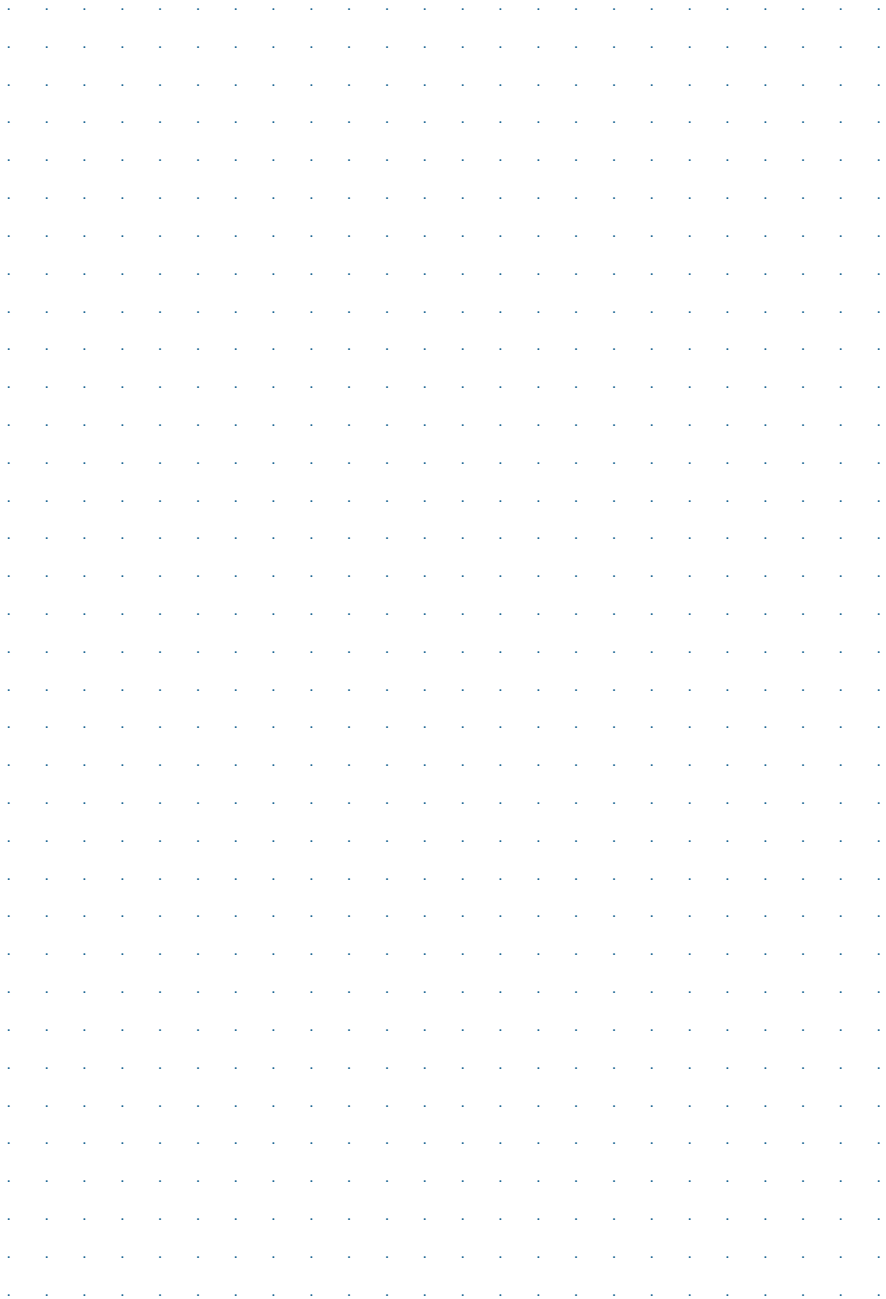
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