

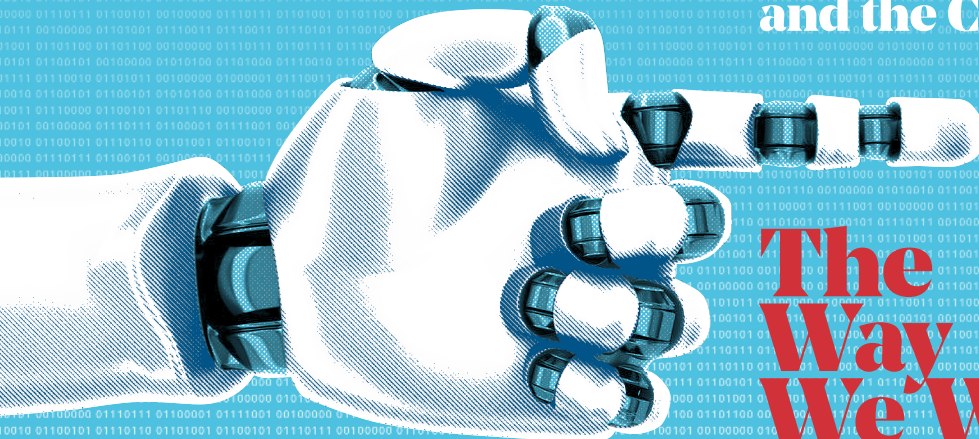
COVER STORIES Edwin Bendyk, Paul Mason, Drahomíra Zajíčková, Jiří Kůs, Pavel Kysilka, Martin Ehl
POLITICS Krzysztof Nawratek ECONOMY Jacques Sapir CULTURE Olena Jennings INTERVIEW Alain Déléroz



Macron Is Not Going to Leave Eastern Europe Behind

e-Estonia: Between Russia and the Cloud

The Way We Will Work



About Aspen

Aspen Review Central Europe quarterly presents current issues to the general public in the Aspenian way by adopting unusual approaches and unique viewpoints, by publishing analyses, interviews, and commentaries by world-renowned professionals as well as Central European journalists and scholars. The Aspen Review is published by the Aspen Institute Central Europe.

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The Way We
Will Work

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Dear Readers,

No doubt we have entered another era. A technological leap has disruptive effects on society in global dimension while undermining existing economic models and political institutions. Rapid qualitative strides made in the development of artificial intelligence test the adaptability of all cohorts of population and create new challenges for lifelong education. In the

To Work

previous phases of technology revolution, a physical labor was reduced in favor of an intellectual one, whereas today's technology substitutes more and more of intellectual tasks in our professional and daily life. What will be the character of work in the coming years and decades? Experts and pundits compete in gloomy predictions of how deep the loss of jobs caused by technology would be. Is it a real threat and should we be concerned? In this issue dedicated to "the future of work" we present the topic from various perspectives for your kind consideration.

Are we approaching a moment in the history of mankind relieving us of most of the toil and labor and release new opportunities for human creativity? Shall we finally enjoy a life without labor, entitled only to comfort and convenience? For Karl Marx, labor was the constituting feature of humanity. His followers believed that labor-freed of alienation and exploitation caused by the private ownership of production means-would lead to full realization of human destiny and purpose of life. Contrary to this noble concept, totalitarian regimes institutionalized forced labor as

a weapon. Today, some tend to believe that the liberation from the yoke of labor that was not realized by communist revolutions could be finally achieved now through a technological one. Would not mankind, freed of hard efforts to pursue more than pleasure and happiness, lose something fundamentally human? Seeking the answer and mapping the impact of

or Not to Work

technological changes on society in general remains one of the key areas of our interest at Aspen Institute.

As in the past issues of *Aspen Review*, we publish articles on US policy—this time on free trade under the Trump administration—and on Brexit negotiations. Recent legislative measures towards the judiciary and the NGOs by the governments of Poland and Hungary stirred a public controversy and attention abroad; we will continue to publish opinions about deeper causes polarizing political developments in Europe. In the interview with Alain Déléroz we offer an insight into European policies of the new French President Emmanuel Macron with special attention to Franco-German relations and French policy towards Central Europe. We hope to have a complementary view after German elections in the next issue. Stay tuned to *Aspen Review*!

JÍŘÍ SCHNEIDER
Executive Director

For Peanuts

What sort of country is it, where a single woman, working six days a week and ten hours a day, is unable to survive without government benefits? A country where millions of hard-working people live in motels or caravans because they are unable to rent an apartment, let alone buy it? A country where every fifth homeless person in big city works full or part time? A country where only in 1996 a federal law was introduced allowing employees to use the toilet at work?

That country is the United States.

Barbara Ehrenreich, a well-known American columnist, did the simplest thing under the sun. She decided to find out how the four million women who entered the labor market as a result of the social welfare reform (back under Bill Clinton) were able to get by making seven dollars an hour (i.e. slightly above the minimum wage at the time). The conclusions she reached would not be particularly revealing if her research regarded illegal immigrants. Overwork, psychological terror on the part of the employers, and above all exploitation – all this is nothing new for those who work illegally. But the protagonists of the book *Nickel and Dimed: On (Not) Getting By in America* are American citizens, working under conditions described by the author as: “We really should not praise ourselves for being a leading democratic country of the world if a huge number of our citizens spend half a day in the system which, to put it plainly, is a dictatorship.”

Ehrenreich worked for several months as a salesperson in a Wal-Mart supermarket in Minnesota, a cleaner in Maine, and a waitress in Florida. The greatest asset of her book is not the statistics she quotes (showing, for example, that almost 30% of the labor force in the US works for eight dollars an hour or less; data from 1998), but a meticulous description of how a graduate of good university, a middle-class woman for whom a \$30 lunch in French restaurant was something obvious, became a “darling,” “Blondie,” and most often simply a “girl.”

Throughout the experiment the author feared that someone would recognize her and ask her why an educated person from her social class decided to serve meals in a Key West greasy spoon. Her fears were much exaggerated – without her host of credit cards, college diploma, and a pile of publications nominated for prestigious prizes she turned out to be just a middle-aged woman striving for the privilege of cleaning restrooms for a miserable salary. In almost every place where she tried to find work, and there were dozens of them, she was told to fill out idiotic questionnaires and was subjected to drug tests. The author claims that the only aim of these is to humiliate the future employee and show her where her place is: if you are applying for such a low-paid job, obviously you are a nobody. And since you are a nobody, it should not even occur to you that you are earning too little.

Employers are supported in all this by contemporary mass culture. “In a society constantly praising billionaires from the computer industry and athletes making hundreds of millions of dollars, the rate of seven dollars an hour is a sign of an innate inferiority,” writes the American author.

Ehrenreich’s bestselling book, translated into many languages, appeared in 2001. Since that time, despite the technological revolution, nothing has changed. The least-earning Americans are still making less than in 1973. The relatively wealthy ones receive for their work at best the same amount as their parents did in Nixon’s time. The richest are getting richer (and paying increasingly low taxes).

And Donald Trump has become President.

ALEKSANDER KACZOROWSKI
Editor in Chief

No More Sweat

The future of work has become a major theme of political disputes. Some predict a loss of jobs due to globalization or automation. Others argue that since we live longer, we should also work longer. A contradiction? Only apparently.

In his inaugural speech Donald Trump promised that he would stop the American carnage, an important aspect of which is the degradation of the economy due to globalization. Loudly and with devastating effect, the new president of the United States repeated what had been said in the debate about globalization for a long time – companies move their factories to countries offering cheaper labor and more favorable business environment (read: lower environmental standards, less protection of social and labor rights). As a result, American regions which half a century ago were the richest in the country are now called the Rust Belt, while Detroit—a global arsenal during the Second World War and the pearl in the crown of the industrial era—is a bankrupt city.

It was no different with industrial centers of Great Britain, France, Germany. Youngstown, Ohio, about which Bruce Springsteen sang so poignantly, lost in the 1970s 50,000 jobs in the steel industry in just six years, the annual income of the population decreased by \$1.3 billion and the unemployment reached 25% in 1983. And would have probably remained at a similar level, were it not for the depopulation of the city: from 170,000 inhabitants in the period of prosperity it shrunk to 67,000. A carnage indeed. But can it really be stopped? Is it true that the main reason for the job losses has been their transfer to Mexico, China, Poland, Romania?

The Growing Effectiveness of Capital Accumulation

To find the answer, it is worth looking, for example, at the US economic statistics. They will show that in the last decade American factories increased production by over 30%, but at the same time they employ 30% less workers

than in the first years of the 21st century. In the developed countries, employment in manufacturing fell from 63 million in the late 20th century to 40 million. Demand for labor, despite the increase in production volume, went down in Japan and South Korea, and starts to decrease in China. The main culprit is not the transfer of factories, but a phenomenon inherent in capitalism, namely a growing effectiveness of capital accumulation.

Industry, whether operating in the conditions of global open markets or national protectionism, seeks the so-called technological boundary – the best available technologies for making a given product. The most developed countries receive a bonus due to the fact that they control this boundary and can produce what such nations as Poland or Hungary are unable to make. Wanting to increase the level of accumulation, and thus profitability of capital, the countries which are catching up have to ap-

The main culprit is not the transfer of factories, but a phenomenon inherent in capitalism, namely a growing effectiveness of capital accumulation.

proach the technological boundary. Not only in order to manufacture the most modern products, but to make products which would sell at contemporary markets at all.

For this reason, production of furniture is not defined as high-tech industry, yet furniture or windows factories must use high-tech instrumentation guaranteeing adequate quality and efficiency.

A Later Industrialization Brings an Early Saturation

The conclusions from this trivial observations are not trivial. It turns out that those who enter the path of industrialization later face a more difficult task, regardless of how much they exploit labor. Because regardless of the degree of exploitation, you have to invest in technological infrastructure. If in the times of early industrialization capital investments in industry at the level of 5-7% GDP were sufficient, today they must reach 20% or more. This much is needed to enter the game at all. And it comes with the painful awareness that you will be rewarded by premature de-industrialization.

This term is promoted by Dani Rodric – it means that you cannot indefinitely increase the share of industrial production in the structure of the economy. This share tends towards the maximum “peak industrialization,” when extensive expansion is no longer profitable and you should

increase the intensity of production. The problem is that the later you start to industrialize, the earlier you reach saturation. In the period of the greatest flourishing of its industry in the 1970s, Germany employed in industry 35% of professionally active citizens. South Korea reached “peak industrialization” at the level of almost 30% employed in industry. China achieved saturation in the late 1990s at the level of about 18% and India at the level of just 13%.

Developed countries reached saturation with industry a long time ago and no amount of protectionism can make the American Rust Belt shine again with the chromonickel of rebuild production. This is difficult to imagine even if we assume the possibility of transforming the American

Those who enter the path of industrialization later face a more difficult task, regardless of how much they exploit labor.

economic model into state capitalism. Yet industry is only a part of the puzzle which became famous due to the fact that it regards an important part of the electorate in the developed countries: white men and their families, who are furious that as a result of the post-industrial transformation they became the largest and most neglected (in their view) minority.

A more serious problem today is another stage of modernization, that this automation of intellectual work and the resulting downfall of the middle class. Thanks to digital information systems, one American lawyer is capable of performing the work of several hundred people who were needed 30-40 years ago to collect the trial documentation. Automated systems of information processing constitute, as the American economist W. Brian Arthur calls it, the “second economy” – an economic sphere of accumulation based exclusively on the work of automata. A good illustration of the “second economy” are automata responsible for over a half of stock market transactions – they make the decisions, among other things, on the basis of information produced by automated economic services. According to Arthur, the worth of the “second economy” may even reach 25% of the global GDP.

Machines Are Effective and Guarantee Operating Possibilities

The next stage is the development of artificial intelligence systems, designed to replace not only intelligent officials but also decision-makers

themselves. For if a machine is capable of winning a game of Jeopardy!, Go, or poker against the best players in the world, then why should it be less competent in, for example, medical diagnostics? The famous 2013 study by Carl Frey and Michael Osborne conducted in the United States showed that 47% of employees have a job with a high risk of automation. Only 33% may feel relatively safe. A similar study by Dominik Batorski and Marek Błażewicz from the University of Warsaw (2015) showed that the situation in Poland is even more dramatic: 57% of employees are in the group with the highest risk of automation, while only 17% can feel safe.

We start to comprehend the scale of the problem – it turns out that even before we found work for the victims of “post-industrial carnage” in post-industrial sectors of the economy, those sectors succumbed to the same logic which recently devastated industry. The pressure at increased effectiveness of accumulation results in the fact that machines now come not only to factories but also to offices. The aim is not only cost saving, but also the technological boundary I spoke about earlier. Machines not only are more effective but they also guarantee operating possibilities unavailable to people. So what about the furious working-class men and their families, now joined by furious middle-class men and women? Is it really so,

Developed countries reached saturation with industry a long time ago and no amount of protectionism can make the American Rust Belt shine again with the chromonickel of rebuild production.

as many economists argue, that they should approach the matter without emotion and simply retrain?

Henry Ford’s Old Dilemma

The matter is more complex and in fact does not regard automation, but the essence of capitalism. It was already Karl Marx who noticed that the logic of technological progress did not result from the Promethean will of engineers to create better technological solutions, it was driven by the logic of accumulation. Machines and automats are the embodiment of capital, whereas the foundation of accumulation is, as Marx claimed, labor, or to be more precise, exploitation of labor. So is it not true that the capitalist system is reaching the boundary – if all labor is automated, the possibility of exploitation, and hence accumulation, will end? We see here the old dilemma

of Henry Ford – who will buy the products and services offered by capitalist workplaces? Or to put it more generally, how to ensure demand?

In answer to this question, Henry Ford raised the salaries of his workers and encouraged other capitalists to do the same. A similar strategy has been adopted in China, where salaries grow faster than the GDP since 2008. As a result, the Chinese economy is increasingly less dependent on exports and to a growing extent driven by domestic demand. However, in 26 developed countries the median income has declined by 24.6% in 2008-2013. The power of real income cannot be replaced by demand created through debt, although it is in this way that the system is trying to save itself. Interestingly, in the United States the fastest-growing category of debt

Henry Ford raised the salaries of his workers and encouraged other capitalists to do the same. A similar strategy has been adopted in China, where salaries grow faster than the GDP since 2008.

is loans for education. In the early 2017 it reached \$1.3 billion – this amount is spread among 44 million people, and the average debt grew in one year by 6% to \$37,712. This is the cost of trying to escape the machines and automation. In fact, the debtors gained the least and the biggest beneficiary is the capital, handling the crisis it has created itself.

Paid Work Could Not Exist without Work for Free

There is no point in moralizing, for the capitalist system is amoral and non-teleological, driven by the logic of accumulation to which, as we often forget, not only the market coordinated economy, but the whole social sphere is subordinated. The sector of paid work could not exist without work provided free of charge, especially by women at homes. In France the volume of unpaid work is two times bigger than the volume of paid work. Similarly, the legal market sector could not function without the so-called grey zone (informal economy) giving employment—as Robert Neuwirth counted in his book *The Stealth of Nations*—to half of those working around the world and generating more than \$10 trillion dollars a year.

The capitalist economy today is not only the economic game played on the market but also products and services made in the automated sphere (W. Brian Arthur's second economy), the unpaid work sector, and the informal sector. It has always been so, but today the situation is changing in

this respect that the boundaries between sectors are blurring. Unpaid work, once consisting of women working at home, is today developed as a model of making many products and services, for example GNU/LINUX software or Wikipedia. These socialized models of producing real value are copied by capital corporations, which absorb them into their business models. After all, the value of Facebook is created by all those who fill the site with content and communication traffic.

Contemporary Economy Is a Complex Entity

Automation and replacing the work of people with machines is only one aspect of the transformation of contemporary economy, which is a multidimensional and complex entity. The capitalist system, driven by the simple logic of growing accumulation, will use every opportunity leading to that – the potential of artificial intelligence, the free work of Facebook users, the bodies of women from developing countries to satisfy the sexual needs of inhabitants of developed countries, and trading the organs of prisoners in the still-existing gulags in quasi-totalitarian countries. We know this logic and should not forget about it. A more important question regards politics – are we capable of submitting to democratic political control not the au-

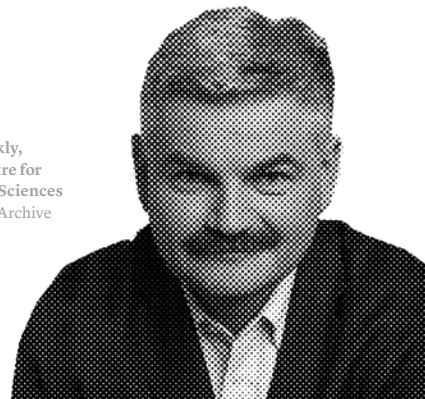
The capitalist economy today is not only the economic game played on the market but also products and services made in the automated sphere, the unpaid work sector, and the informal sector.

tomation, but the logic of capitalist accumulation, to force the amoral machine to pursue morally adequate aims through political action?

Unfortunately, no system of artificial intelligence will generate an answer to this question. And the choices made recently by electorates in democratic countries do not bring us closer to adequate solutions. On the contrary, Donald Trump in the office of US president symbolizes the triumph of capital over politics and democracy.

EDWIN BENDYK

is a writer and columnist, head of the Science department at the Polish *Polityka* weekly, author of some books. He lectures at the Collegium Civitas, where he heads the Centre for Research on the Future. He runs a seminar on the new media in the Centre of Social Sciences at the Polish Academy of Sciences. Member of the Polish PEN Club. | Photo: Polityka Archive



Paul Mason: Future without Work, but with a Strong State

British journalist and left-wing activist Paul Mason became famous with his book *PostCapitalism* two years ago. He set up a vision of a high-tech society where work is scarce and the state is strong. He guesses the European economy should be redesigned in a way that would motivate people to create high-value businesses with low numbers of workers and low amount of work – says Paul Mason in an interview with Martin Ehl.

Martin Ehl: My children are eleven and eight years old. What would you recommend for them to study as preparation for future jobs?

Paul Mason: Artificial intelligence, since, before robots and AI take over, they have to be designed first and that will take at least a century. I would also recommend human-to-human services, such as social work or psychotherapy or playing the cello, because it is going to be a long time until robots can compete with us as cellists. You asked the right question, because work is going to disappear faster than we think. We will no longer define ourselves through work.

You write about the Western world, but in Eastern Europe companies have trouble finding employees. Is there any difference?

A lot of writers exploring the issue of automation assume this will happen just because the technology is there. In Britain, we have millions of people doing what the anthropologist David Graeber calls bullshit jobs, jobs that do not need to exist. Twenty years ago, we had four thousand machines to wash cars. Now we have one thousand machines, but twenty thousand people washing cars, mainly illegal migrants from outside Europe. This is a scandal! We are reversing the techno-

logical progress. It is an extreme example, but it illustrates where the problem lies. In countries like Britain we need to be proactively pursuing higher productivity through automation. The reason we don't is we don't know what to do with the people who would lose their jobs. What you see in the Czech Republic, Poland, or Lithuania is the flip side of that. Lots of talented people are leaving for countries with better pay. Their arrival allows businesspeople in Britain to take the easy route. This is why we don't have a Silicon Valley in Britain: it's so easy to make money exploiting people from Eastern Europe. I would like to redesign the European economy in a way that would motivate people to create high-value businesses with low numbers of workers and low amount of work.

In your book you criticized the liberal elites for undermining social liberalism. Does this contribute to the rise of populism in Europe?

I think the rise of right-wing xenophobic populism in Europe was avoidable. Part of it is driven by hostility to Islam. Another factor is the idea that elites do not care about us, they only serve the banks and undermine our living standards. I am afraid that this is true. And the elites should listen to it, because there is a perfectly logical and feasible response to that: forget about neoliberalism, break away from it. We need to make a sharp

turn away from the market economy towards a new and reinvented form of Keynesian interventionism.

We see interventionists governing in Poland and Hungary now...

Yes, but they are reactionaries. This is what you get when the left is not doing its job. We are facing the same problem

In countries like Britain we need to be proactively pursuing higher productivity through automation. The reason we don't is we don't know what to do with the people who would lose their jobs.

in Britain. About ten percent of people have gone far-right, they are not fascists but xenophobic conservatives. We cannot abandon them. We cannot give them one inch on racism, gay rights, or abortion, but we can give them massive amounts of money. We can say we are coming to them like a big spaceship with lots of money for schools, hospital beds, training for their kids.

Where is the money to come from?

Social democracy needs to find a new way to tax wealth. It's outrageous to me that the guy who used to run a tax haven is now President of the European Commission. What kind of signal do we send by having Juncker as head of the EU? Luxembourg, Monaco should be closed down

as tax havens. Where does your package come from when you order from Amazon? Mine comes from Luxembourg.

We cannot order directly from Amazon – only from Germany or Britain.

Ok, you have bigger problems than we have in that respect. We need to close down the offshore tax system, treat it as Al-Kaida.

We need to announce it and then do what

Social democracy needs to find a new way to tax wealth. It's outrageous to me that the guy who used to run a tax haven is now President of the European Commission. What kind of signal does that send by having Juncker?

Putin did to tax evaders: send guys in balaclavas. That's what I would do.

Do you support taxing automation or robots, as the French left-wing presidential candidate Jean-Luc Mélenchon proposed recently?

This is crazy. There are two things destroying jobs. One is offshoring. The other one is automation. But robots and automated processes do jobs that never existed. Of course, there are limits to tax revenues, even if I do not believe in the Laffer curve. I am a Labour-supporting journalist in Britain, I support Corbyn, the leader of Labour, and we are going to push those limits to deliver the services to working-class people who need it, who say we've had enough of

flat wages, of austerity, of declining living standards, and having no future.

Is there anything you would change in your book, published two years ago?

I wrote it while working as journalist in a state-owned media company, so I stayed away from politics. Now I am out of that, so I would add a chapter on politics, on reviving social democracy, shifting it to the left, creating new political formations.

The model you proposed is based on basic income. How to finance it?

Here is how I would do it in Britain. In Britain we have a welfare system that is quite generous but very selective. Elderly people get the basic income called a state pension. It is seven thousand pounds or eight thousand euros, more than many people earn. In my model everybody would be entitled to it. We would need to double the welfare spending, but not more. Poor countries can't afford it, of course. But salaries are not all. People in precarious jobs say, "I am not interested in a five-percent pay rise, because my pay is so low. I would prefer cheap transport." To make transport cheap, we have to renationalize the railways system, which is the most expensive in the world.

So shared economy is not an answer?

Uber and Airbnb are known as the AltaVisita of shared economy – they are the wrong model. And Uber already faces legal challenges, Barcelona kicked them out...

The same happened here in Brno.

Good! Because it is corrosive. In Britain, taxi companies used to have a very bad reputation. By regulating them and bringing them into the digital economy now I can order a minicab on my phone, but Uber does not pay its drivers well...

But without Uber it would not have happened...

It is true that Uber did some good things to learn from.

Fox example?

Women find Uber safer to use, because you know the driver by name and if the driver gives you any trouble he gets a negative review. Uber and Airbnb are ultimately rent seekers. Most of those platforms could be either cooperative or state-owned. Cities must innovate. You cannot ban Uber and then let a bunch of mafiosi run the taxi system. A responsible government must learn from that.

In this part of Europe we have quite a bad experience with state-owned anything...

Of course, but you have had an exciting period of catching up, which is nearly over, and then you are going to have the same problems as major capitalist countries. I have been in Russia and some other post-Soviet countries and I have no illusions about that. As a youth I was a Trotskyist, I wanted to overthrow the Stalinist re-

Salaries are not all. People in precarious jobs say, “I am not interested in a five-percent pay rise, because my pay is so low. I would prefer cheap transport.”

gime and I totally understand the pride of the Czech people for having actually done that. But state intervention is just a tool.

I would go back to your model where you suggest decoupling work and wages. But man’s nature is to work for some reward, either in form of satisfaction or money. And money is much easier to count.

That is an existential problem for humanity, making it difficult to move to a no-work society. And this is also why Marxism and the Protestant work ethic were utopian. The problem for the left now is that if we shrink the amount of work due to high-productivity technologies, a large number of things will become cheaper or free. If I take this sachet of sugar with me, the guard of the ministry (our interview was at the Czech Ministry of Foreign Affairs – author’s note) will not chase me down the street. And more stuff will feel like this. It just is there.

We knew that under socialism. It was called theft.

Exactly, but we will come to value scarcest things more. The job of a designer or

The problem for the left now is that if we shrink the amount of work due to high-productivity technologies, a large number of things will become cheaper or free.

carpenter will be valued more. I am talking about the long-term perspective, not about the next decade. We will value work more, because it will be less available. Somebody asks a carpenter to cut down a tree and make a table. That act will have more value for them. That's a big psychological change and I don't think it will happen in my lifetime. But the alternative is to carry on suppressing technological progress.

Where is the place of a manager in your model, which you describe as non-linear, cooperative, and non-hierarchical teams?

Managers already know about it, they use what is called flat hierarchy or non-managed teams, because modern individuals are more empowered. In my view the commercial sector is going to shrink, the state is going to grow and then shrink again. More of what we do will be like Wikipedia, more will be done collaboratively. Example: How many of our team transact with Wikipedia every day? Answer: Everybody. But it never shows upon your profit. So what is it? Public service? No. Would it be possible to reinvent it using a commercial model? No. You would need huge amounts of

money for salaries. How will our business model evolve as more Wikipedias arrive? In my model the market sector will be present for a long time. My model is not Joseph Stalin's five-year plan. If you want a parallel, my model is Vladimir Lenin's New Economic Policy from 1921, promoting a market but also a transition to a just society.

Where is the place of an average worker in that?

There are no more average workers, come on! An average worker in Europe is facing two processes, both of which make them poorer. One is globalization, the other is technological progress. All they want their government to do is to limit the damage and reorganize the world so we can all survive that. The result is that they elect Law and Justice in Poland, Orbán in Hungary, or Trump in America. The first phase of the PostCapitalism project is to reinvent a form of capitalism capable of surviving. An individual manager is too busy to do that. It's the politicians, the thinkers, the strategists who need to take it seriously.

But then they go to voters who are afraid and vote for Le Pen, for example.

True. You can see some of this in Britain. Many Czech workers work in these really, really poor towns in East Anglia. I am surprised that even more people don't vote for right-wing parties. If they understood how disastrous their

prospects are, they probably would. So leftist politics needs to come with the solution quickly and we must be honest with each other. The idea of the left as a kind of a technocratic administrator for the system that basically works—the old system—has to go.

There is a dream that our region will catch up with the Western standard of living. Your book and our conversation seem to suggest that we will never get there...

No, I don't accept that. First of all, the standard of living or economic model in my book is not about wages. It's about wellbeing, making our future collaboratively, looking after each other's children or planting each other's gardens for free. But in terms of catching up with wages it's a question of choice. Juncker issued this document in March, the five options for Europe. I propose a sixth option: social justice. And the first act would equalize minimum wages and minimum welfare standards across Europe.

That would kill Central European economies...

No, a transition would need to be organized. Your entrepreneurs have to innovate to create high-value businesses. Unless you do it, Europe becomes a series of arbitrages. Germans like this arbitraging, for its outcome is four percent unemployment in Germany and twenty-five percent in Greece. For Britain the

An average worker in Europe is facing two processes, both of which make them poorer. One is globalization, the other is technological progress.

arbitraging means relatively flexible labor law, so agencies in Britain bring workers from the Czech Republic who work for very low wages and send their money back. That's arbitrage. It's not working. I am not an anti-capitalist, I am a post-capitalist, I want to move beyond that. We need a capitalism which gives people hope and prospects.

PAUL MASON

is a writer and broadcaster on economics and social justice. He was Culture and Digital Editor of Channel 4 News, becoming the programme's Economics Editor on 1 June 2014, a post he formerly held on BBC Two's Newsnight programme. He is also a visiting professor at the University of Wolverhampton. In the past, Mason was a member of the Workers' Power group. In 2016, he distanced himself from his former involvement in far-left Trotskyist politics, by saying that he no longer holds such views and identifies with a „radical social democracy.“ His books include *PostCapitalism: A Guide to our Future* (2015) and *Why It's Kicking Off Everywhere: The New Global Revolutions* (2012). Mason won the Wincott Prize for Business Journalism in 2003, the Workworld Broadcaster of the Year in 2004, and the Diageo African Business Reporting Award in 2007. His report on the social movements behind Bolivian president Evo Morales was cited when Newsnight was awarded the Orwell Prize (2007). | Photo: Milan Bureš/Economia



ASPEN REVIEW
DRAHOMIRA
ZAJICKOVA

COVER STORY
INDUSTRIAL REVOLUTION
GENDER
DIGITALIZATION
EQUALITY

Future of Jobs from Gender Perspective



Globalization, digitalization, the rapid growth of new technologies, and negative demographic growth have given rise to fundamental changes that will affect the nature of work and have a significant economic and social impact.

The debate about the future of work has already begun with people talking about the fourth industrial revolution, referred to in the Czech Republic as Industry 4.0 and Society 4.0, otherwise known as Industrie 4.0 in Germany, Industrial Internet Consortium or Smart Manufacturing Leadership Coalition in the US and Industrie du Futur in France, while the UK has built a network of High Value Manufacturing Catapult centers and Italy the technology cluster Fabbrica Intelligente.

The designation “fourth” derives from the fourth fundamental shift, one that has affected not only the production of material goods but also the way administrative tasks are carried out, thus concluding a series of fundamental changes that have occurred in the following order: steam, electricity, computer controlled machines, and digitalization of management and administration.¹

The most recent of these changes—robotics and digitalization—relies on connecting the Internet, things, services, and people with a huge volume of data generated in the course of communication not only between people but also machines. More precisely, it might be defined as the evolution and exploitation of digital technologies and artificial intelligence to transform business models and yield sufficient returns and added value in a gradual shift of a variety of human activities into the digital world (eGovernment, eHealth, eCommerce).

Different demographic groups—in terms of age, education, nationality, and gender—will cope with the changing labor market situation in different ways.

The Gender Perspective Has Been Ignored

Although there have been many studies on the impact of digitalization on labor markets, they have largely ignored the gender perspective. Labor

Labor markets are viewed as gender-neutral despite the fact that current and projected developments have an impact on the (un)equal status of men and women in society.

markets are viewed as gender-neutral despite the fact that current and projected developments present certain opportunities and threats that are not neutral as regards gender and are therefore likely to have an impact on the (un)equal status of men and women in society.

1) Kotýnková, M. 2015. *Proměny trhu práce v postindustriálních společnostech a jejich dopady na potenciální pracovní sílu* (Transformations of the Labour Market in Post-Industrial Societies and Their Impact on The Potential Work Force). Praha: VŠE

2) Walwei U. 2016. *Digitalisation and Structural Labour Markets Problem - The Case of Germany*. Geneva: ILO.

3) Graetz G., Michaels G. 2015. *Robots at Work, Centre for Economic Performance*. London: LSE.

4) Kotýnková, M. 2015. *Proměny trhu práce v postindustriálních společnostech a jejich dopady na potenciální pracovní sílu* (Transformations of the Labour Market in Post-Industrial Societies and Their Impact on The Potential Work Force). Praha: VŠE.

5) Lott, Y. 2015. *The need for a gender perspective on digitalization*. (<https://www.socialeurope.eu/2015/08/need-gender-perspective-digitalization>).

However, it is difficult to predict exactly what the impact of digitalization on labor markets will be, whether on a global level or, more specifically, for the Czech Republic. The impact of digitalization on the labor market comprises four basic effects: a) the creation of new jobs, including the emergence of entirely new branches of industry as well as new products and services; b) changes in working conditions (labor law), including new forms of interaction between human be-

The optimistic scenario for the future of jobs assumes that, while human jobs will be replaced by robots and machines, the extent to which machines can replace humans has, nevertheless, been overstated.

ings and robots and new ways of managing organizations and companies; c) entire jobs, or individual tasks they entail, becoming obsolete due to digitalization and robotics; and d) a shift in the traditional way employment, workplace, and working hours are understood, as well as types of entrepreneurship and businesses including digital platforms and the shared economy (such as Uber, Airbnb). One might object that the evolution and emergence of new technologies in modern digital communication and robotics has been proceeding apace continually and that it is a natural development in the society and the labor markets. So how will this new development be different? First and foremost, the difference will be in the scope and pace of the changes it will bring about.

Just like every technological change in the past, the fourth industrial revolution (4IR) will make some professions obsolete, specifically those involving certain tasks that will be taken over by computer-controlled machines. However, expert opinion and research studies vary in the assessment of the extent to which the disappearing jobs will be compensated for by new ones

The nature of jobs is changing, because rather than production of material goods, what is now crucial for economic growth is the production of knowledge and skills as well as the exchange of information.

that will be created. Although they differ in the methodology used, as well as in their areal and structural approach, these studies all assume a high level of uncertainty and unpredictability. The following table summarizes the results of the most important studies that have tried to quantify the changes in terms of the ratio of jobs under threat and jobs likely to be newly created.

A summary of the estimated number of jobs created and becoming obsolete

| Study/Author | Estimate – the ratio of jobs under threat to the newly-created ones |
|---------------------------------------|---|
| Frey, Osborne (2013) | 47% jobs under threat (USA) |
| Office of the Czech Government (2015) | 5:2 (Czech Republic) |
| WEF (2016) | 7:2 (developed countries) |
| Arntz, Gregory, Zierahn (2016) | 7:6 (Federal Republic of Germany) |
| OECD Employment Outlook (2016) | 10% of jobs under threat and 35% of jobs expected to be affected by substantial changes in terms of tasks they involve (Czech Republic) |

In terms of the gender gap it is already possible to distinguish between the impact of digitalization on men and women, as illustrated by the following table based on a study of developed countries conducted by the World Economic Forum (WEF).

A summary of the estimated numbers of jobs lost and created, by gender

| | Total | Men | Women |
|---|--------|---------|---------|
| Total number of jobs lost | 5–7 m. | 4 m. | 3 m. |
| <i>of these, jobs lost in manufacturing</i> | | 1.7 m. | 370,000 |
| Total number of jobs gained | 2 m. | 1.4 m. | 0.55 m. |
| <i>of these, jobs in STEM</i> | | 600,000 | 100,000 |
| Ratio of jobs lost/STEM jobs gained | 7:2 | 3:1 | 5:1 |
| Ratio of jobs lost/STEM jobs gained | | 4:1 | 20:1 |

Source: *The Industry Gender Gap*, WEF, 2016 – data from *The Future of Jobs Report*

Whereas in the case of men for every three lost jobs one new job is gained, the ratio is even more marked among women, with five lost jobs replaced by one job gained. Quite certainly, the jobs that will become

obsolete are those that rely on routine, manual labor, great and repetitive physical effort, and carried out in unsafe and unhealthy working conditions, or tasks that can be largely replaced by algorithms. The WEF study envisages the disappearance of jobs predominantly held by women that involve administrative and support tasks, while the growth potential is greatest in jobs that are less frequently held down by women (STEM, architecture, management).

Women Often Do Jobs that Require Social Skills

However, other studies² have predicted the opposite trend, arguing that men are more often employed in professions (especially in manufacturing) that may be under threat of automation, while women often do jobs that require social skills, eye contact, and “the human touch,” in other words, those that are less susceptible to automation. In addition, it will be easier for women to enter professions that, due to “smart” technologies, require less physical strength. Services are another area that is expected to have great growth potential, be it household services, individual care, or leisure and entertainment activities. This has come to be known as “the care economy,” in which typical traits of female workforce

Digitalization will enable women with small children to participate in the labor market.

will come into their own: emotional and social intelligence, sensitivity to other people’s reactions, creativity, negotiating and persuasion skills.

At the same time, the increased use of robotics accounted for around 10 percent of the growth in GDP and 15 percent of the growth in productivity between 1993 and 2007, without resulting in any decrease in employment, while the median wage has gone up. Technical progress has made human labor more, not less, valuable.³

We are thus facing two different developmental trends in the future of jobs and their impact on society: human work will be replaced by robotics, labor markets will cease to generate a sufficient number of jobs, leading to growing unemployment accompanied by social tensions and greater income inequality, which will threaten the social fabric.

The optimistic scenario for the future of jobs assumes that, while human jobs will be replaced by robots and machines, the extent to which machines can replace humans has, nevertheless, been overstated. Jobs done by humans that require flexibility, judgement, and common sense

will continue to present a challenge to machines. At the same time, people are creative enough to generate new activities and forms of employment: the WEF suggests that around 65 percent of jobs to be held by future generations do not even exist as yet (The Future of Jobs, WEF, 2016).

Transformation of Jobs, or Change as a Permanent State

Changes in the nature and form of jobs, or their “flexibilization,” are indicative of the profound transformation of paid employment. The nature of jobs is changing, because rather than production of material goods, what is now crucial for economic growth is the production of knowledge and skills as well as the exchange of information.⁴

The changing nature of jobs goes hand in hand with their changing form, be it in terms of choosing one’s workplace, flexible working hours and various types of work contracts, and their frequently changing character (part-time contracts, platforms). Employment is becoming increasingly flexible and characterized by “liquidity.”

New means of communication will enable new forms of distance-working and working from home, while the workplace is losing its firm contours. Nevertheless, the trend towards more flexible jobs must be viewed in a nuanced manner. Digitalization will enable women with small children to participate in the labor market. Working from home will provide women with considerable autonomy in terms of working hours and the flexible organization of work and leisure time. On the other hand, the

On the other hand, the risks arising from flexible working conditions are less well known: there is a growing danger of hyper-connectivity.

risks arising from flexible working conditions are less well known: there is a growing danger of hyper-connectivity – the unlimited availability of employees that threatens to wipe out the difference between work and leisure time, which, in turn, will have a significant mental and psychological impact on individuals, such as stress and burnout.

As working conditions become more flexible, the differences in the impact of flexibility on men and women may become apparent: as a result of being granted greater flexibility, men tend to devote more time to work while women tend to use it for non-work related activities (family care, household chores).⁵ Ironically, digitalization might make the situation

worse. Frequent job changes will result in rising employment-related “indirect costs” (interviews, job search), which may place an additional burden on women in terms of time and obligations. The prospect of isolation from society (or company) and colleagues for individuals working from home is another risk worth mentioning, although some analysts believe its impact is outweighed by the current advanced communication opportunities (video, online chat).

The Importance of Lifelong Learning, or Never Stop Learning

Success in the labor market and the elimination of risks arising from growing polarization will depend on access to and willingness to pursue lifelong learning, education, and retraining, particularly for people who are between jobs, the self-employed, and those on fixed-term contracts. Knowledge is ceasing to be static while the linear progression of education > employment > retirement is becoming obsolete.

Access to on-the-job training, in particular, depends to a large degree on the type of contract: workers with less standard working arrangements have more limited access to in-house training. Women, in particular, tend to be over-represented on the secondary market, which is characterized by less prestigious jobs, lower qualification requirements, low wages, inferior

The access of men and women to training and education will be key to success in the labor market. Unequal access could further exacerbate gender inequality between men and women.

working conditions, and considerable job insecurity. The access of men and women to training and education will thus be key to success in the labor market. Unequal access could further exacerbate gender inequality between men and women.

However, soft skills, such as motivation, perseverance, teamwork, self-discipline, and moral integrity will gain increasing importance in future, in addition to specialist knowledge. Lifelong learning, the need to retrain, and the ability to keep adapting to changing conditions will place a considerable psychological burden on some individuals. At the same time, employers will be exposed to a high degree of uncertainty with regard to investing in the systematic development of those of their employees on temporary or non-standard contracts.

In future, the importance of women as employees and consumers is set to grow, as women are responsible for over 65 percent of household spending, thus representing the largest single economic force. Employing women increases a company's capital profits by 35 percent and shares profits by 34 percent. The Czech Republic has not yet fully exploited the potential of its female work force.

The further development of Czech society and its productivity will depend on improving gender equality and the quantity and quality of the workforce available to employers. Economic growth can build on a number of (gender-related) factors: the access of women to education, the greater availability of childcare services to eliminate long-term career breaks, the increasing opportunities for flexible working conditions including greater equality on the labor market by means of eliminating discriminatory practices and reducing the rigid segregation in the professions.

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Third Industrial Revolution and Opportunities Nanotechnology Offers to V4

The history of mankind does not follow a linear trajectory. The leisurely pace of evolution is often disrupted and turned upside down by revolutionary events. We have reached the threshold of a new industrial revolution. Should we be fearful, or should we, rather, welcome this as a great opportunity for our small country?

The nature of our civilization and the way human lives, relationships, and movements in society are organized is shaped by three key technologies: the energy industry, the transmission of information, and transport. Economic activities are coordinated by communication technology, while the energy industry provides them with energy and transport facilitates their movement. All major changes of the economic paradigm are, the American economist and visionary Jeremy Rifkin believes, linked to these three technologies. When all three undergo significant innovation at the same moment in history, a completely new infrastructure emerges, transforming the economy, the labor market, and, ultimately, the whole of society. An industrial revolution, as we understand it, is triggered.

At the dawn of time, people had supplemented their own power with water, wood-fueled fire, and livestock, which provided their local sources of energy; information travelled slowly, by word of mouth or recorded on parchment and delivered by human messengers on foot or, at best, on horseback or by boat. This was in line with the transport possibilities of the time, which limited greater mobility of the labor force, and thus most people's lives, from birth to death, had taken place in just one place, in the same

geographical locality. Adventurers and intrepid travelers had been the only exceptions that proved the rule. This changed little until the advent of the first industrial revolution.

The first technological disruption took place in the mid-nineteenth century; its hallmarks were the invention of the steam engine, the availability of cheap coal, and the telegraph. It is worth noting that a transformation of information technology occurred at the same time as handwritten news was replaced by steam-powered printing presses and later by the telegraph; this was accompanied by changes in the energy industry, with coal replacing wood as the energy source, as well as changes in transport - travel on foot or horseback was replaced by trains that were much faster on a network of railways that connected places distant from each other. All of a sudden, it became possible to travel quickly a sizeable distance for work, or transport large amounts of goods and materials. The steam engine and the telegraph began to transform a localized way of life into a global one at an ever-accelerating pace.

The First Industrial Revolutions Resulted in Centralization

Later, in early twentieth century, came the second industrial revolution, epitomized by the telephone, television, electricity, cheap oil, and the automobile. Information suddenly travelled fast and wirelessly across vast distances. Instead of railways, a network of roads and highways was constructed. Henry Ford's production lines churned out a combustion engine car for everyone. The suburban lifestyle took hold, with car ownership symbolizing freedom and social status. Both industrial

The global society that is emerging is no longer based on hierarchy and mediation but on decentralization and direct sharing between individuals on the global net.

revolutions resulted in an unprecedented yet inevitable centralization, bureaucratization, top-down management, and mass production; small firms were replaced by centralized factories, very large-scale business transactions became the norm.

The accumulation of capital is a precondition of the functioning of a centralized energy industry and production, the competition for exclusive resources is its consequence. Exclusive, because coal, gas, or oil but

also uranium can be extracted only in certain places. The need to protect exclusive resources is related to the birth of the nation state and the establishment of standing armies.

We form our worldview on the basis of our experience of how things work. As we do so, we easily succumb to the illusion that the way things are organized is immutable, a kind of given that is externally determined.

The real core and driving force behind the latest technological revolution are advanced material technologies, with nanotechnology playing a key role.

In fact, this organization has always been the work of man and man alone. Both industrial revolutions brought about a way of life that we became accustomed to regarding as the norm, as the natural order of things.

We have come to expect sustainable growth and a steady improvement in the existing state of affairs without any change to its foundations. In 1949, the prestigious journal *Popular Mechanics* predicted that in future the weight of computers might not exceed 1.5 tonnes. In those days nobody expected the rampant growth of electronics, digitalization, and the emergence of a global information network that would interconnect the world as it happened towards the end of the twentieth century.

Computers have shrunk enough to fit into mobile phones, the capacity of microchips has continued to grow exponentially following Moore's law. One day our generation might be labelled people of the carbon era, but at the same time we are also the generation that has reached another turning point, on the threshold of a new industrial revolution, on the threshold of a world where nothing will be the same as before, yet incapable of fully grasping what to expect when the old economic and social model comes to an end.

Linking AI and the Human Brain

As the human psyche, by definition, resists anxiety and the fear of the new and unknown by naming and structuring things, labels such as Industry 4.0, Labor 4.0, The Second Age of Machines, or the Digital (or 4t) industrial revolution have lately proliferated in the social discourse.

If, however, we look at the impending change from the point of view of the three key technologies—communication, energy industry, and trans-

port—what we see is the third technological disruption in the history of mankind, that is, the third industrial revolution, which is ultimately likely to have a major social, and probably also geopolitical, impact.

Communication has moved online and takes place on the global net – the Internet; a decentralized energy industry is gaining ground, turning every house literally into a micropower station. According to some estimates, transport will be fully automated within ten years, the human driver replaced by sensors working in conjunction with artificial intelligence. The boundary between the physical and virtual world will also cease to exist as physical objects will gain a digital form and will be generated locally by 3D printers.

The futurologist Ray Kurzweil’s vision may well come true and the digital network may end up being permanently embedded in the human brain. In January 2016, scientists from several countries tested a safe graphene/neuron interface. In parallel, work on a quantum Internet is proceeding apace. The global society that is emerging is no longer based on hierarchy and mediation but on decentralization and direct sharing between individuals on the global net. Vertical hierarchical order is changing into a lateral networked one. People are interconnected, physical distance ceases to play a key role, and technology helps to make us far more locally independent of centralized resources and management.

The consumer of the first and second industrial revolution capitalism is turning into a prosumer of the shared economy, one who actively produces, consumes, and also shares economic activity by means of networks. The prosumer is a new type of human being, who produces a significant proportion of values free of charge, just for fun and the joy of being recognized and sharing with others. The incoming Generation Y no longer sees its identity as based on ownership of things but on attitudes to service. The era of the car as a social status symbol is coming to an end.

A Fixation on the Traditional Automotive Industry Might Be Disastrous for V4

After 1989, the Visegrad countries in general and the Czech Republic in particular saw a sharp rise in the automotive industry’s share of the GDP and exports. However, the third industrial revolution is breaking up the old business model in transport and bringing about fundamental change, as the

car turns into a service and the driver is about to be replaced by driverless cars steered by artificial intelligence. This is expected to result in a radically optimized human transport. Larry Burns, General Motors' former vice-director for research and development, has calculated that a single shared driverless car will eliminate up to 80% of vehicles from the road.

Hence it is evident that the new transport economy model will dramatically reduce car production. Addressing the Frankfurt conference "Into the Future: Europe's Digital Integrated Market" in January this year, Jeremy Rifkin said that each shared car will eliminate 15 cars from the production line. It follows that this will have a disastrous impact on the economies of the V4 countries unless they transform the structure of their industries. This is a fact that nothing can change, not even, as many believe, digitalization and complete automation of existing factories and production processes. So, does the third industrial revolution pose a threat to the V4?

The Internet, robotics, and digitalization are, contrary to appearances, not the primary cause of the disruptive change, they are merely its tools. The real core and driving force behind the latest technological revolution are advanced material technologies, with nanotechnology playing a key role. This began to emerge in the 1980s with the advent of electron microscopy. It is not, in fact, a new field of industry but rather a new technological tool, which offers huge opportunities for improving production processes and efficiency, improving productivity and technological progress in nearly every field of industry. Large data storage and the further miniaturization of processors is now taking place on a nanoscale, at the level of molecules and atoms.

Key Industries of the Future: Information Technologies and Nanotechnologies

Over the coming years, nanotechnology will make a significant contribution to improving the effectiveness of energy production from renewable sources and finding cheap ways of accumulation. Invisible nanosensors combined with smartphones are also very likely to turn into flexible mobile labs. The evolution of the Internet of Things and 3D printing is related to nanocomposites, materials that combine exceptional mechanical and electrical properties, surpassing those of traditional materials.

Smart materials are beginning to emerge. To put it in simplified terms, this is a kind of material that, in addition to its basic purpose, can

also do something more thanks to the use of nanotechnology. For example, in January 2016, MesoGlue, a Boston start-up, unveiled a super strong metallic nanoglue that will replace the welding and soldering of metal parts. Meanwhile in Australia, scientists at RMIT are developing self-cleaning textiles that spontaneously clean themselves when exposed to light thanks to a catalytic reaction in their nanostructures. A nanocomposite made of graphene used to produce ultralight airplane wings is another example of

The future does not belong to steel, nuclear power plants, or petrol-fueled transport relying on cars. The future is in nanofibers, graphene, smart materials, the shared economy, and decentralized energy industry.

smart material.

Graphene, invented in 2004 by two scientists at Manchester University (in 2010 they received the Nobel Prize for their invention) is an exceptional nanomaterial: a hundred times stronger than steel, transparent, pliable, and almost superconductive. In fact, it is just a form of carbon with a special chemical reactivity, and it occurs everywhere. It can be used to produce bendy touch panels, printed electronics, and ultralight construction parts that are, at the same time, extremely strong. Are we about to enter the era of graphene, in which foundries and steelworks disappear, replaced by 3D printing of graphene composites?

The global market for nanotechnological products keeps growing in volume and by some estimates will reach 3 billion USD by 2020. In the coming decades, nanotechnology will clearly become, alongside information technology, a key industry with an impact on the growth of global economy. Countries with specialists in these areas will become leaders of economic transformation and quite certainly prosper the most. The Czech Republic is in an excellent position, not just in terms of Visegrad and the EU, but on a truly global scale. From the very onset of this technological revolution this country has been literally one of the world's nanotechnology incubators.

Although the first nanotechnology firm was founded in the US in 1997, only seven years later Professor Jirsák's team at Liberec Technical University came up with the Nanospider, a device for the industrial production of nanofibers, with "industrial" being the key word, demonstrating that alongside the US, the Czech Republic was among the first to move

nanotechnology from the lab to the industry. Nanotechnology is currently the core business of some forty companies in the Czech Republic, surpassing in per capita terms even Germany next door. We are also at the cutting edge of electron microscopy, with electron microscopes made in Brno used by top-ranking global laboratories including MIT in the US and the Weizmann Institute in Israel.

Over the next ten years, nanotechnology is likely to be used worldwide primarily in the following areas: nanosensors, big data, smart materials, and the energy industry.

The Third Industrial Revolution Presents an Opportunity for the Czech Republic

We have to keep bearing in mind that these areas cut across various industries as, for example, nanosensors can be used for online monitoring of individuals' health, ocean pollution, or as a part of a driverless car in transport. The Czech Republic is very strong in nanofiber technology, applicable to the textile industry, filtration, and biotechnology.

Thanks to their small diameter, nanofibers are an ideal material for use in biomedicine, as stem cells can easily attach themselves to them, and they can be used to grow replacement tissues and organs. However, they can also serve as a casing for wounds, preventing infection during the healing process. All of this is based on the principle that nanofibers, themselves a thousand times thinner than a human hair, can be used to grow membranes whose pores measure mere tens or hundreds of nanometers.

That means that a piece of nanotextile can be filtered on molecular level: while a smaller molecule of air or water will pass through, a larger molecule of dirt, allergen or various microscopic pathogens will be trapped. Czech nanotechnology firms are already producing nanomembranes for industrial air-filters, antiviral masks for people suffering with disorders of the immune system, and anti-dust mite bedding for people with allergies.

Nanomembranes in water purifiers can even filter out the Ebola virus. Moreover, they can also be used for food industry filtration. The latest innovation, unveiled by Czech nanotechnologists earlier this year, is a nanofiber filter for vintners. Compared to standard pad filters it loses less pressure, can be regenerated, and does not need to be rinsed before filtering, thus increasing the filter's overall performance and saving its users money on

cellulose pads, in addition to its technical properties. Work is ongoing on broadening this technology to oil, beer, or spirits filtering.

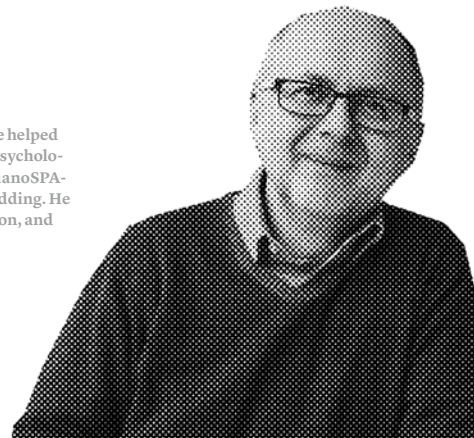
According to a study published last year by the prestigious Irish agency Research and Markets, nanofibers in the near future will be the most rapidly expanding area of application and driving force in the growth of the global nanotechnology market. In addition to nanofibers, the Czech Republic boasts further state-of-the-art nanotechnologies and patents, such as photo-catalytic air purification by means of smart coating of building fronts and interiors, flat lens nanooptics for lighting in supermarkets, streets, and car lights, antibacterial clothing, hyaluronic acid-based nanocosmetics, or a groundbreaking 3D battery with a separator made from inorganic nanofibers.

Rather than being a threat, the third industrial revolution represents a great opportunity for the Czech Republic. Thanks to our achievements so far in advanced materials technology, we could join the ranks of world economic leaders and become a technological jewel in the heart of Europe and an example to the other Visegrad countries. We have what it takes – we just need to move from short-term planning to a vision for the decades to come.

The business model and way of life associated with the second industrial revolution are coming to an end. The future does not belong to steel, nuclear power plants, or petrol-fueled transport relying on cars. The future is in nanofibers, graphene, smart materials, the shared economy, local dematerialized production, living in the extended reality of the global net, and decentralized energy industry. I often say, exaggerating slightly, that we are a small nanocountry, almost invisible to large states, but at the same time we are nanopioneers, one of the world's top nanotechnology specialists. It is entirely up to us to ensure that we do not squander this great opportunity in the twenty-first century.

JIRÍ KÚS

is the president of the Czech Nanotechnology Industries Association, which he helped found. He graduated in electrical engineering and later also in sociology and psychology. He worked for over 20 years in industrial automation. In 2012, he founded nanoSPACE, the first company in the world manufacturing anti-dust mite nanofiber bedding. He is a popularizer of nanotechnology, the concept of the third industrial revolution, and the sharing society. Photo: Jiří Kús Archive



ASPEN REVIEW
ROBERT SCHUSTER

INTERVIEW
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DIGITALIZATION
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Pavel Kysilka: Let's Fire Bureaucrats and Invest Saved Money in Education

Although there is much talk these days of the threat of new trade and other kinds of barriers, the digital world, which knows no borders, will eventually prevail, economist Pavel Kysilka believes. The question is whether this will be a smooth process or one full of glitches, he tells Robert Schuster.



Much has been written about digitalization and its chances for the future. It is reminiscent of discussions on globalization some twenty years ago. Its “casualties” and impact have become evident in the form of Brexit and Donald Trump’s election. Maybe a few years from now we’ll be moaning about digitalization in the same way?

Although technological and economic development has admittedly been continuous, it’s happened in waves. Digitalization fosters globalization because the Internet knows no borders. It has always been true that everything useful and interesting invariably results in some casualties. The invention of the automobile has significantly reduced distances between places and increased comfort, but has also caused loss of life and is approaching a dead end because of traffic jams, smog, and the unending demand for garages and parking spaces. Digitalization will end up exactly the same way as the automobile industry. It has delivered a great deal of comfort and speed, with every kind of information and service, including education, now within our easy reach.

However, there is also a darker side to it, most of which can never be anticipated. Some negative impacts of this development have already become apparent, for example the risk of cyber-attacks. Another example are the “echo

chambers,” inside which homogeneous groups of people persuade each other that they are in the right and everyone else is wrong. There is nothing new about this. In the past people used to sit around the table in a pub and talk to people who shared their opinions. The digital opportunities have just amplified this.

You mentioned the benefits offered by digitalization. But doesn’t it ultimately make people passive and incapable of looking beyond the superficial side of events?

People have been grumbling about superficiality since the Ancient Greece, where philosophers and

We mustn’t forget that the Internet is still a very young phenomenon. We have yet to fully appreciate the opportunities it offers, the enormous amount of creativity it facilitates.

scholars complained that the incoming generation was superficial, that it preferred speed and so on. It’s a human property. At the same time we don’t seem to notice that although new technologies have encouraged quantity to the detriment of quality, they have also freed a huge amount of energy and capacity for other things.

We mustn’t forget that the Internet is still a very young phenomenon. Here, in the Czech Republic, it’s only been around for

25 years. We have yet to fully appreciate the opportunities it offers, the enormous amount of creativity it facilitates.

Our politicians here in the Czech Republic have been trying to lull us into believing that the economy is doing well and we don't need to do anything, so we've been resting on our laurels. But that is a very shortsighted view.

However, it is up to each and every one of us to decide how deeply we explore the information we have gained.

Although the Internet knows no borders, lately there have been attempts to erect new barriers to global trade, and also to limit the free movement of people. Can digitalization succeed in the era of new economic nationalism?

Let me go back to the analogy with the nineteenth century, when nations continued to gamble with building barriers and walls until the outbreak of World War I. In those days, this was driven by industrial growth, which, in turn, led to protectionism, while nowadays, similar ideas of building trade barriers are the result of an expansion in digitalization and globalization.

Donald Trump, the US president, is fundamentally wrong. If his goal is the

re-industrialization of the United States, he might succeed. However, I'd like to point out that this industry won't create new jobs for the middle classes or workers on production lines but rather provide jobs for programmers, people working in the field of artificial intelligence and robotics, the development of "smart" solutions. So the result will be a completely different kind of car factory than the one Trump's former blue-collar workers remember from twenty years ago. And the other experience is even more crucial: where there is trade, there is no war.

There's no need to go to the US, suffice it to look at the outcome of the British referendum that is taking the country out of the EU...

The fact is that those who voted for Brexit included people who have often and erroneously associated Britain's membership of the European Union with the decline of certain kind of jobs and roles, especially in industry. However, the elites that supported Brexit had a very different agenda: they were hoping to turn Britain into a global power, which is quite ironic. It will be interesting to see how Britain will cope, because the mass electorate that voted for Brexit has completely different expectations from the elites who were either in favor of Brexit or will now try to get as much as possible out of it in terms of restoring Britain's former role as a global and globalizing power.

Who will prevail in the end? The digital world or the protectionists?

Most definitely the digital world. The only question is whether it will be a smooth process or one full of glitches. We are already beginning to feel growing tensions in international relations related to global processes fostered by the digital revolution.

Have the Visegrad group countries been sufficiently active in terms of preparing themselves for digitalization?

It varies. The rate of digitalization of individual households and companies in the Czech Republic is slightly above the OECD average, but there are also plenty of examples of smaller or medium-sized companies that have failed to grasp opportunities offered by digitalization and grow to an international and global size. And, by way of a spectacular contrast to this, we have zero or negative leadership on the part of our politicians – there’s quite a lot of talk but very little action or movement forward.

In terms of developing electronic contacts between citizens and the state and e-governance, we are last but one in the EU, with only Romania lagging further behind. This is where a huge gap has been opening up between the state and private sector. Poland, for example, is regarded as quite dynamic in terms of digitalization, and Hungary has seen

some promising trends in start-ups.

A start-up scene has also recently begun to emerge in the Czech Republic, with a number of new investors appearing on the scene. Provided that future governments join in by taking enlightened measures in support of basic and applied research and education—which is still at the eighteenth or nineteenth century level—we have a chance of developing quite an interesting model. Incidentally, this is the only way to not only maintain our present high share of industry but also to shift it up a gear.

What I have in mind is an economy in which a key role is played by research and development as well as innovation and the introduction of new business models in shared economy, offering goods not for ownership but as a service to customers in smart living, smart energy, smart transport, education, healthcare, etc.

Politicians pay lip service to supporting investment in education but when it comes to practice they keep coming up with excuses for investing in other things...

Objectively speaking there’s nothing that stops us from firing 75 percent of state officials because we have no need for them whatsoever; on the contrary, they place a huge burden on the economy and the state as they keep coming up with regulations that slow us down. This could save enormous amounts of money, plus these people will be sought after by the

private sector as we're talking of well-educated, hard-working people with good communication skills. The savings can

Marx was wrong about many things. In the sentence which says that people will be replaced by machines, he forgot to add a comma and "in their present roles."

be used to give teachers substantial pay rises and to turn them into the best paid people with higher education; and to do that we have to start with teachers who train teachers. To say nothing of state expenditure on social security benefits that represents a wholly unnecessary and ineffective investment.

Our politicians here in the Czech Republic have been trying to lull us into believing that the economy is doing well and we don't need to do anything, so we've been resting on our laurels. We feel safe because Slovakia and Ukraine will always be between us and Russia. But that is a very shortsighted view.

How much longer can we continue to benefit from relatively low labor costs?

This is a thorny issue, not just for us but also for Slovakia, since both our countries have a very high proportion of industry, notably the automobile industry. This industry, in particular, will be subjected to a huge test on a global scale, as the transition from the car as an owned

object to something that is just a service, the reduction in travel due to virtual reality, as well as the introduction of driverless cars may result in a significant drop in car manufacturing worldwide. The advantage of a cheap, skilled, and hard-working work force, and our geographical proximity to Germany, which have so far given us a competitive edge, may soon cease to count.

What is the situation like in Western Europe?

Take Great Britain, which is about to leave the EU, a country that has a major head start in terms of technology. For example, the degree of digitalization and automation of their industry and services is very high indeed. Germany is a world robotics leader, following on the heels of South Korea and Singapore. The Netherlands is traditionally exciting and open to new technologies, and, interestingly, three years ago even the conservative Switzerland launched a program funded exclusively from private sources. They came to realize that traditional Swiss industries would prosper for another two hundred years only if they undergo a transformation.

You've mentioned Great Britain. Despite their head start in digitalization, in the end it was the de-industrialized regions of northern England that decided Brexit. Why?

Because the electorate in these regions, having lost their jobs in factories (classically understood as a result of modernization), has fallen precisely into the gap that should be bridged by education. People are always needed, but they have to retrain so that they can take on tasks required in the new situation, and that takes time. That is why I ascribe a major role to learning, and I mean lifelong learning.

So wasn't Karl Marx actually right when he claimed that people would be replaced by machines?

Marx was wrong about many things and he was totally wrong on this one. In the sentence which says that people will be replaced by machines, he forgot to add a comma and “in their present

roles.” Whether in the nineteenth or the twentieth century, it has always been the case that as machines replaced what used to be our jobs, we have been able to move on to more advanced roles. Admittedly, there are fields, such as agriculture, where employment has gone down dramatically, but at the same time other areas have emerged with much higher demand for people. We can extrapolate that some 20 percent of the young currently at school will end up working in fields that don't even exist today. And to come back to machines: it is worth noting that countries most advanced in terms of robotics, such as Germany and Singapore, also have the lowest unemployment rate.

PAVEL KYSILKA

is a graduate of the School of Economics (VŠE) in Prague. From 1986 to 1990 he worked at the Institute of Economics of the Czechoslovak Academy of Science. In the 1990s he served as Vice Governor and Acting Governor of the Czech National Bank, in charge of the planning and implementation of the separation of the Czechoslovak currency and introduction of the Czech koruna. From 1994 to 1997, as a consultant for the International Monetary Fund, he was involved in the introduction of national currencies in a number of East European countries. In 2000 he joined the Czech Savings Bank as its chief economist, in 2004 was elected to its Board and from January 1, 2001, he served for five years as its CEO and Board Chairman. He has been named Banker of the Year three times. He focuses on the economic, business, and social impact of the digital revolution. He is the founder and chairman of the board of the 6DAcademy, president of the Smetana's Litomyšl music festival, member of the Board of VŠE, of the Masaryk University in Brno, Palacký University in Olomouc, the Leoš Janáček Foundation, the Bohemian Heritage Fund, the Czech-Israeli Chamber of Commerce, and serves on the boards of the Good Angel charity and Aspen Institute Central Europe. | Photo: Pavel Kysilka Archive



The Future of Work 4.0

Martin Ehl In 1991, Robert Reich, the US economist and secretary of labor in Bill Clinton’s first administration, published a prophetic book entitled *The Work of Nations* with the subtitle “Preparing ourselves for 21st century capitalism.” Internet in those days was still in its infancy, the concept of shared economy did not exist, and Travis Kalanick, the billionaire founder of the taxi company Uber which has come to epitomize the shared economy and self-employment, was still studying computer programming.

In his book, Reich predicted quite accurately that in the future, countries will derive their prosperity from infrastructure, education, and the ability of people to cooperate, and that people would gradually end up in three categories of jobs: routine production workers whose numbers would continue to dwindle as they are replaced by robots and artificial intelligence; those providing “in-person” services; and “symbolic analysts,” i.e. those processing symbols, be it in the form of letters, patterns, or ones and zeroes. The third category, of course, will be the one generating the greatest added value because it will include people whose innovative ideas will turn many tried and tested production processes upside down.

Robert Reich could not have known that the word “Uberization” would be coined one day, that newspapers would run columns headed Economy 4.0, and that the industrial Internet and the Internet of Things would come into being. Nevertheless, he has described quite accurately that a rather small group of people—the symbolic analysts—would suddenly find themselves in a completely different position from the rest of the mankind and that capitalism, based as it is on a certain division of labor and skills that benefits all, would suffer a major upheaval.

The Shared Economy Has Much More Impact Than the Global Crisis

Faith in capitalism as a system was deeply shaken by the 2008–2009 global financial crisis, but the advent of the shared economy and Uberization in particular are likely to have a much more profound impact on the system and forms of employment than the—admittedly, serious and deep—crisis of the old system.

If one day people try to pinpoint the moment in history when there stopped being enough work for everyone, when the cost of data processing went down dramatically, and the speed of its transmission became astonishingly fast, most historians will home in on the year 2007. As American

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journalist Thomas Friedman writes in his most recent book *Thank You for Being Late*, it was in 2007 that a number of seemingly minute events happened which have, nevertheless, radically transformed the future of the world's economy. For example, this was when the first iPhone appeared on the market, driving telecommunications companies to invent revolutionary solutions for transmitting a growing amount of data through the air. Also in 2007, Twitter went independent, Google introduced its Android system, Amazon came out with its Kindle reader, and Intel started using new materials in their chips, which made them substantially faster.

In plain terms, this was a leap forward, one that ultimately resulted in a radical change of patterns and ways of making money in the capitalist economy. Many start-ups offer a large proportion of their services free of charge and demand payment only for what they label premium content. Monetizing ideas is becoming increasingly difficult because fast and cheap connectivity and the use of Cloud—i.e. computer power that can be purchased cheaply, easily, and flexibly—has made a number of production processes extraordinarily cheap.

Visionary Ideas Change the Attitude to Work

All this has gone hand in hand with the advent of robotics and artificial intelligence – in slightly simplistic terms, one might say that the former is replacing the blue-collar (i.e. manual) workers and the latter the white-collar

workers. For example, insurance companies have begun replacing armies of analysts with sophisticated computer systems such as IBM's Watson (launched in 2007), by themselves capable of gathering all the available information on how traffic accidents happen and what their consequences are, and then calculating their probability with great accuracy.

Visionary ideas such as Elon Musk's electric cars, which could turn the entire automotive industry upside down, or journeys into space often smack of utopias. They are alluring and, at the same time,

Monetizing ideas is becoming increasingly difficult because fast and cheap connectivity and the use of Cloud has made a number of production processes extraordinarily cheap.

ultimately change the attitude to work in a way reminiscent of the Bolshevik revolution – you cannot make an omelet without breaking eggs or, in this case, jobs.

Jean-Luc Mélenchon, the most left-wing candidate in this year's French presidential election, who garnered nearly 20 percent of the vote in the first round, pledged to tax robots – and he had a point. Introducing a guaranteed unconditional basic income paid by the state regardless of whether people hold down a job or not offers a kind of solution to the visibly dwindling number of jobs in our industrial societies. However, the money for this income has to come from somewhere. Sweden is experimenting with a 6-hour working day, while Finland has already started testing basic universal income on a 2,000-strong sample of its population.

The left criticizes big companies for turning people into the cheapest possible labor, Uber style, since workers who are under the threat of being replaced by cheap and productive robots and artificial intelligence are often willing to work for very low wages and accept conditions that seem to take workers back to the nineteenth-century pre-trade union era. Uber drivers are a good example: in the US the company keeps lowering the rates they may charge their customers, thus reducing their chances of making money. However, since they are not employed and technically do not count as taxi drivers, their chances of fighting back are very limited. And if someone protests too much, the company can simply cut off their access to the app that directs customers their way and enables them to earn a living. Some Czech drivers have already had this experience.

We are thus coming to a painful realization: although it may sound like a cliché, the future of work is the ability to learn to keep learning all life long. Present-day primary school children are expected to choose their future jobs, yet they often pick those that are slowly disappearing and cannot pick those that have not yet been invented, although these are likely to be in the majority, given the fast pace at which the structure of economy is changing. At the moment, Central Europe tends to suffer from shortages in its labor force, but once the automotive industry undergoes a radical transformation and starts switching to electric cars, large parts of the Czech, Slovak, Hungarian, and Polish economy will be in deep trouble. And the car factory workers who have taken on loans for houses, cars, and their children's education might find themselves in a very tight spot. And we are talking only about one branch of industry, albeit the largest one in terms of Central Europe.

Workers of the future will need knowledge and skill set that is radically different from the one schools are equipping them with. The economy is changing at an ever-accelerating pace, making one wonder if it might be

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evolving faster than people's ability to adapt and respond to these changes.

The future of work is thus not only an economic but also a political, social, and psychological issue.

MARTIN EHL

has been working for various Czech print and online media since 1992, since January of 2006 he is the Chief International Editor of *Hospodářské noviny* daily. He runs a regular bi-weekly column Middle Europa at English language Internet magazine *Transitions Online* (www.tol.cz), for this column he was awarded "Writing for Central Europe" prize in Austria in 2012. He is a co-editor of *Visegrad Insight* magazine.

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Alain Délétröz: Macron Is Not Going to Leave Eastern Europe Behind

I do not expect "sanctions" to be set up against Poland or Hungary in the same way as they have been set up against Russia after the annexation of Crimea – says Alain Délétröz in an interview with Jakub Majmurek.



Jakub Majmurek: Emmanuel Macron managed to win the presidential elections in France. The whole Europe is relieved. But does his victory really mean that the future of the European project is safe?

Alain Délotroz: His victory means that the future of the European project is much safer. As we have seen during the campaign, Mrs Le Pen and the senior staff of her team could not avoid defending Vichy, the French collaborating state during the German occupation. If she had won, not only the European Union would be in shambles today, but so would the level of democracy in France, a country still under the emergency state.

Do you think that after Madame Le Pen's defeat we're going to see any serious populist challenges to European project soon? If you think we are, where are they going to pop up?

Yes, populism has become a kind of "Zeitgeist." It is there and it will prosper mainly on mainstream politicians' weaknesses and cowardice. The upcoming German elections should not represent a big danger, even though populism there is also on the rise. But Italy is a country to watch. People are very unhappy and Pepe Grillo's Five Star Movement could become a central governing force.

Would it be a calamity for the future of the EU?

It would send some shivers across the EU, but Five Star Movement has still such a vague program that one could hope they would have a sober approach to reality and particularly to the euro.

What does Macron's victory mean for the cooperation between France and Germany? We know that in the past Macron clashed with Merkel over the issue of Greek debt. Are their visions of the future of Europe compatible?

The length and depth of the Greek crisis and Brexit have changed many things in Europe including in Mrs Merkel's mind. Macron has stated over and over during the campaign that he wants to re-establish a strong Franco-German cooperation line. He had the courage to say loud and clear that for your partner to listen to you, you must be credible, thus implicitly admitting that France is not credible in Berlin for as long as it proves incapable of reforming itself.

During the campaign, Macron was talking a lot about the necessity of social and economic solidarity in Europe. Do you think he would be able and willing to translate those promises into actual politics? What his victory would mean for the Greek government, smitten with debt and austerity?

He will certainly want to push that, but he does not yet have a deep experience with

the Council of the European Union. He will soon discover how building a consensus on these politically very sensitive issues requires patience, diplomatic skills, and a vision acceptable by all.

Would you agree that Macron's victory gives a strong green light for a project of two- or multi-speed Europe? A scenario where Germany, France, Benelux, and maybe Italy are pursuing closer integration, leaving behind other member states, seems very plausible now, doesn't it?

During his campaign speeches Macron has constantly emphasized the need for the eurozone to have a much better governance structure. He will certainly

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concentrate his efforts at getting that done. He also thinks that a monetary union cannot survive at longer term without the convergence in its tax and social policies. But he can do that without neglecting the rest of the EU.

When I was following what Macron was saying about Europe, it struck me that he was talking almost exclusively about eurozone countries. Eastern Europe or Nordic

countries were almost completely absent from his European narration.

You are quite right: he has not been speaking very much about this region during the campaign. He knows the Scandinavian countries and admires their economic flexibility, but he has been less vocal on Central Europe, except for some harsh words for those in Warsaw and Budapest who threaten democracy.

Macron is not alone in his criticism of those governments. Do you think that the tensions between Brussels and Kaczyński or Orbán can escalate to the point when European Commission would indeed punish Poland or Hungary with actual sanctions? What consequences it could have for the future of European project?

I do not expect "sanctions" to be set up against Poland or Hungary in the same way as they have been set up against Russia after the annexation of Crimea. But yes, there is a huge fatigue with autocratic leaders in the EU countries that are receiving structural funds from Brussels. For many in Macron's political movement the very idea that French taxpayers' money can support governments that violate European democratic principles is just unacceptable. I would expect strong discussion in Brussels on that issue once the new government is formed in Paris.

Do you think that a conflict between Western capitals and Warsaw could aid Moscow to break the united European front on the issue on Russian politics?

No, not at all, for the simple reason that all hardliners in Warsaw are much more anti-Russian than the mainstream politicians.

How is Macron's victory going to affect the EU-Russia relations? Everyone is assuming that Macron's victory means a continuation of the status quo (sanctions, etc.) – do you agree?

Yes, I think Macron will not push for a change of status quo for as long as nothing changes on Russia's position in Ukraine. Putin's direct support of Marine Le Pen and the hacking of Macron's political movement's e-mails the very last day of his campaign were no smart things to do from the Russian side. The relationship starts under a pretty cold weather to say the least.

If Angela Merkel wins in Germany in October, we can expect that also Berlin is not going to change its politics towards Moscow. How would Russia react to such scenario?

Yes, I think it is pretty safe to assume that. Russia will continue its present line: building up its military, keeping a high level of anti-EU speeches in its state-run media, and trying to disrupt elections in the West whenever an opportunity to do so emerges.

It has been three years since Russia annexed Crimea and started the conflict in Eastern Ukraine. Nothing points to any plausible resolution of that conflict in the nearest future. How do you think it's going to evolve in the next year? Does the EU have any means to influence the situation in Eastern Ukraine towards an outcome which would be welcome from the point of view of European security?

The EU has clearly outsourced the Donbass conflict to France and Germany, who have been negotiating the Minsk agreement without any EU input. The EU is also accused by the de facto authorities in the Donbass and by Moscow of being a

The length and depth of the Greek crisis and Brexit have changed many things in Europe including in Mrs Merkel's mind. Macron has stated during the campaign that he wants to re-establish a strong Franco-German cooperation line.

party to the conflict. So I do not see a big role for Brussels in the policy discussion at this state. But the EU is and will continue to be the main modernization factor in Ukraine, which is essential to move forward economically and politically.

Many European leaders were afraid of Trump's presidency, worried whether he would feel obliged to keep American commitments written in the North

Atlantic Treaty. It has been more than 100 days since Trump's inauguration – what do we know so far?

Trump has been obliged to clean up his White House team very quickly. The American “deep state” has proven itself to be quite resilient and capable of bringing Trump back into the American tradition on several foreign policy

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issues. But one thing will remain true in Europe: the US want to see the EU member states being more serious in their defense efforts and taking bigger share in NATO's defense burdens. Nevertheless, there is no doubt any more that the US would stand by the article 50 and defend any allied country suffering an external attack.

Do you think that Trump's presidency would push European leaders towards closer integration of their security and military politics? Would it deepen the military dimension of the EU?

Yes, that could indeed be one of the positive unintended consequences of this unusual US administration and probably also of Brexit.

Once again, wouldn't this kind of military integration of Europe leave behind Eastern European countries? They are traditionally more Atlantic, and are ruled by leaders who don't happen to be the great believers in common European army, defense system, etc.

No, I don't think so. Poland in particular has always been a serious partner in matters of defense and has taken part in all European security operations abroad. The French military have often expressed great admiration for their Polish colleagues serving with them abroad.

Trump seems to be preoccupied right now mainly by the situation in the Korean Peninsula. How do you assess the risk of a full-blown conflict in that region? How would it affect Europe? Does Europe have any diplomatic or other means to deescalate that conflict?

Europe matters as an economic partner of South Korea, but has very little political leverage in that region. With North Korea, everything is to be expected. Including a more positive outcome. It seems that the goal the US want to achieve is a much greater Chinese involvement, much stronger Chinese pressures.

The most immense threat for European security is arguably the refugee crisis and Islamic terrorism. They both hardly may be addressed

without some kind of viable truce in Syria. But we are no closer to it than we were a year or two ago. Are the hands of the European states and Union really tied up in Syria? What can the EU do to address that issue, besides waiting and trying to mitigate the humanitarian crisis?

Syria has turned into a nightmare that will be extremely difficult to resolve. The best

The EU has clearly outsourced the Donbass conflict to France and Germany, who have been negotiating the Minsk agreement without any EU input.

one could hope for this martyred country is an understanding between Russia, the US, France, Britain, Iran, and Turkey on what they want to achieve and how they would push the parties they control to sit at a negotiation table. We are still very far from it.

ALAIN DÉLÉTROZ

is Executive-in-Residence in Geneva Centre for Security Policy and former Vice-President for International Crisis Group. A Swiss and French national, his areas of expertise include the Andean countries and Brazil; Russia, North/South Caucasus, and Central Asia; EU external action; West Africa; the Great Lakes and the Sudans. He has an experience of more than twenty years of work in conflict regions or in countries under strong political tensions. At the International Crisis Group he authored a series of articles on almost all the conflicts covered by this organization. He has authored and edited several books, from a monograph on Carabaya province - Peru, to Russian text books, a guide to Quecha grammar and an essay on Russia in 2014. Mr Délétriz holds a Masters from the Institut d'Etudes Politiques de Paris, as well as degrees in cultural anthropology, sociology of organizations, and Russian studies from Paris IV and V - Sorbonne, and in Quecha language from the Institut National des Langues Orientales. | Photo: Alain Délétriz Archive



European Elections in 2017: Is Myth of the Omnipotent Russia Over?

Péter Krekó Feeling this momentum, 2017 was mentioned as the year of change and revolutions by pro-Russian populist politicians such as Matteo Salvini, the leader of the Lega Nord, and Viktor Orbán, the PM of Hungary. There were widespread fears that the „populist international” with Russia, European populists on the left and right, and probably Donald Trump together can change the course of history and reverse the post-WWII world order, which is based on globalization, multilateralism, free trade, and the dominance of liberal democracies.

These elections made Moscow more confident than ever before about her abilities to orchestrate political processes in Europe. The fact is, though, that we can see in all of these cases obvious Russian fingerprints

in the campaigns - but in neither of these cases it can be proved that the election results were a direct consequence of Russian interference. Still, European populists and Moscow have both become overconfident and drive themselves to the comfortable, yet self-deceiving world of grandiose delusions. The year 2016 has led to the misconception, both in Moscow and the West, that Moscow plays a dominant role in influencing the European politics.

Russia Does Not Have a Strong, Controllable Ally in the Netherlands

Of course, the year is not over. However, the results of the Dutch and the French elections did not prove the notion that populists are overtaking the leadership of these countries - nor that Russia can be efficiently orchestrating elections.

Russian interference was rather moderate in the case of the Dutch elections in March. Here, Russia did not have a clear preference towards any particular candidate, despite the reserved pro-Russian sympathies among the radical-left Socialist Party, the radical-right PVV of Geert Wilders, and the movement of the political newcomer Thierry Baudet. While pro-Moscow disinformation campaigns clearly played an important role in the 2016 Dutch referendum where the Dutch voted against the Association Agreement with Ukraine, it was rather because the fears over EU enlargement and the Easterner hordes could have been exploited in the campaign.

Still, Russia does not have a strong, loyal, controllable ally in the Netherlands (like Marine Le Pen in France) that could have been worth to invest in, and the downing of the MH17 just made pro-Putinism a hard

The year 2016 has led to the misconception, both in Moscow and the West, that Moscow plays a dominant role in influencing the European politics.

political product to sell. Still, the Dutch authorities warned before the elections that Russian misinformation aims to modify the results of the election - while Netherlands is not a country that is traditionally hostile towards Russia. The result of the election was the re-election of Mark Rutte, who follows a hardliner stance against Russia, especially since the MH17 plane catastrophe led to the death of almost two hundred Dutch citizens.

Putin's Support Was Not Very Helpful to Le Pen

French presidential election was an even clearer refutation of the notion that Moscow is omnipotent in defining the outcome of the elections in the West. The Kremlin tried its best to change the vote, running the “anyone but Macron” strategy (pitting Fillon and Le Pen against Macron) and even trying to undermine the results with cyberattacks at the last moment. Le Pen shook hands with Putin in Moscow late March before cameras - when it was rather obvious that she cannot win. And given that Putin is not really a popular figure in France, it was not very helpful.

The center-right candidate François Fillon, the far-right Marine Le Pen, and the far-left Mélenchon were all calling for better French-Russian relations and the abolition of the sanctions, so Putin could have thought—before the meteoric rise of Macron—that he could only win with this election. Yet in the end, the only serious candidate that Moscow did not want to win came first.

Furthermore, Moscow could make a hawk from a dove. Macron, a moderate compromise-seeker towards Russia at the beginning, who called for the possible abolition of the sanctions on his visit to Moscow not more

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than a year ago as an economic minister, changed his position totally on Russia as a consequence of the aggressive smear campaign run against him. And while a meeting between the two leaders is approaching, it is highly unlikely that Putin will be able to break the ice of distrust.

Putin has managed to establish good relations with two French presidents in the past, both of whom were rather reserved towards Russia in the beginning: Jacques Chirac and Nicolas Sarkozy. However, a brutal disinformation campaign against the new head of state, in which Macron was depicted as a gay Jewish US agent, is not a good beginning for a reset after the poisoned relationship with François Hollande. And Paris matters, both economically and politically.

As German Bundestag elections approach, Russia can do even more to alienate its other most important European ally. In fact, it already did a lot. The strong and obvious effort of Russia to weaken chancellor Merkel

since the beginning of the refugee crisis via all kinds of active measures—such as exploiting the refugee crisis, supporting the radicals on the margins of both the right and left, launching a lot of fake news about refugees and

The strong and obvious effort of Russia to weaken chancellor Merkel since the beginning of the refugee crisis via all kinds of active measures made the overall political mainstream in Germany strongly reserved towards Russia.

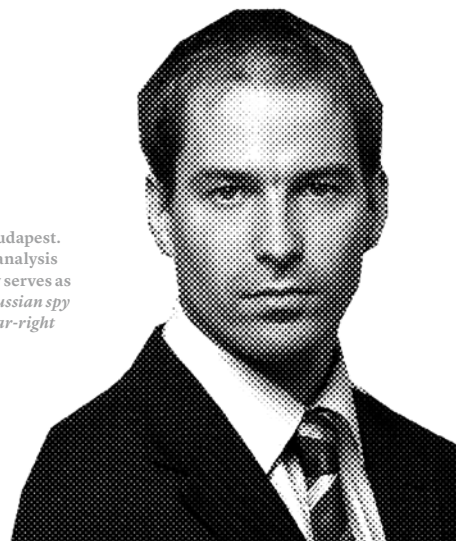
their victims, and politically weaponizing the Russian diaspora in Germany—made the overall political mainstream in Germany strongly reserved towards Russia.

Beforehand, “Putinverstehers” in all political sides were the most dominant in shaping bilateral relations. The “Moscow-Paris-Berlin triangle” that Marcel van Herpen described as Putin’s traditional strategy to keep Europe more distant from the United States seems to totally fade away politically, with Moscow doing its best to make it possible to return.

With building up the “populist international,” Russia seems to alienate its possible allies in the mainstream - who, contrary to the expectations, are not going to disappear from one moment to another. Putin, in his overconfidence following the series of “victories” in 2016, seems to have strongly miscalculated the chances of a populist breakthrough. If he does not change Moscow’s aggressive strategy, the result can be a diplomatic self-destruction with further isolation - and no chance of raising the sanctions on the horizon.

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Europe's Last Hope

What Macron wishes to achieve can only be effected through a full political union, which would mean the final end of French sovereignty. He may wish to go down this road, but would France follow him?

“Who speaks of victory,” the poet Rilke once wrote, “surviving is everything.” I was reminded of these words when Emmanuel Macron won the second round of the French presidential elections. Leaving aside the impact on France herself, if Marine le Pen had prevailed the European Union would have been plunged into a crisis much deeper than that caused by Brexit.

Her stated intention was to take the country out of the EU and certainly out of the eurozone. This would have been a central secession at the heart of the whole European project, wrecking the common currency, ending the Schengen free travel area, and even the common security and defense policy, not to speak of the horrors of having a far-right figure in charge of the rump EU's second-most important country. Business dreaded a crash induced by her protectionist policies. This did not happen. Russia and the “illiberal democrats” grimaced, but almost everybody breathed a sigh of relief. Stocks surged in anticipation after Macron's victory in the first round. Donald Tusk tweeted after the second round to congratulate the French “for choosing Liberty, Equality, and Fraternity over tyranny of fake news.” Europe has once again survived.

A Chance to Reinvigorate the European Idea

However, the election of Macron means a lot more than that. People sense that unlike the Dutch and Austrian results, his victory does not just buy time for Europe. Rather, his triumph has been hailed as a chance to reinvigorate the whole European idea: to re-animate the Franco-German partnership at its core, to put the euro on a sound footing with the establishment of eurobonds.

There are good grounds for thinking that this is indeed Macron's intention, because he signaled as much in a remarkable speech given in Berlin at the start of the year. Building on Joschka Fischer's famous broadside calling for greater European unity fifteen years earlier, Macron set out a plan for establishing a "European sovereignty," to address the four

Macron's triumph has been hailed as a chance to reinvigorate the whole European idea: to re-animate the Franco-German partnership at its core, to put the euro on a sound footing with the establishment of eurobonds.

crises facing Europe. The first crisis he identifies as security, such as the Russian assault on Ukraine but also the Middle Eastern conflicts; here he was vague about the answer. The second is the migration crisis, which he proposed to tackle through a more consolidated asylum policy on the one hand and a tighter union defense of the EU's external borders on the other hand; not much new here.

The third crisis named was the economic one, which he wanted to settle through a common European external trade posture and a new deal for the euro, transcending the moral hazard/transfer union divide; again, familiar stuff and short on detail. He has since amplified his policy somewhat in calling for a eurozone budget for investment, to be approved by the European Parliament and administered by an economics and finance minister for the eurozone. Much more interesting was his line on the fourth crisis - one of legitimacy and instruments. Macron suggests dealing with this through a series of national democratic conventions mandated to deepen integration in which no state would have a veto on progress. This is new and exciting.

The Risk of Falling at the First Hurdle

The new French president certainly has the standing to start such a conversation. As Brexit looms, many have observed that France's military power is badly needed to shore up the credibility of the EU's battered

common foreign and defense policy. So Macron could plausibly be the messiah so many have welcomed him as.

That is what worries me. Not that Macron is insincere or lacks resolve. He is clearly a man of quite exceptional caliber. Rather, my anxiety is driven by four principal fears. First, there is the danger he will simply fall at the first hurdle. His new army of candidates could do badly in the upcoming parliamentary elections, depriving him of the instruments of government. He could fail to push changes to the labor laws through in order to make France more competitive as vested interest groups rally against him. More than fifty percent of French economic activity is still linked to the state, a very high figure. The left, which largely rallied to keep out Le Pen, will

As Brexit looms, many have observed that France's military power is badly needed to shore up the credibility of the EU's battered common foreign and defense policy.

do him no favors here. Concerted resistance here may not actually bring Macron down, but it may wear him out to the extent that he cannot devote himself to broader European issues. En Marche could simply become a larger but equally ineffectual French Syriza.

Secondly, Macron will be at the mercy of events in France. Another serious terror attack which could be blamed on immigration or the failure to control borders would give Le Pen an opening, and repeated outrages would probably damage his administration beyond repair. Macron would never have been elected if he had not been the anti-Le Pen. However, this means that she stands to gain if he gets into difficulty at home, either on the economic or the security front. As Sławomir Sierakowski has pointed out, Macron is effectively a pro-EU populist, in the same way as Donald Tusk was in Poland with his Civic Platform, before he was outflanked by PiS. The failure of his project will thus profoundly damage the pro-European cause in France and lead to a massive loss of morale.

Thirdly, it is by no means a given that Macron will be able to restore equality to the Franco-German relationship and make it the engine of closer European integration. He appeals to the German left, which, as the commentator Wulf Schmiese has remarked, would like him "pure," but not to the Christian Democrats (CDU), which would prefer him "lite." Alarm bells are already sounding across the Rhine at the prospect of some kind of eurobond that taxpayers there will have to fund. German politicians are

also nervous about his open attack on their balance of payments surplus, which he says is putting “unsustainable” pressure on the common currency and on the Southern economies. Nor will German business be happy with Macron’s (perfectly reasonable) argument that the euro is effectively an under-valued Deutschmark, favorable to German exports.

Macron Must Establish a Satisfactory Partnership with Merkel

Moreover, Macron may find that progress in Berlin will be tied to accepting a larger number of refugees, which will be domestically difficult and boost Le Pen. Under Hollande, unlike during the “Merkozy” phase under Merkel and Sarkozy, France was very much a junior partner to Germany. It is not clear how easily will Berlin allow the terms of this relationship to be revised, however pressing the “European” arguments. One way or the other, if he does not establish a satisfactory partnership with Frau Merkel soon, he will leave himself open to Le Pen’s jibe during the runoff that whatever the outcome, France would be ruled by a woman: either herself or the German chancellor.

The internal and the external here are closely linked, because Germans, such as the Bavarian Christian-Social Union (CSU) Vice-President Manfred Weber, have been quick to point out that Macron should only raise his voice in Europe “once he has shown himself capable of reforming his own country.” Macron himself readily acknowledges this, saying during the campaign that France could not rely on Germany until it had pushed through the painful structural reforms it had avoided for so long. In other words, the domestic and the European fronts here are linked. Macron cannot make progress in the one without the other. There is a real chicken-and-egg, catch-22 danger here.

Whatever Macron does at inter-governmental level, there is no solution to this problem within the current framework. There is little he can do in the short term about the profound macro-economic imbalances in the eurozone. Putting it crudely and simplifying greatly, Northern economies export high value products while the Southerners sell low value added goods and rely on tourism. Even before the common currency, the latter depended on domestic demand stimulation through expensive (for them) welfare and subsidy programs. This was aggravated by the availability of cheap credit after they joined the euro. This is well known. What is unknown is how one

gets out of the trap with the current transfer arrangements and structural reform programs which have simply served to depress local demand.

Some Problems Faced by Europe Could Get Worse

Macron may also run into trouble with those European states who object to closer integration. Any democratic convention which does not give them a veto power will alarm countries like Hungary and Poland, where the legitimacy of the EU is already in question. He may be right to ride roughshod over their objections, but the resulting friction should not be underestimated.

Moreover, none of the other problems faced by Europe in general will go away, and some could get substantially worse. Russia is probably the least of Macron's worries right now, but Putin could step up his interference in French politics, raising the daily costs of action. Macron could find himself daily warding off special Russian-inspired allegations

Macron may also run into trouble with those European states who object to closer integration. Any democratic convention which does not give them a veto power will alarm countries like Hungary and Poland.

similar to those which broke on the eve of the second round of voting in the presidential election. Syria could erupt again, with a fresh wave of refugees heading towards Europe. This would refill the various camps recently disbanded by the French government and put Macron under pressure to suspend Schengen. Greece could explode, and a collapse there could bring down the particularly exposed French banks. This threat of "contagion" is smaller than it was a few years ago, but it still cannot be discounted. France would also suffer if Spain is convulsed in the autumn over Catalonia, as looks likely to be the case.

What Macron Wishes Can Be Effected Throuhg a Full Union

The greatest threat to Macron, however, may be an entirely predictable event, namely Brexit. Here Macron's rhetoric has so far been highly combative. He has spoken, reasonably enough, of maintaining EU unity during the negotiations. Regrettably, Macron has also spoken of Brexit as a "crime," talked up the British "exit bill," and urged a "buy European" policy to harm Britain. He has threatened to look again at the Le Touquet

agreement governing the control of passports for cross-channel crossings and to lure business from the City to Paris.

This strategy may win him plaudits among the Europeans, but it will be hard to execute. Not only will the French capital struggle to replicate the factors which make London so attractive to the financial sector, there will also be strong opposition on the French left. As for changing the passport regime, the short-term effect of this will be a massive increase in the number of migrants seeking entry to the UK, the vast majority of them surely ending up in Calais or environs. It may be that Macron's rhetoric on Britain was just that, intended for the election campaign; let us hope so.

Finally, there is the insuperable problem that what Macron wishes to achieve can only be effected through a full political union, which would mean the final end of French sovereignty. Eurobonds cannot work without the backing of a taxpayer base of the entire EU as represented in a pan-European Parliament. The basic facts here have not changed since the start of the euro crisis. Likewise, there can be no effective security union or a common travel area with a common state. Again, the facts have not changed since the annexation of Crimea. Simply increasing the cooperation is not enough: only full United States of Europe will work. This would be the end of the Republic Macron had been elected to lead. He may wish to go down this road, but would France follow him?

If a mere timeserver had been elected last Sunday, none of this would matter so much, but there are so many hopes attached to the new president that failure may produce a colossal backlash. Some of this will benefit Mélenchon, but most will boost the Front National. If Macron fails, the last hope for Europe will die. Remember the enthusiasm which greeted Obama in 2008. Trump followed Obama. Let us hope that Le Pen does not follow Macron.

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Lonely Island in Big World: Brexit as Imperial Fantasy

The citizens of Eastern European countries felt at home in Great Britain. It seemed a fulfilment of dreams, the place where normality reigned. The referendum showed how false our illusions had been.

When on the post-referendum morning I came to work, students—both British and international—came to me with apologies and expressions of solidarity, my colleagues from Europe were unnaturally quiet, some had tears in their eyes (it sounds melodramatic, but it was so). When a student from a country where political violence is widespread expressed her sympathy, I felt that all that was a bit inappropriate. We, Europeans in Great Britain, are not put in concentration camps or deported (although the number of EU citizens in British deportation centers has radically increased under the rule of the Conservative Party).

Besides general hostility displayed by some part of the British, besides occasional acts of violence (fortunately very rare), besides the decision of the British government to treat EU citizens as the most powerful bargaining chip in negotiations with the Union, objectively speaking our situation—the situation of EU citizens—has not markedly changed.

One thing did change – we are now regarded as aliens, we were removed from a diverse crowd and put in the spotlight. For people who previously felt to be an integral part of the British society this was shocking. But in the case of Poles or generally people from the former socialist countries such shock is a sign of poor memory. It is enough to talk for a while

with those who travelled to Great Britain—often to work there illegally—in the times when Poland was not part of the EU to become aware that the border officials in this country can be very unpleasant. It is enough to talk to any non-white resident of Great Britain to understand that the racist and xenophobic instincts have never fully disappeared from this country. Citizens of Eastern European countries (before the EU accession) felt at home in Great Britain (until the moment they started to speak – a foreign accent

Citizens of Eastern European countries felt at home in Great Britain, for many this country seemed a fulfilment of dreams: compared to the corruption and the standard of living we knew from our own countries, Great Britain seemed the place where normality reigned.

can very rarely be concealed), for many this country seemed a fulfilment of dreams: compared to the corruption and the standard of living we knew from our own countries, Great Britain seemed the place where normality—so much desired by us—reigned. The referendum on Britain’s leaving the European Union showed how false our illusions had been.

Immigration as the Most Important Problem for the Britain

The campaign run by the extreme right (in Sheffield where I live a UKIP car drove the streets and called through a megaphone to “throw off the yoke of German occupation”) had been for years prepared by right-wing tabloids but also by mainstream politicians, who said repeatedly that immigration was a problem. It is worth remembering that non-British EU citizens constitute about 5% of the population, which does not differ much from the number of European foreigners living in Spain, Ireland, Iceland, or Norway. But in these countries it would be difficult to find mainstream political groupings that would be as openly xenophobic as the British Tories or (to an unfortunately large extent) the Labour Party.

The climax of the pre-referendum verbal aggression was the killing of Jo Cox, a Labour MP, by a right-wing fanatic. Still, if someone predicted (as some of my friends did) that this murder would lead to a sobering up of the British media and politicians, it was a great miscalculation. After a moment of hesitation everything went back to “normal” – right-wing tabloids kept attacking immigrants and the European Union.

It is not quite clear to what extent it was the question of the attitude towards the immigrants which determined the referendum result, but there is no doubt that almost the entire British political class decided that Brexit meant above all “we don’t want strangers here.” Not only the populist right-wing UKIP, not only an overwhelming majority of the Conservative Party, but also a significant part of the Labour Party decided that the issue of immigration constituted the most important problem for the British society.

Campaigning against Brexit were all British Nobel Prize winners, heads of all British universities, scores of experts and academics. As we know, these appeals did not help and almost 52% of the voters supported Britain’s leaving of the EU. It may seem astonishing that although before the referendum a majority of MPs regarded Brexit as a bad solution for the country, when (after a long campaign in court) the government was forced to ask Parliament for its opinion on this matter, an overwhelming majority supported Brexit. Almost all Conservative MPs and a large majority of Labour MPs decided that the people had spoken and its voice must be respected – but the people means only 52% of the voters, the voice of the remaining 48% was (almost) entirely ignored.

It is also significant that an overwhelming majority of MPs voted against the guarantee to preserve the right of residence and work for EU citizens currently living in Great Britain, which only confirms my claim about an almost universal acceptance of the xenophobic narrative by a majority of the English political class. Voting for the guarantee were the Liberal Democrats, one Green MP, some Labour MPs, a handful of conservatives as well as Scottish and Welsh nationalists.

In the discussion about the politics of the United Kingdom you have to differentiate between England and Great Britain. Both the local government of Wales (despite the fact that the Welsh voted for leaving the EU) and Scotland (where a majority wanted to stay in the union) strongly supported guaranteeing EU citizens now living in these countries their current status. Interestingly, in Scotland SNP nationalists reign supreme, and in Wales one of the most ardent defenders of the rights of the Europeans is the leader of Welsh nationalists from the Plaid Cymru party. As we can see, there are various kinds of nationalisms – also of inclusive nature, where nationalism is of course connected with the community of culture and tradition, but is above all based on the community of life, on the community of inhabiting a particular territory. English nationalism is a “nationalism of blood,” it is a community of white Anglo-Saxon

Protestants with generations of ancestors living in the same place. This is why on the website of the Scottish Nationalists you can read a letter from a Polish woman who feels “at home” in Scotland, while a similar letter on the website of UKIP or even the Conservative Party is difficult to imagine.

An Unrealistic Narrative About a Global Great Britain

Another element of English nationalism is a nostalgia for the Empire. For the stories of Theresa May about a “global Great Britain” are in fact a dream about a return to the times of Queen Victoria. This narrative has little to do with reality. When the president of the University of Sheffield returned from a visit with the government delegation to India, he wrote with horror that the policy of the British government towards foreign students was very badly received in India. So why is the British government hoping that India will be eager to sign trade agreements advantageous for the British? Especially since both India and Great Britain mostly export their services, so these two countries are “natural” competitors on the global markets.

I teach international students who have to pay more than £18,000 of school fees to study in Great Britain, so we can safely assume that they originate from the social and economic elites of their countries. My students are children

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of business people, politicians, cultural operators, and academics – in a word, elites. When they come to their families and tell them about the hostile treatment, day-to-day xenophobia, and anti-immigrant narrative of the media and politicians, will their families look favorably on Great Britain? Especially that we are speaking mostly about countries which used to be British colonies – does Great Britain appealing to the imperial past and “liberating itself from European bondage” really hope that this “we have our dignity” narrative will not be countered by a similar “we have our dignity” answer in India, China, or Kenya?

The future of the UK seems to be a foregone conclusion – today all the main political forces in the country unanimously say that there is no return and that “Brexit means Brexit.” The British seem to completely overlook the difficulties and dangers awaiting them, and they seem even less aware

that the anti-British sentiment in the European Union starts to be an instrument of a new liberal pro-European populism (perhaps the best example of that are Emanuel Macron's increased chances for the French presidency). So Great Britain faces a period of uncertainty, which will definitely not strengthen the British economy.

Another element of English nationalism is a nostalgia for the Empire. For the stories of Theresa May about a “global Great Britain” are in fact a dream about a return to the times of Queen Victoria. This narrative has little to do with reality.

We still do not really know what Great Britain will look like after leaving the European Union. The “leave” camp had no strategy, no idea for how Brexit should look like. Nigel Farage admitted that openly. Announcing the referendum, David Cameron also did not consider leaving the EU – he was concerned only with internal conflicts in the party and neutralizing the UKIP. When the British voted for leaving the union, both the supporters of remaining in the EU and the more reasonable leaders of leave.eu panicked. Cameron resigned from the office of prime minister, passing on the official announcement about leaving the EU to his successor.

The Threat to the UK Is Not the EU, but Global Markets

Before the referendum I was convinced that the British would vote for Brexit, but would in fact remain in the EU. That they would leave it symbolically, as the cost of a real rupture would turn out to be too large. Today it is still a possible but increasingly less likely scenario. Leaving the EU is unimaginably costly for the UK – years of negotiations both with the EU and other countries of the world are on the one hand an incredible administrative cost, and on the other hand years of uncertainty, meaning that people will be putting off signing agreements and making investments. Added to this uncertainty is the rebelling Scotland and Northern Ireland, furious London and young people (who overwhelmingly voted for remaining in the EU).

The threat to the UK is not the EU but global markets, as they will pounce on the weak British economy: it should be remembered that 10% of the British economy are banks and financial services (the City) – which will now play with Great Britain like cats with a dying sparrow. And yet it seems to me that there really is no return. EU politicians have sensed that

they can profit a lot from the anti-British sentiment, that the difficult situation of Great Britain outside the EU (alongside with the new US president) is the best scare, strengthening pro-EU moods of the European citizens. In Great Britain you can hardly see anyone who would like to pronounce himself or herself against Brexit. The former Prime Minister Tony Blair did that recently, saying that the whole referendum was based on lies, but coming from someone who sent British soldiers to the war in Iraq on the basis of a lie about weapons of mass destruction it does not sound convincing. So Great Britain will leave the European Union.

What does it mean for its citizens living here? It seems to me that they should not hope for matters to “somehow arrange themselves.” Deportation of over 3 million people is of course very unlikely, but making their lives difficult seems almost certain. Starting from the loss of political rights (as EU citizens we had the right to vote in local elections), through possible restraints in taking advantage of the British welfare state (or what remains of it). I assume that the right of residence will be tied to employment – so it will

The threat to the UK is not the EU but global markets, as they will pounce on the weak British economy.

be a situation similar to that in which employees from non-European countries find themselves. People who have a job will be (it is already happening now) blackmailed by their employers with the specter of losing it, which is not dangerous for specialists and professionals, but for middle and lower level workers could be extremely unpleasant. The xenophobic narrative will not end, for during the crisis it is the only mechanism which can offer the Conservative Party a chance for winning the election again (given the current weakness of the Labour Party it should not be particularly difficult). A growing number of the EU citizens living in Britain is becoming aware of that, more and more nervously considering a return to Europe. We believe that we have a place to come back to, that the EU is and will be our home.

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Lot of Smoke, Lot of Money, but to Little Effect

Orbán's policy exploits Hungarian minorities abroad to cement its power at home. His calculation is clear: The votes of the foreign Hungarians could secure the constitutional majority of his government in the parliament.

“We will fight with all our might to abolish the Beneš decrees that have deprived Hungarians of their rights,” declared the Hungarian State Secretary for National Policy, Árpád Potápi, on 5 June in the small town of Bonyhád at an event marking the 70th anniversary of the expulsion of a large part of the Hungarian minority from Slovakia (some of those displaced have ended up in Bonyhád). The event also celebrated what is known as the Day of National Solidarity, a holiday introduced by Viktor Orbán's second government soon after taking power in 2010. The holiday falls on the 4 June, the anniversary of the signing of the Treaty of Trianon, which sealed the breakup of historic Hungary.

It is worth taking a closer look at Potápi's speech and its context, since it unwittingly sums up in a nutshell everything there is to know about Orbán's government's current policy with regard to Hungarian minorities in the neighboring countries.

The mere fact that Potápi's speech was noticed by the Slovak and Czech media (the latter mistakenly promoted him to minister) and the Hungarian minority media, particularly in Slovakia, is noteworthy. However, in Hungary proper it was covered almost exclusively by the media controlled by the ruling party Fidesz (including public service media) and those close to the extreme right-wing party Jobbik. The statement has been virtually ignored by the rest of what is left of the independent media in the country, which is a good indication of its weight and significance.

A New Rift among the Visegrad Group

In February 2002, just before his first term as prime minister came to an end, Orbán created a stir when he declared that the Beneš decrees were incompatible with the European Union law, and Hungary therefore expected that the Czech Republic and Slovakia would automatically strike them from their law books. His statement caused a new rift among the Visegrad countries, whose cooperation had been briefly revived by the new Czech government under Miloš Zeman, who, unlike his predecessor Václav Klaus, was a supporter of V4 cooperation. In response to Orbán's words, Zeman cancelled his participation at the planned meeting of V4 prime ministers in Hungary, as did the Slovak Prime Minister Mikuláš Dzurinda, who was embroiled in other disputes with Orbán at the time.

There are, of course, several key differences between what happened then and now. To begin with, a statement by a prime minister carries much more weight than that by a secretary of state. In 2002, the Hungarian media began to comment on Orbán's statement especially after its repercussions became evident. However, the situation in Hungary and the surrounding countries has changed quite a lot in recent years.

Even the scandal caused by the Speaker of the Hungarian Parliament in 2015, László Kövér, (he told the Czech daily *Právo* that the Czech Republic and Slovakia should not have been admitted to the EU in the first place given that the Beneš decrees, based as they are on the principle of collective guilt, continue to be part of their legal system) died down rapidly and without any fallout. Hungary's ambassador to the Czech Republic told the Ministry of Foreign Affairs in Prague that the Budapest government dissociated itself from Kövér's words, did not wish to reopen the issue, and put the emphasis on developing friendly bilateral relations.

Potápi is just a foot-soldier whose job it is to visit his fellow countrymen, lay wreaths, and give symbolic speeches. Starting in 1998, he served for ten years as a backbench MP for Fidesz and twelve years as the mayor of Bonyhád. The fact that he was in charge of an ethnically mixed town whose inhabitants also include descendants of the Hungarians expelled from Slovakia was his main qualification for being appointed; first as the chairman of the parliamentary committee for national togetherness and later as the state secretary for national policy.

Kövér, on the other hand, is a key politician of the ruling Fidesz party, albeit not because of his role as Speaker of the Parliament, an institution that makes no significant decisions these days. Kövér is a founding member

of Fidesz, and has long been one of Orbán's closest associates. His position has weakened in recent years precisely because of his habit of speaking his mind. When abroad, he has often said aloud things that other Fidesz politicians have kept to themselves for tactical reasons or have only said in front of a domestic audience. Nevertheless, Kövér continues to be an important and emblematic figure in his party.

Words without Practical Impacts

This brings us to the main reason why the independent media paid little attention to Potápi's words while, on the other hand, they were extensively covered by the government media.

What really matters is not that Potápi himself is no heavyweight but the fact that his words were not expected to have any practical impact. They are typical of Orbán's current "national policy" with regard to Hungarians

Orbán's government has paid a great deal of attention to the Hungarians living in the neighboring countries. One of his first steps after he came to power in 2010 was to pass a law on dual citizenship.

abroad. Its main goal is to keep Fidesz in power in Hungary proper. Anything that does not directly serve this purpose, such as Potápi's statements, is usually merely symbolic and of a propagandistic nature, intended to obscure the government's real ambitions.

Some 2.5 million people who profess Hungarian nationality currently live in the neighboring countries. According to the 2011 census, most of them live in Romania (1,237,000), Slovakia (458,000), and Serbia (254,000). The number of those comprising the Hungarian minority in these countries has been in sharp decline. At the time of the previous census in 2002, there were still 1,434,000 Hungarians in Romania, while 521,000 were registered in Slovakia in 2001.

On the face of it, Orbán's government has paid a great deal of attention to the Hungarians living in the neighboring countries. One of his second government's first steps soon after he came to power in 2010 was to pass a law on dual citizenship. Under the new legislation, Hungarians living outside of Hungary are entitled to Hungarian citizenship even if they do not have permanent residence in Hungary proper. Formally, this is not granted

on an ethnic basis. They have to demonstrate that they themselves, or their ancestors, have in the past been citizens of Hungary and that they lost their citizenship as a result of the redrawing of borders in the twentieth century. However, the authorities have been very lenient in granting citizenship in practice, and anyone able to prove some relationship to the Hungarian nation by, for example, having a command of the language, could receive it.

The Citizenship as an Attempt to Produce New Voters

Although the large-scale handing out of Hungarian citizenship met with resistance in the neighboring countries, the main problem is that it has been first and foremost an attempt to produce masses of new Fidesz voters. Along with citizenship, Hungarians abroad were also granted voting rights in Hungary's general elections. The Hungarian government literally organized recruitment drives for new citizens and launched an intensive campaign urging members of the minority to apply for citizenship.

This has, indeed, brought Fidesz hundreds of thousands of new voters, as the assumption had been right from the outset that among minority Hungarians it would be mostly Orbán's supporters who would be interested in applying for citizenship and going to the polls. For example, 95 percent of the new dual citizens cast their votes for Fidesz in the most recent parliamentary election in 2014, and it is estimated that these 123 thousand votes

Fidesz claims that minority Hungarians have to decide for themselves what they want and that Budapest's job is solely to help them achieve it. However, the exact opposite is happening in practice.

helped Fidesz garner one or two seats. That does not sound like a lot, but it was these extra seats that were just enough for the party to keep its constitutional majority.

Another example of the power-driven and highly counterproductive minority policy conducted by Orbán's government is its constant meddling in the internal affairs of the Hungarian communities in the neighboring countries. Fidesz claims that minority Hungarians have to decide for themselves what they want and that Budapest's job is solely to help them achieve it. However, the exact opposite is happening in practice. Fidesz has been trying to control the political representation of the minority Hungarians, lending its support only to those politicians who unreservedly

do Budapest's bidding. In Slovakia, for example, Fidesz has provided the more radical Hungarian Community Party (SMK) with huge support (including funding), while refusing to even acknowledge the more moderate yet more successful Hungarian-Slovak party, Most-Híd.

“Unifying of the Nation across the Borders”

Whenever Hungary has not been happy with Hungarian politicians and parties in a particular country, it has not shrunk from trying to set up (usually without success) new parties to compete with the “disobedient” existing ones and try to steal their voters.

Fine-sounding measures with almost zero practical impact are meant to hide this kind of exploitation of Hungarians abroad for the domestic political struggle. For example, the government has established a

Orbán's government has been sending abroad substantial amounts of money from Hungary's state budget. The effect is dubious, as the money is often spent on purely symbolic activities

separate department for national policy within the prime minister's office, headed by the Deputy Prime Minister and Minister without Portfolio, Zsolt Semjén (Potápi's boss). What officially passes for national policy in Hungary is the championing of a cultural and, to some extent, also political unity of the Hungarian nation at home and abroad. This does not amount to a redrawing of existing state borders but rather to “unifying of the nation across the borders,” as a popular Fidesz foreign policy slogan has it. This involves the bolstering of Hungarian identity among members of minorities and supporting their rights, including the right to some sort of autonomy.

The Budapest policy presents autonomy as an essential precondition for the survival of minorities and the preservation of their Hungarian national identity. The forms of the expected autonomy vary depending on the conditions in individual countries: from a straightforward cultural and educational autonomy right up to a territorial one, for which parts of the Hungarian minority in Romania are striving. In March 2015, the post of ministerial commissioner for developing various concepts of autonomy was created.

A number of further steps aimed at bolstering the relations among Hungarians at home and abroad have been taken, including the establishment of the Day of National Solidarity mentioned earlier.

Large Amounts of Money for Budapest's Local Clients

However, most of these actions have been merely symbolic. The office of the deputy prime minister for national policy is basically a symbolic institution that carries out very few real activities. It organizes public appearances by its officials and their visits to Hungarians abroad. Nevertheless, it is partially in charge of the redistribution of funds from Budapest aimed

Budapest's support for the DAC football club in Dunajská Streda in Slovakia has been similarly generous. The club, regarded as a cornerstone of local Hungarian minority identity, is owned by a former minority politician.

at Hungarians abroad: to achieve its aims, Orbán's government has been sending abroad substantial amounts of money from Hungary's state budget. The effect of this expenditure, however, is dubious, as the money is often spent on purely symbolic activities and is allocated almost exclusively to Budapest's local clients.

The greatest distributor of money to Hungarians abroad is the Gábor Bethlen Foundation, established by the government. The investigative server erdelyi.atlatszo.hu claims that last year the foundation distributed 60.1 billion forints (around 195 million euros). Hungarian minorities, however, have not by any means been the largest recipients of these funds. Exact amounts are difficult to pinpoint, since the payments come from various sources and the whole system lacks transparency. Large amounts of money also flow abroad from various reserve funds, or are disguised as economic aid to fellow countrymen, or as subsidies for businesses or infrastructure projects in the areas where they live. Two examples will suffice to illustrate how these funds are really used.

In February this year a minor scandal broke out when it became known that in the previous year the prime minister's office donated 220 million forints (around 710 million euros) to Libertate, a civic association in Slovakia. The organization was completely unknown in Slovakia as well as in Hungary and nobody knew what it was actually doing. However, it soon transpired that it had only been registered six months before it received the funds and that its leaders were people close to SMK. And even they were unable to explain to the media how they were going to use the money. There is reasonable suspicion that this was a case of covert funding for SMK and Fidesz's clients in Slovakia.

Orbán Has Failed to Take Any Steps towards Abolishing the Beneš Decrees

In January this year it was reported that Hungary was going to donate three billion forints (around 10 million euros) towards the construction of a new football stadium and a football academy in Bačka Topola, a city in Serbia with a majority Hungarian population. Officially, this is being presented as an aid of national solidarity and helping to foster the national pride of minority Hungarians through sport. In reality, it is rather an attempt to curry favor with the minority Hungarian voters in advance of next year's general election in Hungary.

Budapest's support for the DAC football club in Dunajská Streda in Slovakia has been similarly generous. Furthermore, the club, regarded as a cornerstone of local Hungarian minority identity, is owned by a former minority politician and currently the most powerful Hungarian oligarch in Slovakia with close links to Fidesz and Orbán.

Let us return to the issue of President Edvard Beneš's post-war decrees mentioned earlier. By condemning the decrees, Potápi and Kővér said nothing that might differ from the view of all Hungarian politicians, including opposition ones. They cannot be really expected to approve of decrees based on the principle of collective guilt, which deprived the Hungarians of Czechoslovakia of their civil rights and property. At the same time, Orbán's government has for years failed to take any specific steps towards abolishing the decrees.

This is partly because it is not quite sure what such an abolition might mean in practice while, on the other hand, it knows that it cannot succeed in this matter, especially now that it has lost its last ally. The Federal Republic of Germany had never pushed too hard for the abolition of the decrees, and in recent years the attitude of the influential Sudeten German Association has also started to shift. At their last congress there was even talk of placing more emphasis on cooperation between the Czechs and the Germans instead of pursuing a dispute that is not going anywhere.

Budapest Does Not Wish to Risk Ruining Its Relations with Prague and Bratislava

Orbán's government is also aware that its controversial policy is driving it into isolation and that it has to rely on the support of at least its remaining

allies in the Visegrad group. That is why it does not wish to risk ruining its relations with the Czech and Slovak governments over some ancient decrees, at least as long as it needs these two countries' support against what it regards as more critical enemies, such as refugees and Brussels.

Speeches of the kind given by Potápi are part and parcel of the government propaganda aimed at Hungarians at home and abroad. Basically, they are meant to send a reassuring signal that the government is continuing to fight their corner while hiding the fact that it is actually not doing anything. Orbán's government is interested in the Hungarians abroad only as long as it is to its own benefit and is ready to throw them overboard the minute it feels that supporting the minorities could prove damaging. Many foreign observers have welcomed this change, since, at least on the face of it, this has helped calm the relations between Hungary and her neighbors.

Orbán's government is also aware that its controversial policy is driving it into isolation and that it has to rely on the support of at least its remaining allies in the Visegrad group.

However, we should bear in mind that this is pure calculation on Orbán's part. Should he conclude that he would benefit more from a tougher stance vis-à-vis the country's neighbors under the pretext of defending the rights of the Hungarian minorities, he will not hesitate one moment and will change course again.

PETER MORVAY

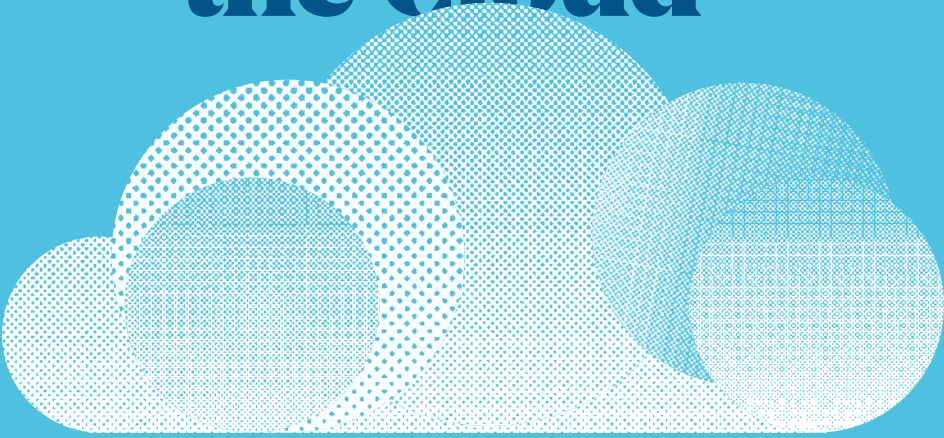
is a journalist, a commentator with the Slovak Daily N. He was born in Slovakia and spent years studying and working in the Czech Republic and Hungary. Since 2003, he has again been based in Slovakia, working for the daily SME for over ten years. When an investor of dubious repute bought shares in the paper's publisher, he was among its former staff who founded the new independent Daily N. | Photo: Denník N Archive



ASPEN.REVIEW
AHTO LOBJAKAS

POLITICS
ESTONIA
RUSSIA
E-GOVERNMENT
DIGITALIZATION
CYBER SECURITY

e-Estonia: Between Russia and the Cloud



Estonia may be the very first country in the world to entrust its very sovereignty to cloud-based technologies. Its government is in the process of backing up all of the e-government data to servers in Luxembourg.

Although the poster child for everything to do with cyber warfare since 2007, Estonia's standing in that ever-widening domain is at best ambivalent after the country suffered the world's first widely acknowledged politically-motivated cyber attack, almost universally attributed to Russia. A thorn in Moscow's side with its defense of Georgia and Ukraine in their respective wars with Russia and a vocal advocate of EU and international sanctions, Estonia is also home to more than 300,000 ill-integrated ethnic Russians. Yet, for ten years now it has been spared massive cyber intrusions. The same applies to Latvia and Lithuania, the other two Baltic republics who largely share Estonia's geopolitical predicament.

The potential vulnerabilities of Estonia and the other Baltic countries are difficult to overstate. Top Estonian officials freely admit they see the cyber domain as the one crucial dimension in a coming struggle with Russia which appears inevitable to the Baltic nations. Attacks on information and communication networks, social manipulation, not to mention direct targeting of vital infrastructure systems constitute an integral part of Russia's feared hybrid warfare toolkit. Estonian officials point to historical evi-

The greater the digital heights that the country manages to scale, the bigger its vulnerability if Russia does indeed constitute a threat.

dence: both Russia's conflict with Georgia in 2008 and its ongoing war with Ukraine since 2014 have seen prodigious numbers of cyber attacks directed at the smaller countries' political, social, and economic infrastructure.

After Massive Attacks, the Internet Ground to a Standstill

Also, the point is always made that Estonia itself serves as the ultimate cautionary tale to testify to the potential of (alleged) Russian cyber wrath. In 2007, in the wake of a contentious decision by the Estonian authorities to remove a WWII memorial from a prominent location in central Tallinn,

which provoked three nights of rioting by mostly Russian-speaking local youth, Estonia's relatively advanced world of Internet-based services suddenly ground to a standstill. A massive wave of denial-of-service attacks crippled parts of the country's commercial infrastructure for sustained periods of time. As Hillar Aareleid, the then head of Estonia's Computer Emergency Response Team, was to observe, during the two peaks in the attacks on May 10 and May 15, 2007, Estonia first lost 50 percent of its "bread, milk, and gasoline" for 90 minutes and then again for another five minutes.¹ In other words, people without cash on their persons were unable to purchase many commodities in a country which has made the ease of electronic payment one of the bywords of its success. Strangely, despite the experience of 2007, this is not seen as a vulnerability by the authorities.

“Cyber hygiene” has become the byword for Estonia's stint as the rotating EU presidency between July–December 2017. The country's signature souvenir proffered to EU visitors is to be a “cyber condom”

In 2016, the previous President Toomas Ilves even suggested the country should work towards doing away with cash altogether.

This highlights a paradox which neither Ilves nor the authorities in Estonia with more hands-on responsibilities seem to perceive: the greater the digital heights that the country manages to scale, the bigger its vulnerability if Russia does indeed constitute a threat. Of course, Russia continues to deny responsibility for the 2007 or any other attacks and rejects suggestions it is in any way interfering in other countries' cyber domains. Whatever the truth of the matter, Estonia's dependence on digital services is greater than ever before and continues to grow at a very fast pace. The country, which prides itself on the ever-increasing sophistication of its digital infrastructure and its expansion into an ever-growing number of facets of life, is literally an accident waiting to happen. If the events of 2007 were seen as a great upheaval because the banking networks were down for less than two hours in total over a period of five days, any similar future attack would have far greater potential for disruption.

A particularly attractive target would appear to be Estonia's famed e-elections. Almost alone in the world, Estonia allows for part of its parliamentary elections to take place electronically, with officials insisting the

system is invulnerable. Yet, even if the integrity of the election data could somehow be guaranteed in a world where IT professionals aver nothing is “unhackable,” simple DDOS-style disruption bringing down networks could materially affect outcomes simply because people used to the ease of e-voting would not or could not go and vote in person.

The Baltic Countries Report a Steady Increase of Cyber Incidents

These sorts of dangers are obliquely alluded to in the Estonian Information System Authority’s (EISA) 2017 yearbook: “The data communication networks of state authorities are being scanned and mapped on a continual basis, the capabilities of our communication networks are being tested, and apart from the authorities themselves, the computer networks of companies offering vital services are subject to intrusion attempts.”² All three Baltic countries report a steady increase in the number of cyber incidents recorded. In Lithuania, the number was up 21 percent in early 2017, year on year.³ Latvia reports the growing sophistication of attacks.⁴

Yet, a very large majority of these attacks remain of the humdrum variety, a reflection of the Baltic countries’ presence in global networks, but also of their relatively minuscule size. Estonia, which has projected an image of itself as singularly at risk from Russian cyber aggression, did

The Baltic countries remain part of the Russian energy grid. There are plans to switch to EU frequencies which Russia is thought not to favor. The attacks point to a great potential for material harm.

not report a single high-priority, let alone critical cyber incident in 2016.⁵ Like other developed nations, the Baltic countries suffer from phishing campaigns (although, remote as the three languages are, poor grammar remains a problem for attackers relying on translation algorithms), botnets, malware, ransomware, and server breaches. DDOS attacks have been relatively few in number of late.

Reflecting the changing nature of the perceived threat, the Estonian authorities’ immediate preoccupations seem to have moved to the other end of the scale. “Cyber hygiene” has become the byword for Estonia’s stint as the rotating EU presidency between July-December 2017. The country’s

1) Lobjakas, Ahto. 2008. “News Analysis: How Vulnerable Are Countries To Cyberattacks? Ask Estonia!” rferl.org. 29th April 2008 (<https://www.rferl.org/a/1109653.html>).

2) Riigi Infosüsteemi Amet. 2016. “RIA kuber turbe aastara- port 2016” RIA.ee (<https://www.ria.ee/public/Kuberturvalisus/RIA-kuber-turbe-aastara- port-2016.pdf>).

3) Riigi Infosüsteemi Amet. 2016. “RIA kuber turbe aastara- port 2016” RIA.ee (<https://www.ria.ee/public/Kuberturvalisus/RIA-kuber-turbe-aastara- port-2016.pdf>).

4) Public Broadcasting of Latvia. 2015. “Cyber-attacks getting more sophisticated” <http://eng.lsm.lv/11thNovember2015> (<http://eng.lsm.lv/article/society/society/cyber-attacks-getting-more-sophisticated.a154513/>).

5) <https://www.ria.ee/public/Kuberturvalisus/RIA-kubertur- be-aastara-2016.pdf>

signature souvenir proffered to EU visitors is to be a “cyber condom” — a contraption which blocks the data connections of any USB device, allowing it to be charged without fear of digital snooping. This dovetails nicely with anecdotal reports by officials in sensitive positions suggesting reluctance even to travel to Russia or countries known to have been penetrated by Russian intelligence services for fear of having their mobile devices hacked.

The experience of the other two Baltic countries, which have already performed their first EU presidencies, suggests Estonia will also have to

Estonia’s hopes have in recent years been more actively associated with NATO, where the country has vigorously advocated elevating the cyber domain to a similar status with land, sea, and air.

contend with attempts to “deface” its websites. Lithuania presents the most cautionary example of note. In 2015, unidentified but presumed-Russian hackers posted material on the website of the Lithuanian armed forces purporting to amount to a joint Estonian-Latvian-Lithuanian plan of attack on Kaliningrad. Latvia reported only five attacks targeting its 2015 tenure chairing the EU, all attempts to either crash or change websites dedicated to various EU meetings.

Attacks against Baltic Energy Networks

There are indications of more serious designs on the part of Russia - although, again, Russian authorities have denied any involvement. Reuters reported in May 2017 that “exploratory cyber attacks” have been conducted against the energy networks of Estonia, Latvia, and Lithuania. The reports, however, are not particularly recent, pertaining to late 2015 attacks against a Baltic Internet gateway used to control a Baltic energy grid and against a Baltic petrol distribution system.⁶ The attacks were of the DDOS type. Both Lithuania and Latvia have denied being targeted recently, while EISA suggests part of the Reuters report originates in an incident reported in its 2016 yearbook which discussed a case of cyber espionage against a private petro-chemical company in Estonia’s northeast.

The Baltic countries remain part of the Russian energy grid. There are plans to switch to EU frequencies which Russia is thought not to favor. The attacks, if Russian in origin, point to a great potential for material harm and even loss of life. A precursor would be the attacks against the Ukrainian

energy grid in 2015 — which, however, given that Ukraine’s reliance on networked technology is much lighter, were relatively easy to repel.

The guarded official reactions to the Reuters report highlight another aspect complicating any assessment of the scale of the true cyber threat faced by the Baltic nations — such matters are seen as pertaining to national security. Therefore, no government appears inclined to openly discuss the threats it faces. This is part of a wider pattern affecting cyber issues in EU and NATO nations. Partly as a result of national caginess, the EU’s own cyber security agency ENISA, based in Heraklion, Greece, remains an underdeveloped and nonpermanent affair.

NATO: A Cyber Attack Could Trigger the Alliance’s Article 5

Estonia’s hopes have in recent years been more actively associated with NATO, where the country has vigorously advocated elevating the cyber domain to a similar status with land, sea, and air. In 2016, the efforts were met with qualified success: the NATO Warsaw summit recognized cyberspace as an operational domain. As a consequence, NATO officials say a cyber attack massive enough against one of the allies could trigger the alliance’s Article 5 mutual defense clause.⁷ Meanwhile, former President Ilves claims NATO still lacks the strategy and tools to properly counter cyber aggression “beyond locking down its computer networks,” and is unwilling to countenance aggressive countermeasures.⁸

Recognizing the inertia involved in the task early on, Estonia successfully lobbied NATO to set up a Cooperative Cyber Defense Centre of Excellence (CCDCOE) in Tallinn in 2008. Whilst not formally a NATO Institution, the center enjoys the alliance’s backing and currently brings together 20 NATO and non-NATO nations. It sports a unique cyber training facility, where an Estonian IT company has created a modern and flexible environment for exercises involving training in cyber defense and countermeasures. Annual exercises are held under the moniker “Locked Shields.” The 2017 iteration was the largest of its kind in the world, bringing together 800 IT professionals from 25 countries.

Estonia Has a Precarious Security-Political Position

Despite Ilves’s exhortations, no official in Estonia seems prepared to discuss the ramifications of the concept of cyber deterrence - let alone cyber

6) Jewkes, Stephen. 2017. “Suspected Russia-backed hackers target Baltic energy networks” reuters.com. 11th May 2017 (<http://www.reuters.com/article/us-baltics-cyber-in-sight-idUSKBN1871W5>).

7) Reuters. 2016 “Massive cyber attack could trigger NATO response: Stoltenberg” reuters.com. 15th June 2016 (<http://www.reuters.com/article/us-cyber-nato-idUSKCN0Z12NE>).

8) Sanger, David E. 2016 “As Russian Hackers Probe, NATO Has No Clear Cyberwar Strategy” nytimes.com. 16th June 2016 (<https://www.nytimes.com/2016/06/17/world/europe/nato-russia-cyberwarfare.html>).

offence. Their reticence is understandable, considering Estonia's precarious security-political position on Russia's immediate western border, harboring a Russian-speaking minority that makes up a little less than one third of its population. Also, the obverse of Estonia's push to have the cyber domain put on a par with traditional domains of war is, of course, that any aggressive response to a cyber attack would by definition itself qualify as an act of war. Again, retaliation remains a hugely complicated affair as a result of the difficulty in attribution, with Russia guaranteed to reject responsibility.

Recently, advances appear to have been made, however, in building up an increasingly convincing case against Russia involving a wide array of groups and "attack vectors" behind malware attacks against EU and NATO servers, designed to exfiltrate files and siphon off sensitive data. A thorough report discussing the evidence was released by the Estonia-based International Centre for Defense Studies (ICDS).⁹ In it, researcher Patrick Maldre

The strategies used in these attacks to gain illegal access to computer systems are very similar in modus operandi to the recent high-profile interference in the US presidential race in 2016.

examines a spate of suspicious recent cyber attacks across the world involving sophisticated malware—investigated by Symantec, Kaspersky Labs, and other IT outfits and bearing codenames such as Uroburos, the Dukes, Pawn Storm, Red October, etc.—finding that they tend to be highly organized, hint at formal malware development environments requiring large human and financial resources, suggesting, in other words, the backing of a major government. More to the point, the targets include governments, militaries, think tanks, research institutes, and activists in NATO and EU countries and the former Soviet Union - all directly relevant to Russian strategic interests. The programming also contains Russian-language encoding and compilation timestamps that fall almost exclusively within Moscow time zone workdays between 8am and 6pm.¹⁰

The strategies used in these attacks to gain illegal access to computer systems are very similar in modus operandi to the recent high-profile interference in the US presidential race in 2016, the leaks targeting Emmanuel Macron in France, as well as the recent intrusion into the servers of the German Bundestag. Hackers in all these cases have used

sophisticated strategies of “spear phishing” to get recipients unwittingly to download malware such as trojans. Apart from bogus links, seemingly secure websites (often Polish) are taken over so that a simple visit to one of them is enough to infect the visitor’s computer. In the German case, the country’s authorities were so certain the attack came from Russia that they considered a counterstrike - only to reject the idea for fear of provoking an unpredictable response from Vladimir Putin.¹¹

Estonia, as well as the other two Baltic nations remain in the eye of the storm for the time being. As indicated above, no substantial attacks appear to have been directed against them for the past 10 years. Whether this is due to their cyber defense prowess or simply a lack of Russian interest is impossible to say. However, as a reminder of how the horizons of conventional and cyber warfare converge, the Estonian government has let it be known that it is in the process of backing up all of its e-government data to servers in Luxembourg. An official at the ministry of the economy comments: “This will add another layer to Estonia’s security and digital continuity. If something were to happen to the local data centers here, the data will be available outside Estonia.”¹² Estonia may be the very first country in the world to entrust its very sovereignty to cloud-based technologies.

9) Maldre, Patrik. 2015 “Global Connections, Regional Implications: An Overview of the Baltic Cyber Threat Landscape” icds.ee. 19th October 2015 (<https://www.icds.ee/publications/article/global-connections-regional-implications-an-overview-of-the-baltic-cyber-threat-landscape>).

10) *ibid.*

11) Beuth, Patrick. 2017 “Merkel and the Fancy Bear” *zeit.de*. 12th May 2017 (<http://www.zeit.de/digital/2017-05/cyberattack-bundestag-angela-merkel-fancy-bear-hacker-russia>).

12) Kuul, Marek. 2017 “Eesti saadab oma andmebaasid Luksemburgi” *err.ee*. 27th April 2017 (<http://www.err.ee/592330/eesti-saadab-oma-andmebaas-id-luksemburgi>).

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The Powerful Have No Clothes!

Marta Frišová A couple of months ago, during a big debate on fascism in Bratislava’s Old Market Hall the philosopher Gáspár Miklós Tamás, darling of the Central European youth, declared: “Hitler wasn’t corrupt. Stalin wasn’t corrupt.” People in the audience shouted: “He was! And so was Stalin!” But true to form, Gáspár Miklós Tamás would not let that stop him. He continued: “No he wasn’t. He was worse than that. The fight against corruption always ends up as a fight against democracy. And yes, I know that I’m swimming against the tide.”

The shadow of a particularly repellent chapter of our history—Slovakia’s wartime dalliance with Hitler—has been hanging over my country since the last election. It has been embraced by thick-necked young men who were able to gain seats in the parliament partly thanks to the skillful way in which their campaign exploited the fear of an alien invasion as well as the corruption of the system, an argument that has, in fact, been a fascist staple. Corruption and the fight against corruption has certainly become the most powerful driver of Slovakia’s public life, as every political reversal in the history of Slovak politics after 1989 has been accompanied by corruption scandals.

All Governments Promised Zero Tolerance in Cases of Corruption, Nothing Happened

In 2001, Vladimír Mečiar’s folk-hero aura faded for good when it was revealed how extensively he had lined his pockets thanks to his political power. His challenger and political rival Mikuláš Dzurinda took office promising zero tolerance, but later, during his second term of office, the rot also set in within his own government. Eventually his lot were caught out in 2001

by a scandal known by the bizarre name of “Gorilla” – after a leaked secret police file, dating a few years back and containing transcripts of conversations secretly recorded in a safe house. They were recordings of encounters between emissaries of oligarchs and politicians, which basically amounted to oligarchs’ instructions to politicians.

This leak unleashed unprecedented anger among the people, who had until then been patiently bearing the heavy burden of neoliberal reforms. In January 2012, the country was swept by mass protests and nobody knew where this eruption of popular anger might lead. But then, just as unexpectedly as they began, the protests came to an end, and with them the era of Mikuláš Dzurinda.

You might have thought that the heated public response to Gorilla was bound to have frightened the entire political class for years to come. However, it was more akin to an alcoholic’s first encounter with delirium tremens. He knows it is high time he stopped drinking, but he no longer has control over it. When Robert Fico became prime minister, he declared that “the slightest suspicion of corruption or cronyism would be sufficient for him to dismiss any government minister within three minutes.”

In fact, Robert Fico has not managed to fire a single minister tarred with the suspicion of corruption for many years, let alone within three

The fight against corruption has certainly become the most powerful driver of public life, as every political reversal in the history of Slovak politics after 1989 has been accompanied by corruption scandals.

minutes, least of all his Interior Minister Robert Kaliňák, the second most powerful man in the country after the prime minister. This once-charming young man with dark eyes and a black goatee has demonstrably profited from business links to crooks or the Mafia. Is the fact that he has enough material to compromise his entire ruling party the only reason he has remained in his post for this long?

Corruption Has Been Cemented Into the System of Governance

Be that as it may, even if he wanted to, the prime minister is clearly unable to dismiss either him or the chief of police and other officials in charge, or untie the hands of the police and open to public scrutiny the financial mechanism that is taking over the state—from the big oligarchs to petty

Mafiosi—because in that case he would have to dismiss himself, too. Corruption has been cemented into Slovakia’s system of governance so firmly there is no way to uproot it.

The scandal of the apartment complex known as “Bonaparte” on the Castle Hill, where both Kaliňák and Fico own flats, has had great symbolic significance. This is where these politicians have their headquarters, it is their home. A very small careless step led to the leaking of the scandal: an ordinary transaction carried out in a Slovak bank rather than in the safety of an offshore haven. Just like Al Capone, who was tripped up by innocuous tax evasion, a trifle to which the black economy’s big player paid no attention.

The opposition started to mobilize the people to vent their anger under the windows of the luxury complex. The prime minister warned them that they were sowing the wind and would reap the whirlwind, keeping mum about what he himself had sown. Opposition leaders had a small stage built outside the flats and invited bands to play. Refreshment stalls appeared. Still, it did not last long. The government rode out the grumbling under their windows and the public lost interest.

Actually, Gáspár Miklós Tamás is right: corruption is not the worst thing that can happen in Slovakia. However horrible it may sound, revolting against a corrupt regime has always been ultimately more dangerous

Robert Fico has not managed to fire a single minister tarred with the suspicion of corruption for many years, least of all his Interior Minister Robert Kaliňák, the second most powerful man in the country after the prime minister.

than the corruption itself. Corruption is just one face of cynical politics, although it is very humiliating to tolerate it passively.

The Emperor Fico Has No Clothes

On 18 April, months after the protests outside the Bonaparte complex had quietly died down, two secondary school students, a boy and a girl, still children really, convened an anti-corruption rally and the largest square in Bratislava was filled with a crowd that seemed to have been waiting exactly for this. The students demanded the same thing as many before them: the dismissal of the minister of interior and the chief of police. People marched in the driving rain and stood around in an icy wind, exhilarated by the great turnout.

It was as if the nasty cold weather had unleashed the spirit of November 1989. The fascists crept into their burrows and for the first time in years the square came alive with European flags. The government response followed a day later. Prime Minister Fico made conciliatory noises about respecting citizens. Others pointed out that it was unseemly to conduct

Corruption is not the worst thing that can happen in Slovakia. However horrible it may sound, revolting against a corrupt regime has always been ultimately more dangerous than the corruption itself.

politics in the streets – a regrettable, cardinal error! After all, politics was born in the streets or rather—and here is a key difference—in public squares (rather than outside the front door of someone’s house or flat, which in fact constitutes a symbolic threat of violence).

That is why two secondary school students frightened Robert Fico more than the entire opposition. A child has pointed a finger and said out loud what everyone knew. The Emperor has no clothes. It does not matter that many people have said it before, because it is not what is said that matters but who says it. As long as it was just members of parliament, watchdogs, and journalists, Robert Fico knew he was dealing just with the usual suspects whose numbers would never grow. And even if they did, their ranks would be swelled by fascists, or people saying more or less the same things as the fascists. Most people would not trust them, so he had nothing to fear. Yet, when eighteen-year-olds start to speak out, everyone is swept along. A “children’s” protest has the advantage that it can attack corruption from a different position: not that of grown-ups who feel robbed, and feel humiliated for letting themselves be robbed to boot, but that of people who do not even have anything they could be robbed of yet, who have just looked around and have rejected cynicism.

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ASPEN REVIEW
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INTERVIEW
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MOBILITY



Ruby Gropas: Free Movement of Workers Is Non-Negotiable

People need to feel that prosperity and opportunity is fairly shared. As long as European societies feel exposed to job precarity, support for building “walls” would only strengthen – says Ruby Gropas in an interview with Konrad Niklewicz.

Opinion-makers across Europe, like for example Jean Pisani-Ferry, the economic advisor to the new French President Emmanuel Macron, make it clear that the current framework of free movement of workers in the EU has to change. The directive on posting of workers is the low-hanging fruit, first to be modified. Are we witnessing the end of free flow of labor as we know it?

Such conclusions are not justified. Discussion on the “Mobility Package”—a set of new proposals related to the European labor market—is still ongoing. Assessments have been made, all parties are being consulted, and work is still underway. Once the Commission tables the

whole package, the European Parliament and Council will have a say and the social dialogue is ongoing. This process will take time. And rightly so: everyone wants to ensure that the best solution is worked out, and everyone wants to ensure that the best solution is also an enforceable and pragmatic one.

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It seems that there's a clear understanding that we need to adapt the regulatory framework to current challenges. We need to reconcile the needs of a competitive economy with the valid, deep-rooted expectations of our societies.

I'm absolutely sure that the Commission's Article 50 Task Force will fight tooth and nail for the rights of the EU citizens living and working in the Great Britain.

This Commission has been saying from day one that its overarching goal is not only to ensure economic competitiveness but social fairness too. The two have to come together and reinforce one another. Take the posting of workers directive as an example which covers 2 million people across EU28 (just under 1% of total employment). In 1990s, when it was created, the economic and social conditions were completely different to today's realities. There was more optimism, growth, convergence and most people believed there would be enough jobs for everybody.

Unfortunately, things have changed since. True, many companies increased their competitiveness because they could hire qualified workers from Central European countries who were paid lower wages. But over the past decade, due to a number of factors that also have to do

with developments in the global economy, many people in Western Europe started to feel they were left behind. To put it bluntly: a truck driver from any country doesn't really care about the competitiveness of the economy in general terms. What he cares about is to not lose his job to a cheaper competitor regardless of where they come from. Particularly when they feel that there is "unfair competition," notably in the areas of labor costs and the respect of rules governing working conditions.

Like it or not, this particular emotion is strong. Jean Pisani-Ferry, whom you mentioned in your question, is right when he says that we have reached a point where the general public in many Western European countries emotionally reacts to what it perceives as a lack of protection. The way people have been voting is leading to more and more polarized national political contexts, with governments increasingly focused on very narrow definitions of "national interest." In other words: people's reaction to the perception of a growing job insecurity is driving the vote for extremists, who preach closed borders and protectionism. We know these are not solutions at all but rather recipes for disaster. Today's economic and political realities are dynamic and complex and therefore require dynamic and innovative policy responses.

In recent years and months the growing trend for closing the borders was clearly visible. The labor market is not the only area affected. There are numerous studies on the issue: in the longer term there cannot be any economic growth without social inclusiveness. People need to feel that prosperity and opportunity is fairly shared. As long as European societies feel exposed to job precariousness, the support for building “walls” would only strengthen. Let’s not forget that upward convergence is at the very heart of European integration and this is what our citizens expect. With the average income growth stagnating in some countries (or in some population groups), this promise seems to be broken. Data aside, perceptions around this matter are usually stronger, and, like it or not, this matters just as much.

But concretely, what does it mean for Poles, Latvians, or Slovaks? Should they worry that the free movement of workers will be abandoned, in order to help Western Europeans feel more secure, to get rid of “unfair competition,” to earn more and to enjoy more stable jobs?

Certainly not! Free movement of workers is non-negotiable. It is a cornerstone of the European construction. I believe the EU institutions, certainly the European Commission, made it crystal clear on many different occasions. Most recently in the context of the Council conclusions

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that were negotiated in February 2016 in the run up to the UK referendum. I’m absolutely sure that the Commission’s Article 50 Task Force will fight tooth and nail for the rights of the EU citizens living and working in the Great Britain. And the Commission will oppose any measures that go against this fundamental freedom.

But isn’t it already dented? In some French regions, local authorities imposed the so-called “clause Moliere” – a legal obligation that construction workers speak French. The official explanation was that “clause Moliere” would guarantee safety at the construction site. Apparently, the real goal was to block Central European builders from working, as most of them wouldn’t speak French.

The European Commission clearly stated that “clause Moliere” is not acceptable because of its openly discriminatory character and is incompatible with the EU law. Commissioner Thyssen has expressed herself very clearly on the matter and the Commission is resolutely committed to fight measures that lead to any form of discrimination in the workplace. All in all, what we need are pragmatic

Let's not forget that wages in Western and Central Europe are catching up, with every year passing the number of those willing to go to work abroad may decrease.

compromises that are not only enforceable but also acceptable for all sides: local populations, workers from other EU countries interested in working abroad, and companies who would eventually hire them.

To put it in most straightforward terms: yes, the status quo of the labor regulations in Europe is politically untenable. The conditions for workers wishing to work abroad will change, as we no longer can apply solutions created 20 years ago. Having said that, there's no coming back to closed, "national" labor markets. As was said: the freedom of movement of workers is here to stay. The goal is to make sure that interests of all interested parties are taken into account. A true compromise means that all sides agree to give up some of their demands.

Of course, it is not going to be easy. Over the last 60 years, more Europeans than ever before have secured living standards that are among the highest in the world. But we are also coming to realize that many achievements can no longer be taken for granted and deep changes are taking place in all sectors. But these changes

require time to be "digested" and they also require investment and resources to ensure that the transitions lead to better working conditions for all. We are already changing the ways we consume and the ways we produce to be more efficient, more effective, and most of all more sustainable. We are also seeing deep changes in the ways we work. For some, these changes present opportunities, for others, this is not the case. What is clear, though, is that people across all of our Member States need to see a perspective for progress, for opportunity.

And what if the biggest threat to the aforementioned Belgian truck driver is not the Polish competitor, but the driverless truck, expected to be soon road-worthy? How are we going to prepare European labor markets for the next wave of technological revolution?

Indeed, we need to look at the greater picture. The pace of technological change is breathtaking. And it will affect the Poles the same way it may affect the French or Belgians. Whole industries will be affected by automatization, but let's stick to the example of professional drivers: the arrival of the "self-driving truck" that can drive autonomously will change everything. All of a sudden, hundreds of thousands of professional drivers may be faced with the real risk of losing their jobs. So, the challenge is not to guarantee that 40-year-old Polish driver will be able

to keep his job for eternity. The real challenge is to give him the right education so that he can switch to another job quickly enough. In parallel, governments need to make sure that current 18-year-olds are not given false hopes of stable jobs in transportation industry, as most of the jobs there may not necessarily disappear, but what is certain is that they will be very different and they will require very different skill-sets altogether. If we don't prepare, we will face labor crises of unparalleled scale. Today's problems will look benign in comparison.

Assuming that the legal framework of European labor market must change in order to be adapted to the new political and social context, is there any way to sweeten the deal for those affected - meaning: workers from the Central and Southern Europe?

One can always try time derogations, spreading the change overtime. Let's not forget that wages in Western and Central Europe are catching up, with every year passing the number of those willing to go to work abroad may decrease. This may decrease some of the tensions. But it is important to make good use of these time derogations to prepare and to shape the future employment conditions ahead.

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Exports: Mainstay and Showcase of the Czech Economy—Threats and Opportunities

The old materialistic belief that whatever you cannot physically touch does not really exist is still deeply rooted in Czech thinking. Over the past years, as the world has become more “virtualized,” competitiveness in intangible activities has grown in importance in international trade too.



Since the Czech Republic joined the EU in 2004, there have been only two occasions when foreign trade stopped being the mainstay of the country's economy, making a negative contribution to the country's economic performance: this occurred in 2007 and 2014. However, even in 2009, at the time of the deepest economic crisis in recent history when external demand dropped considerably (as did domestic demand for imports), the resulting contribution was positive. Apart from that, foreign trade has always been an area (sometimes the only one) that made a positive contribution to economic growth. The Czech Republic has thus been rightly described as largely export-oriented.

The Foreign Trade Fills the Gap Left by a Shortage of Investments

The recently published statistical data for 2016 confirm the position of foreign trade as something of a mainstay. Even though its performance was not exactly stellar, married to strong local consumer demand it was able to fill the gap left by a shortage in investment and helped to keep the dynamic of the Czech economic performance above European average.

Foreign trade and, within that context, a powerful export performance (which, in absolute terms, is around eight times higher than that of Greece, a country of similar size and, until recently, at roughly the same level of development) has been a mainstay of the Czech economy ever since the country's EU accession. The overlap in the timing between the role of a mainstay and the length of EU membership is no mere coincidence. For one thing, this was the time when the first phase of post-revolutionary restructuring was slowly reaching its completion, and the country's modernized industry, with an injection of new capital, was able to throw off the constraints of the local market by expanding abroad. In doing so, Czech industry exploited the gradual relaxation of trade barriers and competitive prices, seizing the opportunity to assert itself in the EU market. The actual date of EU accession and the opening up of opportunities offered by the single internal market were an incentive not only for domestic firms to mobilize their capital and develop new capacities but also proved attractive to foreign investors (whether from the EU, particularly its western part, or from outside the continent, especially from Japan and later also South Korea).

New Trend for the Predominance of Exports Over Imports

By that time Czech foreign trade had already undergone a fundamental transformation. A high degree of openness to the outside world has, in fact, been characteristic of the Czech economy throughout its modern history. However, during the 40 years of totalitarian rule this openness had become politically distorted, as some 80 percent of exports were directed to Comecon countries

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(it was demanded by the planned economies of the time). A kind of miracle occurred as early as the mid-1990s, as the qualitative character of Czech exports (further aided by the low exchange rate of the Czech crown) facilitated an almost full 180 degree turn in the orientation of our exports from East to West.

The early years of real economic restructuring were characterized by high demand especially for importing investments (which the domestic industry was not yet able to meet), but soon after 2000 the new trend for the long-term predominance of exports over imports of goods manifested itself.

It might thus seem that everything is exactly as it should be and that all one has to wish for is that the era of abundant exports continues unchanged. That, however, is not the case: foreign trade opens a window onto the Czech economic living room that provides an accurate mirror image of its structure. Even in a country generating a trade surplus of around 5% of GDP there is always room for structural improvement.

The External Balance Consists of More than One Single Item

The old materialistic belief that whatever you cannot physically touch does not really exist is still deeply rooted in Czech thinking. Over the past ten to fifteen years, as the world has become more and more "virtualized," competitiveness in intangible activities has grown in importance in international trade too.

The Czech Republic is, indeed, not at all bad in terms of exporting goods. Yet we seem to forget that the external balance sheet consists of more than one single item - for instance, performance indicators also include services, sales of licenses, patents, technologies, and smart solutions. The current account also includes balance of revenues, which is much less flattering (more about that later). In addition, apart from the

current account there is also the capital account, whose evolution may be even more crucial in the long term. It is the entire balance of payments that should be sustainable.

We are justifiably proud of one of its components. Nevertheless, at a time when services comprise 60 to 70 percent of developed economies and when their international marketability is also growing despite every obstacle, this is something we definitely ought to focus on, making sure that we are using all available market-conform tools to be internationally competitive in this area too.

Exports No Longer Rely Just on Underselling

Let us dwell a while longer on exports of goods or trade in goods. Its quality has increased to an extraordinary extent. Our exports no longer rely just on underselling but we are increasingly set on higher quality (even though, over the past three years, we have been cushioned by the Czech National Bank's commitment to a fixed exchange rate).

However, it is concerning that 80 percent of our exports are driven by companies in foreign hands. A significant part of these exports is comprised of end-products manufactured by daughter companies of foreign corporations, with the rest consisting of spare parts, components, semi-finished products manufactured by home-grown smaller and medium-sized

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companies - all supplied to foreign customers mostly in Germany and, until recently, also to a large extent in Great Britain. Only there they are turned into final products and sold to the end-users.

This should not be construed as criticism of the presence of foreign capital in this country. On the contrary: especially in the 1990s, foreign capital played a pivotal role. Without it, our economy, depleted in terms of capital, know-how, and experience, could not even have dreamt of returning to Europe. Twenty-eight years later, however, one might expect that its vital presence would be, at least partly, balanced by corporations with domestic owners.

The Consequences of a Strong Foreign Presence in the Retail

In this respect we seem to be stuck in a rut, largely preserving, or only slightly tampering with, the conditions that arose in the 1990s, a period that did not play by the standard book. Admittedly, the government is not really making a big effort to help major domestic capitalists assert themselves in foreign markets. That is why many of them, even if their core added value remains in the Czech Republic, have for a variety of reasons decided to locate their company headquarters abroad, where the tax and administrative atmosphere seems to be more conducive to business.

One might speculate to what extent the strong foreign presence in retail chain stores and related corporations, especially in the grocery industry, is to blame for the fact that large quantities of goods that could be produced domestically to comparable standards (and more cheaply) are

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being imported at irrationally low prices, considering production costs in the country of origin (although I believe that this is so at least to a certain extent). This has two detrimental effects – for one, it places a burden on our imports (especially in the case of foodstuffs, agricultural commodities, or smaller handicrafts), while at the same time stifling local producers in what is hardly fair competition, often in regions and localities where this is almost the only economic activity possible.

Economic Policy Should Help Medium-Sized Companies

Nor has the process known as import substitution been particularly boosted by the Czech National Bank's policy of exchange rate commitment, even though it was supposed to be precisely one of the intended side effects. In this situation, economic policy should strive to help the emancipation especially of medium-sized companies to end up at the furthestmost end of the value chain, closest to the end-customer. If a critical mass of domestic businesses were able to reach the end-customer, they would be able to shape the market conditions and that, in turn, would help unleash complementary synergies in related services and benefit from them. This could potentially widen the range of activities considerably.

The commodity structure of our exports is also worth noting. Even though it remains rather wide-ranging and we have manifested real excellence in many activities, the number of Czech export mainstays has gradually been narrowing (it is to be hoped that the absence of the chemical industry is only temporary; more recently, the energy industry has not been doing too well not just in terms of the volume of exported electricity but especially in terms of our ability to produce and export power plant machinery).

The Digital Future is Knocking on the Door

Regardless of who owns key export companies, at least two threats to our splendid Czech export performance are emerging at this time. The first has already begun to materialize: a shortfall in the labor force in the domestic labor market is hindering new export orders because there is no one to meet them. This market failure is evidence of the inflexibility of the EU labor market, given that several countries are currently facing the opposite problem of high unemployment (especially among the young), yet there is no sign of flexible transfers that would correspond to the number of workers within the supposedly-single market.

The other problem relates to the future, which, as those in the know believe, is already knocking on the door or even loitering in the entrance hall. What I have in mind is the digital future, which many regard as the fourth industrial revolution. Our key export-oriented industries still rely heavily on a human labor force. But what if some 10 or 20 years from now these industries cease to exist? From our present-day perspective it may seem like science fiction but some predict that ten to fifteen years from now the demand for, say, products of the automobile industry in Europe will be reduced to a mere 10 percent of current demand.

The Reallocation of Capacities Invested in Transport Engineering

Due not just to the technological but also the social revolution: instead of vehicle ownership our mobility needs will be met by sharing, or maybe even some completely new modes of transport (such as teleportation). The question is whether the capacities that are currently heavily invested in transport engineering can be flexibly reallocated to new activities.

And, last but not least, given that foreign trade represents only one—albeit vitally important—item in our balance of payments, it is worth asking whether some other activities and their targeted development might yield promising new revenue streams. What comes to mind in this context is rational exploitation of foreign capital expansion of domestic businesses. The automobile, as well as some other industries (food, furniture, shoes, clothes, sports equipment, and many others) are based not solely on the concept of exports but also on manufacturing in, or close to, the countries of their final destination. In terms of direct capital investment the Czech Republic is a key importer but only a minor exporter. The robust presence of direct foreign investment is resulting in an annual outflow of some 400 billion Czech crowns' worth of exports.

The Centrifugal Forces Within the EU as a Serious External Threat

In the long term, natural support through domestic capital expansion could at least partly make up for this imbalance and be the first step in striving to achieve a greater equilibrium in the balance of payments of the capital account and, as a result, a balance of revenues in the current account, as well as striving for a friendly takeover of at least one part of the ownership structure of key export companies, transferring it to domestic ownership (the route recently taken by Poland).

Foreign trade is a mainstay of the Czech economy, and is set to remain so at least in the medium term. We should start doing everything that we can to turn it into a permanent mainstay by addressing the structural

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challenges listed above in a satisfactory and productive way. The centrifugal forces currently at work within the EU represent a serious external threat, especially in case of a hard Brexit. On the other hand, Britain's small share of processing industries in the overall GDP is to our advantage as it makes the UK fundamentally dependent on importing a whole range of industrial goods from abroad, mostly from Europe. These links could continue, albeit under different conditions. And even if Britain should leave the Customs Union, the UK's trade with any particular EU country will continue on equal terms in line with the common EU Trade Policies.

More serious problems might occur if other EU countries decided to follow the British path, with others opting for passive resistance. In that case we might see a de facto collapse of the free market within the EU and a direct reduction of outside demand from the point of view of domestic exporters. Furthermore, a collapsing common market would also mean the loss of incentives for many foreign investors currently active in the Czech Republic. Since their capacities could not be exploited in the new circumstances, they

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would have to be considerably reduced, which would have a negative impact on export performance, GDP growth, as well as employment.

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ASPEN REVIEW
JACQUES SAPIR

ECONOMY
TRUMP
FREE TRADE
GLOBALIZATION
TWITTER DIPLOMACY

President Trump and Free Trade



President Donald Trump did not wait until January 20, 2017, before starting to introduce parts of his economic program by exerting protectionist pressure and casting doubt over free trade agreements.

Whether questioning the Transatlantic Trade and Investment Partnership (TTIP), the North American Free Trade Agreement (NAFTA) with Mexico and Canada, or challenging the authority of the World Trade Organization, what we have seen in each case is a comprehensive assault on the very essence of free trade. He resumed his attacks, albeit in more moderate terms, in his address to the US Congress on Tuesday, February 28.¹

Wretched Globalization

It is quite indicative that free trade is being challenged by the United States and an American, a man known for his closeness to the world of business. Until recently, critics of free trade were most likely to come from countries of the South or to represent governments regarded as left-wing or, at least, populist. Over the past 40 years or so, but even earlier (suffice it to mention the “open-door policy” towards Asia), the United States had been the main driving force behind free trade agreements. Defending “freedom of trade” may well have been a defining feature of the country’s foreign policy. Naturally, this position has been warmly embraced by the European Union, which shares the belief that free trade is the way of the future. However, the EU leaders’ affection for free trade is surprising, since, in fact, it runs counter to the European Project. This affection has become an integral part of a pro-European dogma and the EU has even become a bedrock for all devout followers of the free world religion.

The past 20 years have certainly not been grist to the mill of the supporters of free trade. Its expansion was brought to a halt by the 2008-2010 crisis. The Doha Development Round ended in failure. The number of protectionist measures adopted by individual countries since 2010 has continued to grow. That is why America’s about-turn under Donald Trump,² spectacular as it is, is less surprising than it might have initially seemed.

1) <http://www.vox.com/a/trump-speech-transcript-joint-session-of-congress-annotated>

2) D. Baker, “The Trump Stimulus and the Money Obama Left on the Table” <http://cepr.net/publications/briefings/testimony/the-trump-stimulus-and-the-money-obama-left-on-the-table>

3) Bivens, J. 2007. “Globalization, American Wages, and Inequality”. Washington DC: *Economic Policy Institute Working Paper*, 6 September 2007.

“Doux commerce” instead of military conflict is a myth. It is a well-established fact that warships arrive before commercial vessels. Hegemonic powers have always used their strength for opening up markets and changing the conditions of trade as they saw fit. Globalization, as we have known it for nearly 40 years, was the result of a combination of the advent of financial globalization, which occurred after the breakup of the Bretton Woods system in 1973, and market globalization, reincarnated as free trade. At every stage, financial and market globalization has contributed to violence and wars. Today we see the result – a general economic and social regression that has affected primarily the “rich” countries but has not spared the rapidly developing countries either.

The Great Turning Point

Nowadays we are witnessing a great turning point. Its roots lie in the sharp decline of incomes among the lower-middle and working class. This decline can, to a large extent, be put down to globalization.³ The gap between the 1% of the richest and the 90% of the poorest has grown considerably since the 1980s, as a 2015 study⁴ shows. The gap is also apparent in the marked contrast between the pace of growth in work productivity and the growth of hourly wages. Whereas between 1946 and 1973 these curves ran almost in parallel, meaning that growth in productivity benefited both the employees and the capitalists, since 1973 this has no longer been the case. Since then, the hourly wages have grown at a much slower rate than work productivity, making companies and shareholders the main beneficiaries of increased productivity.

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This situation was further exacerbated in the 1990s, clearly due to globalization and the opening of borders.⁵ This development has had a major psychological impact on the United States, since for the vast majority of the country’s population it meant the “end of the American dream.” Symptomatic of this is the obvious gap between the rate of growth of average income, which has continued to increase, and median income.⁶

Nevertheless, the US is not the only country that has been affected. Great Britain is an example of a country that has also suffered the political impact of these changes.⁷ There has been a similar development in France, particularly after 1983, when François Mitterrand began to abandon austerity measures.

Donald Trump's Twitter Diplomacy

Donald Trump's recent statements and tweets (regarding Toyota,⁸ Ford, and General Motors), bizarre as they may be, have again raised the issue of modern forms of protectionism. In fact, the issue had already been under discussion in the 1930s when, in the wake of the global recession, a change

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of direction occurred away from traditional free trade positions to a more protectionist vision. One of its proponents was John Maynard Keynes.⁹ The number of reasons for challenging free trade keeps growing today, just as it did in 1933.

In the first decade of the new millennium, World Bank experts significantly revised¹⁰ their estimates for "revenues" from the liberalization of international trade. Also, a few years ago, an UNCTAD study showed that the World Trade Organization's (WTO) Doha Development Round might cost the developing countries up to 60 billion US dollars and yield only 16 billion in profits.¹¹ Instead of boosting development, the WTO has enhanced global poverty. This shows the full extent of the duplicity of those who claim that free trade reduces poverty.

Recently doubts have been cast even over the benefit of direct foreign investments, long regarded as the magic solution.¹² Competition among countries vying for these investments has clearly had a negative impact in the social sphere and on the protection of the environment.¹³ This is not something Donald Trump had in mind when he spoke of "America First." Nevertheless, on a global scale his actions might actually have a very positive impact on the environment, which would be quite a bemusing paradox.

4) Mishel, L., Gould, E. and Bivens, J. 2015. "Wage Stagnations in 9 charts". Washington DC: *Economic Policy Institute*, 6 January 2015.

5) See Irvin, G. 2007. "Growing Inequality in the Neo-liberal Heartland," *Post-Autistic Economics Review*, 43 (15 September 2007), pp. 2-23, <http://www.paecon.net/PAERReview/issue43/Irwin43.htm>

6) US Congress, *State Median Wages and Unemployment Rates*, prepared by the Joint Economic Committee, table released by the US-JEC (June 2008).

7) Brewer, M., Goodman, A., Shaw, J. and Sibieta, L. 2005. "Poverty and Inequality in Britain: 2006". London: Institute for Fiscal Studies.

8) <http://www.lefigaro.fr/flash-eco/2017/01/05/97002-20170105FILWWW00337-toyota-a-son-tour-ettrille-par-trump.php> and <http://www.lefigaro.fr/societes/2017/01/08/20005-20170108ARTFIG00157-l-industrie-automobile-americaine-dans-l-oeil-du-cyclone-trump.php>

9) Keynes, J. M. 1933. "National Self-Sufficiency". *The Yale Review*, Vol. 22, no. 4 (June 1933), pp. 755-769.

10) More detailed information and clarification in: Ackerman, F. 2006. *The Shrinking Gains from Trade: A Critical Assessment of Doha Round Projections*, Global Development and Environment Institute. Tufts University, WP No. 05-01. See also: Doha Round and Developing Countries: Will the Doha deal do more harm than good. 2006. New Delhi: *RIS Policy Brief*, No. 22, April 2006.

The Economy and Politics

Globalization is synonymous with growth only if it is based on a project that draws on nationalist ideology.¹⁴ Market globalization yields results only for those who do not accept the rules of its game. A classic example is China, a

Instead of boosting development, the WTO has enhanced global poverty. This shows the full extent of the duplicity of those who claim that free trade reduces poverty.

country that has undergone significant development over the past 25 years precisely thanks to the combination of extremely strong nationalist policies and an opening [to the world]. Yet, the Chinese model would be a rather problematic one to follow because of growing social inequality and the destruction of the environment.

Far from abandoning the nation, globalization has turned out to provide a new framework for nationalist ideas that result in a domination by the more powerful nations and a destruction of national frameworks, or the growth of reactionary policies and nationalism.¹⁵ The concept of a trend towards integration through business, which we embraced by the end of the “short 20th century,”¹⁶ is also basically a myth, as Paul Bairoch and Richard Kozul-Wright have shown. In economic terms, free trade is not the ideal solution, as it entails a pronounced risk of crises and growing inequality. Individual countries compete not on the basis of human activities that take place on their territories but by means of social and fiscal policies, which are questionable in their own right.¹⁷

Most recent studies have shown that the poorest nations have failed to benefit from the liberalization of trade.¹⁸ In political terms, free trade

is dangerous because it disrupts democracy and freedom. It creates conditions for the weakening of state structures, thereby bolstering the growth

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of communitarian thinking and fanaticism, which are not confined by state borders. Jihadism is just one example. Economic internationalism is far from a guarantee of peace; it is, in fact, a path to war. Free trade is indefensible from a moral perspective. Its sole aim is to turn the totality of

11) Fernandez de Cordoba, S. and Vanzetti, D. 2005. “Now What? Searching for a Solution to the WTO Industrial Tariffs Negotiations”. *Coping with Trade Reform*. Geneva: CNUCED. See Table 11.

12) Moran, T. H. 1998. *Foreign Direct Investment and Development. The New Policy Agenda for Developing Countries and Economics in Transition*. Washington D.C.: Institute for International Economics.

13) Oman C. 2000. *Policy Competition for Foreign Direct Investment*, OCDE. Paris: Centre du Développement. See also Zarsky, L. 2002. “Stuck in the Mud? Nation-States, Globalization and the Environment”. in Gallagher, K. P. and Wierksman, J. (eds.). 2002. *International Trade and Sustainable development*. London: Earthscan, pp. 19–44.

14) Johnson, C. 1995. *Japan: who governs?* New York & London: Norton.

social life into a mere commodity. It regards the social obscenity of the new “leisure class” as a moral value.¹⁹ The future therefore certainly belongs to protectionism.

Leaving to one side Donald Trump’s questionable political style, we have to admit that his project fits in with the pattern of the great turning point that I predicted a few years ago.²⁰ At this point in time it is too early to

Free trade is dangerous because it disrupts democracy and freedom. It creates conditions for the weakening of state structures, thereby bolstering the growth of communitarian thinking and fanaticism.

know if he will be able to come up with a proper reindustrialization policy for his country, one that would benefit the majority. However, unlike what we are seeing in the European Union, his policies take account of the fact that the era of free trade has come to an end.

15) See: Sapir, J. 2006. “Retour vers le futur : le protectionnisme est-il notre avenir?”. *L'Économie politique*, No. 31, quartier 3, 2006.

16) It began in the year 1918, which was the true end of the nineteenth century, and continued until the breakup of the USSR at the end of 1991, which meant the end of the twentieth. For the term “short century”, see my *Le Nouveau XXI^e siècle*, Seuil, Paris, 2008.

17) Sapir, J. 2009. chapters 8 and 9 in: D. Colle (ed.), *D'un protectionnisme à l'autre - La fin de la mondialisation ?* Paris: Presses Universitaires de France.

18) Weisbrot, M. “NAFTA Has Harmed Mexico a Lot More than Any Wall Could Do” <http://cepr.net/publications/op-eds-columns/nafta-has-harmed-mexico-a-lot-more-than-any-wall-could-do>

19) See: Wolfe, A. 2001. Introduction to T. Veblen, *The Theory of the Leisure Class*, New York: The Modern Library. (new edition of the 1899 publication).

20) Sapir, J. 2011. *La Démondialisation*. Paris: Seuil.

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Labor Market in Czech Republic and How Best to Protect It

There is no straightforward answer to the question whether the labor market in the Czech Republic should be protected in cooperation with the European Union or in opposition to it. While some EU initiatives might help protect the Czech labor market, other current trends in the EU policy might jeopardize it.

Let us begin by looking at those European trends that might benefit the Czech Republic in this area. In September 2016, the European Parliament adopted a Report on Social Dumping in the European Union. It includes a number of recommendations that could also benefit the Czech labor market.

The first part of the report deals with combating the illegal practices that distort labor markets and thwart fair competition. For example, the report calls for improvement in the effectiveness of labor inspections. These ought to focus more on monitoring the observance of working hours, as well as the health and safety of employees. The report calls for stricter monitoring of the observance of working hours and leisure time, particularly in the field of transport but also in construction, hotel and restaurant services, and healthcare.

Cross-border cooperation among inspection services should be improved by setting up bilateral and multilateral teams, since a number of practices detrimental to workers exploit the differences in standards that apply in individual countries' labor markets. That is why the report advocates exposing the existence of fraudulent recruitment agencies and "letter-box companies," virtual firms that often seriously violate European labor legal provisions. It calls for a list of such companies to be drawn up and made available to the relevant monitoring authorities.

Sections of the report urging the EU member states and the European Commission to engage in a fundamental debate on how better to distinguish between employees as classically defined and the self-employed might also be of interest to the Czech Republic. This should help distinguish between employees and self-employed workers with a view to combating “bogus self-employment,” which greatly undermines insurance systems and frustrates fair economic competition.

Protection of People Who Perform Domestic Work

NB: The report gives special attention to the protection of people who “perform domestic work and provide home care,” which is quite often merely a cover term for maid services. Generally, more attention ought to be given to cases of abuse relating not only to women working in households but also to migrant seasonal workers.

From the Czech perspective the crucial sections of the report are those dealing with the convergence of wages and workers’ pay in individual countries. As we know, the fact that Czech workers’ wages lag behind the median earnings in the eurozone countries certainly cannot be ascribed solely to differences in work productivity.

Unfortunately, this part of the document appears to be purely declarative in nature, emphasizing the need to establish in the territory of the Union and/or the euro area “economic, fiscal, and social mechanisms which will improve the living standards of EU citizens by reducing economic and social imbalances.”

Of all the specific steps proposed, the most important is the recommendation to establish wage floors with the objective of gradually attaining at least 60% percent of the respective national average median wage at some (albeit unspecified) point in the future. Nevertheless,

Cross-border cooperation among inspection services should be improved by setting up bilateral and multilateral teams.

Czech employers have nothing to worry about since the recommendation has no binding force of any kind and is rather a kind of wishful thinking unsupported by any economic arguments.

Another initiative that might be relevant in terms of protecting the Czech labor market is the European Pillar of Social Rights.

Great Expectations towards the Pillar of Social Rights

The idea was first mooted by European Commission Chairman Jean-Claude Juncker, in an address delivered on September 9, 2015. He explicitly defined the pillar of social rights as a step towards establishing a truly fair, pan-European labor market. He recommended launching the initiative in the euro area countries, with the other EU member countries being able to join it, if they wish.

In early March 2016, six months after it was first mentioned, the European Commission presented the first outline of such a pillar. It comprises twenty points aimed at opening a broad discussion across society.

The initiative of establishing a pillar of social rights, which would significantly affect the labor market conditions of individual member countries, has raised great expectations. The pillar of social rights is meant to counterbalance the EU's previous policy, which has so far has been too

The fact that Czech workers' wages lag behind the median earnings in the eurozone countries certainly cannot be ascribed solely to differences in work productivity.

heavily skewed towards cooperation and co-existence on a purely economic level. It is presented as the compassionate alternative to the imperative of economic competition.

However, its very status is problematic. As is well known, social policy falls almost completely within the remit of individual EU member countries. European institutions interfere in this sphere mostly in cases when it is necessary to regulate the labor conditions of employees or other workers posted to other countries. Nevertheless, the Commission expects that the discussion of the pillar of social rights would contribute to a reform process that will, in due course, bring about a convergence of labor and social conditions in individual EU countries.

Twenty Key Areas

To stimulate this discussion, the Commission lists twenty key areas. The state of all of these areas is currently not quite satisfactory, and this can have a detrimental effect not only from the social but also the economic perspective. For each of these areas the Commission defines an ideal state of affairs to aim for without, however, suggesting how to go about reaching it.

Thus, all it amounts to is just another long list of good intentions rather than a thought-through strategy.

The outline of the European pillar of social rights recommends good quality in-service training programs as a way to improve the situation in the labor market. It calls for all workers, including those on temporary contracts, lower wages, and with minimal social protection, to be treated in a way comparable to those who have retained traditional work contracts. It calls for a simplification of the procedures required to switch professions in response to the changing demands on the labor market. A higher degree of certainty accompanying such transfers ought not to lead to lowering incentives for looking for a new job.

Similarly general are the recommendations for improving active employment policies with regard to young people and the long-term unemployed, ensuring gender equality in looking for jobs and the elimination of discrimination on the grounds of ethnic origin or religious and sexual orientation of job seekers.

Employers are requested to provide full information on labor conditions in the jobs they offer. The report recommends that a minimum wage be introduced in countries that have not yet done so. As for health and safety, these principles should be observed regardless of the type of employment.

The final section of the pillar of social rights relates to social policy. It recommends that all those interested should be provided with high-quality health care, a dignified level of old age pensions, decent unemployment benefits, a proper level of the social minimum benefits, and access to other social amenities, including accessible public transport and

The pillar of social rights is meant to counterbalance the EU's previous policy, which has so far has been too heavily skewed towards cooperation and co-existence on a purely economic level.

own bank accounts. Sadly, however, in none of these points is it made clear where the funding is to come from.

An Ambiguous Document

From the perspective of the Czech Republic, the document is somewhat ambiguous. What might be of interest to us is the fact that it speaks to issues that affect people who live in countries that have attained a certain level of

wages and social security, yet enjoy working conditions that are at a significantly lower level than those of most of their colleagues. However, it does not deal with people working full-time in countries with significantly lower average wages and lower standards of social security than those found in countries in what used to be called Western Europe. The document certainly does not tell us what we should be doing to ensure that the Czech labor market provides wages that correspond to the level of labor productivity achieved. The document fails to resolve the problem of wage convergence and a general upward trend in labor market conditions between individual EU countries.

Let us now look at those European Union initiatives that might pose a considerable risk to the Czech labor market, in particular the impact of the wave of migration and the related EU attempts to impose a system of automatic asylum-seeker allocations on individual member countries.

Although the claim that new arrivals will revitalize the labor market is one of the key arguments for the desirability of migration, this is not backed by evidence.

Given the professional background and education levels of the vast majority of migrants, it is increasingly obvious that their arrival will be most likely to affect the labor market in two key ways.

Before we elaborate on this impact, a few words for those who believe that the Czech Republic has been immune to the influx of migrants. Relevant European Parliament committees have already begun to discuss the European Commission proposal for automatic allocation of migrants

Given the professional background and education levels of the vast majority of migrants, it is increasingly obvious that their arrival will be most likely to affect the labor market in key ways.

in all EU countries. The proposal includes a provision that would fine those countries that “do not temporarily participate” in the reallocation scheme 250,000 euros for each rejected claimant. However, the Commission’s proposal does not refer to any ceiling on the number of allocated claimants that must not be exceeded. Thus in the case of countries such as the Czech Republic the fines might range from several dozen million euros annually to dozens of billions. Instead of rejuvenating our economy we would see our economy ruined.

The Gap between the Lowest Wage and the Average Wage

Just out of interest, it is worth noting in this context that, should the Czech Republic refuse to accept the same number of migrants as Sweden, a country of ten million inhabitants, has accepted over the past two years, the fines would amount to nearly a trillion crowns, i.e. approximately the country's entire annual budget.

At the same time the European Parliament's committees have suggested making the allocation of European structural and investment funds conditional on the willingness of individual countries to accept migrants.

Should these proposals be adopted, our obligation to contribute to European funds would remain unchanged, while our right to draw funding from them could be severely curtailed.

Now to the two most likely consequences of the arrival of a large number of migrants to our labor market. In terms of successful integration into the new society, the requirement for the labor market to absorb these people has comparable chances to succeed as their attempts to acquire the language of the host country.

Given the professional training structure and average education levels of the new arrivals it is obvious that a vast majority of them would end up in jobs that require the lowest levels of training. That would definitely not result in wage growth in these jobs, particularly as the Czech Republic is already, as is well known, one of European countries with the greatest gap between the lowest legally permitted wage and the average wage.

A Higher Number of New Arrivals as a Great Burden on the Social Systems

The stagnation or even the decline of wages that is likely to follow in this sector might, to some extent, affect the general level of wages, further deepening the process of divergence between wages, purchasing power, and living standards in the Czech Republic and countries of the euro area.

Another, perhaps more likely, scenario is that a large proportion of the new arrivals will remain outside the labor market in the long term. This, of course, would be detrimental to their chances of social integration. At the same time, a higher number of new arrivals would place a great burden on the insurance and social security systems. Ensuring adequate funding for these systems would be quite difficult and make it necessary to increase the

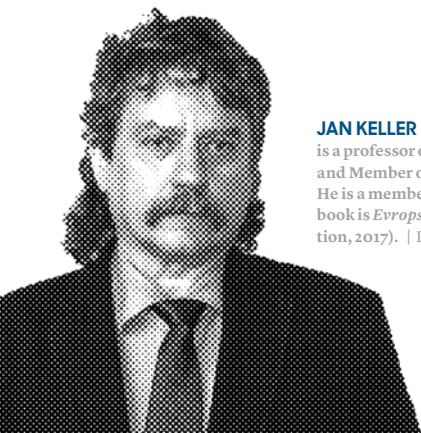
contributions of those who are employed. That, in turn, would affect both the living standards of the employees themselves and the competitiveness of the companies that employ them.

A cursory list of various factors that might, to a varying degree, affect the quality of our labor market and its protection further confirms the ambiguity of the European Union's proposals. The program documents include some aspects that, if applied to the Czech Republic, might help improve the functioning of the country's labor market. However, practical

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policies that have, over the past three years, been mostly related to the migration crisis include provisions that could have a devastating impact on our labor market and national economy as a whole.

What is particularly disturbing and alarming is that while the potentially beneficial EU initiatives suffer from a lack of specificity and are worded merely as recommendations, those initiatives that pose a danger to our economy are highly specific and of a wholly and uncompromisingly binding nature.



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Czechs Deceived Themselves That Koruna Was Better Than Euro. And They Still Do.

ASPEN.REVIEW
LUBOŠ PALATA

COMMENT
ECONOMY
EUROZONE
TRANSITION
PUBLIC SUPPORT

Luboš Palata It was the night when, sixteen years after the break-up of Czechoslovakia, the tables were turned. One of the main reasons the common state of the Czechs and the Slovaks fell apart on January 1, 1993, was that the Czechs, particularly their then political leader, Prime Minister Václav Klaus, lost patience with the Slovaks and decided that the more developed half of the federation would set out on the road to the European Union and NATO on its own. Yet on this night, a few minutes after midnight on January 1, 2009, I headed for a cash machine to withdraw my first euros – not in Prague but in the Slovak capital, Bratislava.

Not only was Slovakia the second new EU member state to proudly embrace the common European currency, but this happened not under the

leadership of Mikuláš Dzurinda, who had defeated his authoritarian predecessor, Vladimír Mečiar, but under that of the post-communist Robert Fico. And to add insult to injury, the exchange rate was the best available at the time: 30 Slovak korunas (plus some change) to the euro.

Since they adopted the euro the Slovaks have been steadily catching up with the Czechs. The economic crisis, which supposedly left the Czechs at an “advantage” through their retaining of the koruna, as opposed to the Slovaks, who were allegedly stuck with the “expensive” euro, hit both countries in exactly the same way. However, the Czechs took two years longer to recover than the Slovaks: due to the Czech National Bank’s decision to artificially devalue the crown against the euro in 2014, by over 10 percent to 27 korunas to the euro, the Czechs became a further 10 percent poorer than the Slovaks. Nor did they experience greater economic growth by comparison with the neighboring Slovakia.

When, after three years, the Czech National Bank stopped its interventions that in the spring of 2017 were costing the country hundreds of billions korunas a month, this barely registered on the exchange rate of 27 korunas to the euro. At the same time, Slovak wages paid in euros have almost caught up with Czech wages in korunas for the first time in the nearly 25 years since the break-up of the federation, and Prague is now the only Czech region with wage levels ahead of those in Bratislava. And the Czech Republic, which is desperately short of labor due to unemployment being at a record low, can no longer rely on migrant Slovak workers for whom it simply is no longer worth traveling to the neighboring country for work.

Damage Inflicted by Klaus and Successive ODS Governments

One might imagine that the example of Slovakia, which the Czechs still regard as their closest foreign kin state, would at the very least have made the Czechs debate whether we have not left it too late to adopt the euro, and whether there is anything to be gained by keeping the koruna instead of the euro, quite apart from the fact that we have voluntarily started to drift to the EU’s political margins, with all the consequences this entails.

Nevertheless, and rather surprisingly to the outside observers, no such debate is taking place. Only now and then does one hear the representatives of Czech industry voicing the view that by introducing the euro the Czech Republic might, at the very least, save on huge exchange costs

wasted in the country's export-heavy economy due to the conversion of the koruna to the euro and vice versa. However, their calls have fallen on deaf ears among Czech politicians: since public support for the adoption of the euro has been hovering around 20 to 30 percent, leaders of most of the parliamentary parties have openly stated that even if they wanted the euro, they would not swim against the tide.

In fact, they have only themselves to blame for this low level of support. For over 10 years the main driver of the resistance against the euro was none other than the country's President, Václav Klaus, who never missed an opportunity to lambast and slander the euro. Although the powers of the Czech head of state are quite limited, the president still enjoys the position of an uncrowned monarch among his people and exerts a decisive influence on public opinion.

A dozen years ago the proportion of supporters and opponents of the euro was exactly the opposite of what it is now, and it was Klaus's influence that proved decisive in turning the Czechs against the common currency. The work of Klaus was continued by governments dominated by the Civic Democratic Party (ODS) under the Euroskeptic Prime Ministers Mirek Topolánek and Petr Nečas, and concluded by the current Finance Minister and Deputy Prime Minister Andrej Babiš, the rising star in the Czech political firmament since 2013.

Klaus also made use of the authority that the constitution affords the president to appoint the management of the Czech National Bank, which he filled, without exception, with hardline opponents to the euro. Even today, nearly five years after Klaus left office, this key institution still persists

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in opposing the introduction of the common currency because it is still partly run by the same people.

Although Klaus's successor Miloš Zeman has declared himself to be a supporter of the euro and has sympathies for European integration, his avowals have been completely overshadowed by the alcohol-fueled pro-Russian and anti-constitutional shenanigans of this certainly the most ignominious of Czech presidents since the fall of communism. For that

matter, over the past year, Zeman has been reported as saying that the Czech Republic should not adopt the euro as long as the Greeks are using the currency.

Babiš, Instead of Klaus and Greece, as the Last Argument

The alleged “risk” that the relatively debt-free Czech Republic would have to share the burden of repaying the debts of countries such as Greece, Italy, or France, is currently the last-ditch argument of the opponents of the euro, such as Babiš, Zeman, or the opposition ODS in its “post-Klaus” phase. It also involves a large dollop of Czech arrogance which sees Prague as belonging to the Northern, “German” part of Europe that is unburdened by debt. Czech politicians and many ordinary Czechs look down on countries like France, Italy, and Spain, let alone Greece, in spite of the fact that the Czechs can still only dream of a standard of living comparable to that of the French, Italians, or even Greeks.

Although Klaus and the Czech Euroskeptics in and around the ODS have suffered a dramatic decline in influence following the tragicomic fall of their last government under Petr Nečas in 2013, their baton has been valiantly taken over by the ANO party leader Andrej Babiš, who seems to be heading for a clear victory in this year’s parliamentary elections, despite the political turbulence of recent weeks. And although in the European Parliament his ANO movement is formally a member of the euro-federalist liberal faction, Babiš himself has publicly expressed support for Brexit and has

Since public support for the adoption of the euro has been hovering around 20 to 30 percent, leaders of most of the parties have openly stated that even if they wanted the euro, they would not swim against the tide.

treated EU’s institutions with a contempt that is more typical of Marine Le Pen or Austria’s Freedom Party than Angela Merkel or Emmanuel Macron.

The Czech Republic would, therefore, be likely to adopt the euro or take proactive steps to joining the EU core around France and Germany only if ANO were not the dominant force in a future Czech government or if it were not a part of it at all, and if the new cabinet after the election were formed by pro-European and pro-Western forces, such as the right-of-center TOP 09 of the former Foreign Minister Karel Schwarzenberg, the Social Democrats, and the People’s Party. A further crucial condition would be

the defeat or the voluntary stepping down of President Miloš Zeman in the presidential election scheduled for early 2018, and the victory of one of the openly pro-Western candidates, for example the former Chairman of the Czech Academy of Science, Jiří Drahoš.

Even if this happens and even though the Czech Republic is economically ready for the euro, there is still a very long road ahead. For over the

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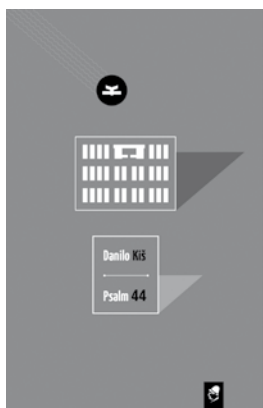
past 15 years, the Czech politicians have inflicted great damage by distorting the way Czechs view not only the euro but the EU as a whole. The damage has been so great, we might almost be grateful that the Czech Republic is still in the EU. Maybe we Czechs will wake up in a few years' time, when we start traveling to Slovakia for better wages paid in euros.

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Literature as an Ark



Psalm 44

Danilo Kiš, translated by Danuta
Cirić-Straszyńska, Książkowe Klimaty

(Wrocław 2016)

Literary scandals are rare. Especially those which actually involve literature – or at least *mainly* literature. But in 1976 in Yugoslavia, a scandal of rare beauty and intensity broke out. It was caused by Danilo Kiš's book *A Tomb for Boris Davidovich*, a collection of loosely connected short stories with a subtitle “Seven chapters of the same story.” Apart from the last two stories, they recounted the fate of second and third rank communist activists, crushed and annihilated by the machinery of Stalinist terror in the 1930s.

A Literary Star of the First Order

In a series of press articles, a group of writers and journalists firmly grounded in the Yugoslav system of power aggressively charged Kiš, who was 41 then, that he was a plagiarist cleverly compiling texts of other authors and ineptly copying the style of the masters, and that he was a cynic making profit from worthless global literary fashions, staining the “purity of national culture.”

Of course, the context is important here: Yugoslavia was an authoritarian socialist state, but it was independent from the Soviet sphere of influence. Censorship formally did not exist and the constitution guaranteed the freedom of expression. However, that did not mean that you could speak with complete openness: in this system the writer himself, instinctively sensing the limits of what was allowed, was to be an unofficial censor of his own work. Kiš acted as if he did not know that, although *The Tomb...* was a carefully thought-out provocation. And importantly, Kiš was regarded as a literary star of the first order, the greatest fiction writer of his generation.

What was it that so much upset his fellow writers, professional jealousy aside? Accusations of plagiarism brought to mind 19th-century disputes between the classicists and romanticists about the number of syllables in a verse and the use of colloquial language – and they resulted from simple ignorance; Kiš never made a secret of the fact that he used all kinds of documents, that he employed intertextual techniques of compilation, quotation, pastiche, that he was interested exclusively in fiction which bore all the hallmarks of established truth (which, by the way, has very little to do with traditional realism). He neither invented nor patented these methods—it is difficult to invent or patent something as obvious as that—but used them only to make his narrative more dense and credible.

Since the charges meant to discredit Kiš proved factually absurd (as the major part of the Serb and Croat literary community acknowledged in the coming months, offering him their support), there had to be something else.

Kiš Equated the Crimes of Stalinism and of the Nazis

That something else was the fact that Kiš had broken a taboo. In the country which three decades after the war was still cultivating the propagandist myth of the victory of communist guerrillas over fascism, Kiš equated the crimes of Stalinism with the crimes of Nazi totalitarianism. He mocked the ideological commitment of left-wing intellectuals to supporting a bloody utopia, he brutally derided the opportunism of artists loyal to the dictatorship, and finally, he endowed his message with a universal dimension (in one of the short stories he invoked a testimony of the Inquisition about converting Jews to Christianity through terror).

In short, he was fouling his own nest. Doing all that, he gave his book a form of a stylish dispute with *Universal History of Infamy* by Jorge Luis

Borges: “On the thematic plane it is not a ‘universal history of infamy’ but [...] little stories for young children, unimportant from the social point of view, about New York gangsters, about Chinese pirates, about provincial robbers, etc.,” wrote Kiš about the sources of his irritation with Borges’s work – whom, by the way, he very highly valued as a kindred literary soul. “So I was above all disputing Borges’s title, inadequate beyond measure.

Yugoslavia was an authoritarian socialist state, but it was independent from the Soviet sphere of influence. Censorship formally did not exist and the constitution guaranteed the freedom of expression.

[...] For I claim that the universal history of infamy is the 20th century with its camps, above all Soviet ones. Because it is infamy when in the name of the idea of a better world, for which generations died, when in the name of such a humanistic idea you create camps and conceal their existence, killing not only people, but also their most intimate dreams about a better world.”

Returning to the scandal, it took quite long to expire. Kiš defended himself with what seemed a premeditated fury, he even published a book *The Time of Anatomy* (1978), which was a systematic exposition of his writing philosophy combined with an interpretation of graphomaniac achievements of his opponents. He even sued one of his disputants for libel and won. Still, at this stage the scandal was a stinking matter.

At a deeper level the problem perhaps was what Kiš used to say about nationalism: “Nationalism is above all paranoia. Individual and collective. As a collective paranoia it results from fear and resentment, and above all the loss of individual awareness. [...] A nationalist is social creature and as an individual he is a mediocrity. Apart from what he stands for, he is nothing. [...] A nationalist is by definition an ignorant. And nationalism is the line of least resistance, a zone of comfort. A nationalist does not bother to reflect, he knows or thinks he knows his values – his own, that is national ones. [...] Nationalism is the ideology of banality.”

It cannot also be ruled out that the controversy lingered on for so long because Kiš was an alien, a stray dog, a man who emerged from the fog of oblivion, someone who actually had no right to exist.

Jewish and Montenegrin Roots

Danilo Kiš (1935-1989) once said about himself: “An ethnographic singularity I represent will die with me.” He was born in Subotica on the Serbian-Hungarian border (on the Yugoslavian territory known as Vojvodina or Vajdaság) as a son of a Hungarian Jew and a woman from Montenegro. In 1937, the Kiš family moved to Novi Sad on the Danube. His father, Eduard Kiš, a former railway inspector, could not know that in the future—and post-mortem—he will join the elitist group of Jewish fathers immortalized on the pages of world literature, alongside with the fathers of Franz Kafka, Bruno Schulz, Ota Pavel, Patrick Modiano, or Philip Roth. So for the time being Eduard Kiš did what he was best at: he was drinking, whoring, borrowing money to be repaid by future generations, fighting with his loved ones, entertaining grand plans, disappearing for months on end, visiting jails and closed wards of mental hospitals, and also working on “a timetable

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for bus lines, shipping lines, railways, and airlines,” an open work meant to contain the entire world. To sum up: Eduard Kiš was a little crazy.

And then a lot of unpleasant things happened in a jiffy. In 1941, the war reached Novi Sad in the shape of German and Hungarian occupation troops. As if predicting trouble, Mr. and Mrs. Kiš two years earlier hastily christened their children (Danilo and his older sister Danica) in the Orthodox rite. In the early 1942, the overexcited Hungarian police with the support of German soldiers organized a pogrom against Jews and Serbs – well over 1000 people were killed, their bodies quartered and thrown under the ice on the river. The terrified Kiš family escaped to a Hungarian village near Zalaegerszeg where Eduard’s family lived, hoping that laziness and apathy of provincial functionaries will save them. In 1944, Eduard landed in a ghetto (Danilo and Danica were probably saved by their baptism certificates) and from there he was taken to Auschwitz. He vanished into thin air, he disappeared. In 1947, his wife took the family back to Montenegro.

Danilo Kiš devoted all his works to answering the question of how it was possible that one man—his father—dematerialized without a trace,

drawing the whole world behind him. Such an elementary question generates many detailed ones – for example about the differences between history and History; about the planned destruction of human souls (that is, an attempt at their comprehensive erasing from the collective memory); about the uniqueness of every human’s existence and the impossibility of the existence of God; about good and evil; about the nature of death. About the necessity of finding such a perspective, such a point of view, which would allow the author to describe it all – and at the same time prevent him from taking his own life, at least until the completion of his work.

Carefully Described Objects and Persons

The answers given by Kiš are probably more interesting than these striking questions. A metaphor often recurring in his books is the landscape outside the window, seen as the bottom of the sea, which, by the way, the Pannonian Plain, flat as a pancake, was millions years ago –

His father, Eduard Kiš, a former railway inspector, could not know that in the future he will join the elitist group of Jewish fathers immortalized on the pages of world literature, alongside with the fathers of Franz Kafka, Bruno Schulz, Ota Pavel, Patrick Modiano, or Philip Roth.

it is an archeological or perhaps even paleontological perspective. What happened before the Holocaust could have taken place quite recently - or centuries, millennia ago.

Another characteristic gesture of Kiš’s are obsessive lists – unending catalogues of carefully described objects, bibliographical entries, lost persons, various Freuds, Zieglers, Sternbergs, Gutmanns, Fischers, Sichermanns, Singers, Kertels, Steiners, Uhlmanns. The attitude of the narrator to that storehouse of equipment, titles, and biographies is roughly the same – a somehow tired look of a warehouseman at the mountain of non-inventoried, dusty junk, combined with a worried look of Noah at the passengers crowded aboard the Ark.

The third dominant theme is a virtual absence of Shoah itself, which assumes the form of a distant whirlwind, an oceanic vortex, a cosmic black hole sucking in successive elements of reality. The activity of this phenomenon is only hinted at, fractional, impenetrable. Emanations of the Holocaust are observed by a child (Andreas Sam, the author’s alter ego), an

unbalanced adult constantly projecting absurd scenarios of his own death (father), and sometimes no one alive is looking (the withdrawn, dehumanized narrator of *Hourglass*, Kiš's best novel – not so much a human but rather something like a camera into which no tape was inserted).

Kiš—and this was probably one of the sources of the conflict around *The Tomb...*—did not see anything wrong in using his literary authorities to *create a perspective*. In the semiautobiographical, poetic *Early Sorrows and Garden, Ashes* we will find variations on themes from Proust and Schultz, in the dazzling *Hourglass* completing this trilogy (one of the saddest trilogies produced by Central European literature, perversely called by the author “a family circus”) the anarchic spirit of Joyce and the obsessive discipline of Queneau rule the day, in *The Tomb...* and *The Encyclopedia of the Dead* Kiš reassembles Borges and plays with the cold precision of Nabokov. And somewhere in the background lurks a nostalgic hope that through this desperate tinkering, writing can adjust history and turn the spotlight on those who, like Eduard Kiš or the half-anonymous protagonist of the famous short story *The Encyclopedia of the Dead*, do not appear in any other encyclopedia. *Hourglass* draws its visionary narrative from a long letter of the author's father to his sister, the only longer text which—by chance or turn of fate—he left behind.

A Literary Debut Written with 25 Years

The short novel *Psalm 44*, appearing for the first time in Polish translation, is practically a literary debut of Kiš – written in 1960, it was published two years later in one volume with the novel *The Attic*. It is also a unique attempt (not repeated later) at directly facing the theme of death camps. The idea for this book reportedly occurred to the author after reading a newspaper note about a woman who gave birth to a child in Auschwitz and they both survived until the liberation of the camp.

The plot here is only a pretext: young Maria is hiding a new-born before her camp supervisors and waiting with another inmate for the signal to escape. The Russians approach the camp, there is a rumor that the Germans will hastily liquidate the prisoners. In the evening before the escape, Maria is watchful and delirious at the same time. In her hallucinations, childhood memories mix with reminiscences of her camp love affair with the Jewish physician Jakub – the baby, little Jan, is of course the fruit of his love.

Psalm 44, let us say that clearly, is no great literature, it is a rather naive, inconsistent attempt at catching many loose threads. What is interesting for the reader, especially knowing the mature work of the Serb writer, hides in the second and third plane. The childish eyes of Maria in the flashbacks are definitely the eyes of Danilo himself; why are you suddenly not allowed to board a tram with your mother? Why do other children insist that “your

Danilo Kiš devoted all his works to answering the question of how it was possible that one man—his father—dematerialized without a trace, drawing the whole world behind him.

dad crucified Christ?” Did Mr. Rosenberg, waiting in line for death, really saw people hacking corpses on the frozen Danube? And what exactly the father had in mind in his long, solemn, murky speech about the inscription “Für Juden verboten?”

Kiš sometimes had a somewhat tarry sense of humor. A secondary character of *Psalm 44* is a certain Dr. Nietzsche, a Nazi camp physician, a specialist in physical anthropology. In the face of the possible defeat of the Reich this physician makes a scientific proposal to Jakub – he suggests that should Jakub survive, after the liquidation of the camp, he should take care of the collection of sterilized and purified Jewish bones. “I think that you understand that if it came to the Holocaust – as it was planned, as you also know very well – nothing would remain of your race besides this collection of skulls,” says Dr. Nietzsche, worrying about his treasures.



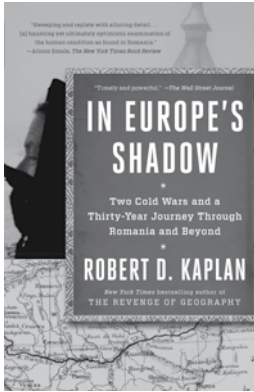
PIOTR KOFTA

is a writer, literary critic, journalist, a long time contributor to *Dziennik Gazeta Prawna*, and collaborator of Polish Radio Programme II, author of the books *Beautiful Evenings* and *Grey Monkey*. He lives in Warsaw. | Photo: Piotr Kofta Archive

A Familiar Refrain

ASPEN REVIEW
BENJAMIN CUNNINGHAM

CULTURE
BOOK REVIEW
ROMANIA
20TH CENTURY
COLD WAR



In Europe's Shadow: Two Cold Wars and a Thirty-Year Journey Through Romania and Beyond
Robert D. Kaplan
(Random House, 2016)

Philosopher George Santayana's maxim, "Those who cannot remember the past are condemned to repeat it," is frequently quoted, but almost always in a way that contradicts his larger argument.

On the very same page in *Reason in Common Sense*, Santayana goes on to distinguish between the intellectual capacity of human beings at various stages in life. "In the first stage of life the mind is frivolous and easily distracted," he writes, "this is the condition of children and barbarians." Meanwhile, old age "is as forgetful as youth, and more incorrigible." One's golden years, Santayana continues, show "the same inattentiveness to conditions" as youth. "Memory becomes self-repeating and degenerates into an instinctive reaction, like a bird's chirp," he concludes.

In other words, come a certain age we perceive the world almost exclusively through the lens of past experience and by clinging too closely to memories one distorts contemporary events. Robert Kaplan's memoir *In Europe's Shadow: Two Cold Wars and a Thirty-Year Journey Through Romania and Beyond* is the book of an old man.

Kaplan begins by outlining his running fascination and personal relationship with Romania, a country that is often overlooked even within Europe. He first visited the country in 1973 before returning in 1981 after a stint in the Israeli army, and the book regularly juxtaposes recollections from

those visits with others in 1990, 1998, and 2013. As a format this has potential and at his best Kaplan compares and contrasts images from the various visits to create a sort of collage of Romania past and present. A description of 1980s buses fueled by dangerous roof-mounted methane tanks illustrates the absurdity of, and lack of concern for, human life under the communist regime. In 2013, Bucharest makes Kaplan feel “as close to the dust-blown urban bleakness of Anatolia” as Central Europe, as the city combines “the architectural legacies of Stalinism with capitalist decadence.”

There Was Not One Singular Event That Terminated the Cold War

However, too often Kaplan badly overplays his hand, and his memories can read a lot like cliché composites concocted for illustrative purposes. “All I can remember,” he writes of a hotel room he stayed in 36 years ago, before going on to describe the color, lighting, bathroom, hallway, television,

Kaplan compares and contrasts images from the various visits to create a sort of collage of Romania past and present.

the telephone, and the process he had to go through to make a phone call. How narratively convenient that this particular 1981 television is showing “speeches of the leader interspersed with folk dancing” at the very moment he checks in to his room.

One might be willing to excuse such passages as over-enthusiasm, but for the same hyperbole bleeding over into other parts of the book. At one point Kaplan declares the Romanian overthrow of Nicolae Ceaușescu as “the singular event which terminated the Cold War in Europe” — an absurd statement that would take a book-length essay to unravel. To start: No one event ended the Cold War. If any single thing symbolized its end, it was the collapse of the Berlin Wall. The Soviet Union persisted for two more years after Ceaușescu’s death. Soviet troops stayed in Czechoslovakia for 15 more months. Need we go on?

The biggest trouble seems to be that Kaplan cannot decide if he wrote this book because Romania is a unique place or because he wanted to use it as a platform for discussing grand historical themes. Unfortunately, he dabbles in a bit of both and the result is uneven. When Kaplan sticks to documenting the original features of Romania, *In Europe’s Shadow* is lucid - even

by turns beautiful, but when he drifts into using the country to espouse supposed eternal truths of geopolitics it borders on the schizophrenic.

As Kaplan points out on occasion, the most interesting thing about Romania is that it is not representative at all of Central and Eastern Europe. Romanians are predominantly Orthodox while speaking a Romance language, Soviet troops ceased occupying Romania proper in 1958, and the country was the only former Warsaw Pact member to experience widespread violence during the 1989 revolution where some 1,100 people died as Ceaușescu was torn limb from limb by an angry mob. Even Romania's experience during the Holocaust runs counter to regional patterns. While no doubt horrible in its own right, as historian Timothy Snyder has demonstrated, about two-thirds of Romanian Jews survived the war.

Despite its many shortcomings, as a research project *In Europe's Shadow* is a formidable piece of work offering a primer on Romanian history, geography, intellectual currents, culture, and landscape. Kaplan visits small towns, big cities, and the places in between. There are also ample intriguing general factoids - Istanbul's name, for example, comes out of a distortion of Greek for "to the city," [I-stin poli]. Mixed with Kaplan's own observations and a bit of color this travelogue-cum-memoir could be great. Too bad that Kaplan and his editors were not wise enough to make it about 30 percent shorter. Instead, faux-grandeur and amateur philosophizing are orders of the day.

Evocative Descriptions and Pseudo-Philosophical Blather

Perhaps hoping some of their magic might rub off, Kaplan name-drops an array of formidable authors in an attempt to manufacture literary sensibility: André Gide, Robert Musil, Joseph Conrad, Thomas Mann, Hannah Arendt, Aleksandr Solzhenitsyn, Fyodor Dostoevsky, Albert Camus, Fernando Pessoa, Isaiah Berlin, Paul Celan, Seamus Heaney, Nikos Kazantzakis, alongside Romanians like Herta Müller, Mircea Eliade, Emil Cioran, and Eugène Ionesco. While Kaplan seems more than capable of turning a phrase, he often tries way too hard to do so. Evocative descriptions like "a few bent-over old women wearing black kerchiefs" and subtle atmospherics that illicit a "subtle rumor of Turkey" are more than canceled out by pseudo-philosophical blather like: "You don't grow up gradually. You grow up in short bursts in pivotal moments." Or, elsewhere: "We travel in order to defeat oblivion."

“History is never so real as in the candlelit faces of Romanians at Easter,” Kaplan writes in another cringe-inducing passage as convolution like this infuses attempts to connect his wanderings with larger themes. Along with repeatedly reverting back to his deterministic view of geography as the decisive factor in history from his earlier book *The Revenge of Geography*—still available in paperback one supposes—he also diverts discussion to espouse the virtues of a realist view of global politics. This leads him to defending the very worldview—predicated on concepts like spheres of influence as a means of maintaining stability—that delivered Romania to the Soviet sphere after World War II. Such thinking would also concede places like Ukraine, Moldova, the Baltics, and much of the Balkans to the Russian sphere today — something Kaplan dedicates ample verbiage to opposing elsewhere.

Little More Than a Caricature

In a bizarre passage about two-thirds of the way through the book Kaplan sets about praising Klemens von Metternich, the Austrian statesman fêted by realists for creating a stable European balance of power system in the aftermath of the Napoleonic Wars that more or less held until World War I. Not only does such thinking require a complete inversion of ends and means but it would also imply that what Kaplan calls “Putin’s revanchism” equates to the natural order of things. For a realist, Romania would not be “struggling to maintain their equilibrium in the face of

The biggest trouble seems to be that Kaplan cannot decide if he wrote this book because Romania is a unique place or because he wanted to use it as a platform for discussing grand historical themes.

Russian aggression,” as he puts it, but rather a legitimate part of a Russian (or Turkish) buffer zone. This is to say nothing of realism’s stubborn insistence that nation states are the preeminent actor in global affairs, a curious contention in the 21st century that would view Ecuador as a real geopolitical player - but not Apple.

In between nice passages about landscapes and descriptions of towns in parts of Romania most will never get to see, this kind of dissonance goes unreconciled and serves as a distraction. Such emphasis on ideologically-charged, sweeping historical claims means the picture that Kaplan

paints of contemporary Romania is little more than a caricature. He finds the Transylvanian city of Sibiu “disappointingly globalized,” before adding: “[T]he locals were no doubt much happier, especially the children, but I treasured my original memory 24 years ago.” Nostalgia like this is indicative of how Romania is portrayed throughout the book - more like a museum than an evolving 21st-century state. Filmmaker Cristian Mungiu, among the most famous Romanians alive today along with ex-sports stars Nadia Comăneci and Ilie Năstase (none of whom are mentioned in this book), has both noticed and lamented similar approaches to his films. “People always relate [my movies] to communism, because they don’t know anything else,” he says.

Mixed with Kaplan’s own observations and a bit of color this travelogue-cum-memoir could be great. Too bad that Kaplan and his editors were not wise enough to make it about 30 percent shorter.

While Mungiu frequently captures both the universal and the particular in his work, Kaplan does not. It is fitting that at one point he cites the Arab proverb: “People resemble their times more than they resemble their fathers.” Indeed, Kaplan’s approach to Romania is that of somebody still trapped in the mid-80s, so much so that even Ronald Reagan makes a cameo as a “great president” who “set history in motion in Eastern Europe” with his “proper compromise between realism and idealism.”

And so after following Kaplan on his “Thirty-Year Journey Through Romania and Beyond” we end up right back where he began. Chirp!

BENJAMIN CUNNINGHAM

is a Prague based writer and journalist. He contributes to *The Economist*, *The Guardian*, *The Los Angeles Review of Books*, *Politico*, and is an opinion columnist for the Slovak daily *Sme*. Benjamin also works as a professor of journalism at Anglo-American University and produces documentary films for Al Jazeera English. He was formerly editor-in-chief of *The Prague Post* and a fellow at the Institute for Human Sciences (IWM) in Vienna. | Photo: Aspen Review Archive



Art Despite War



But tell us why, why did they burn our city down?

“Where are you coming from, dark caravan” Serhiy Zhadan, translated by Virlana Tkacz and Wanda Phipps

When I saw Mariana Sadovska’s performance with Yara Arts Group “The Night is Just Beginning” at the Ukrainian Museum in New York City at the end of 2016, I began to think about the connection between art and war. Mariana and the Yara artists traveled to war-torn regions in the Donbas region of eastern Ukraine to collect folk songs. Both of the poets, Serhiy Zhadan and Lyuba Yakimchuk, whose poetry Mariana

Don’t talk to me about Luhansk / it’s long since turned into—hansk / Lu has been razed / to the crimson pavement

“Decomposition,” Lyuba Yakimchuk, translated by Oksana Maksymchuk and Max Rosochinsky

wove into her musical performance are from the Donbas region. I spoke with Mariana after the performance and collected her impressions about being creative during violent and uncertain times. I also spoke to one of the poets whose work Mariana included, Lyuba Yakimchuk, about the way her poetry was affected by the war and continues to be transformed.

Where are you coming from, dark caravan, you flock of birds

Mariana asks: “How can I create during wartime? And is it ethical? To create? And how are poems written as twentieth-century poet Pavlo Tychyna wrote, ‘instead of sonnets and octaves?’ Is it ethical to sing? Would it be better to go to the frontlines? Or, for example, do something practical to help at the frontlines? And what about those people who lost their lives, who lost their families, their health, who were forced to leave their homes and become migrants? And what about those who remain chained in their occupied territories... And where can I find the strength to, like Czeslaw Milosz in the times of darkness and ruin, to create poetry, full of love? I am holding onto Leonard Bernstein’s words as if they are a lifeline, ‘This will be our reply to violence: to make music more intensely, more beautifully, more devotedly than ever before.’”

I remain connected to my family over the phone/all of my family connections are wiretapped/they are curious: who do I love more, mom or dad?

In April 2014, war began in the city of Luhansk. Luhansk is in the region where Lyuba was born. No one wanted to believe that it was a war. The De-

I remain connected to my family over the phone/all of my family connections are wiretapped/they are curious: who do I love more, mom or dad? “How I Killed,”

Lyuba Yakimchuk, translated by Oksana Maksymchuk and Max Rosochinsky
partment of Defense in Luhansk and the Luhansk Administration building were occupied and soldiers stood over them with weapons. Lyuba’s family did not want to leave, but by February 2015, they found themselves caught in the crossfire. Luhansk is at the border between the occupied and non-occupied territory and suddenly, it became difficult to leave. There were corridors where people should have been able to escape safely, but in reality, that was not the case. A whole bus full of people was bombed there. Lyuba’s parents decided that they would wait it out. They hid in an underground shelter near their building. Food provisions like jams, potatoes, and vegetables were kept there and they hid there. They left on February 14, 2015. That day there was crossfire. They asked an acquaintance to act as a taxi driver. They were shot at. It was frightening. Lyuba says that it was also frightening to wait for their arrival in Kyiv, not knowing whether they would get there safely.

But tell us why, why did they burn our city down?

At the Yara Arts Group performance at the Ukrainian Museum in New York City, Mariana performed her song “Fear,” portraying a common sentiment during war. She composed the song from the folk songs she heard in the villages of Donbas. The immediacy of fear was heightened by Ukrainian artist Waldemart Klyuzko’s projections that surrounded the audience when

**Where are you coming from, dark caravan,
you flock of birds** “Where are you coming from, dark caravan” Ser-

hiy Zhadan, translated by Virlana Tkacz and Wanda Phipps

Mariana performed it and other songs of Donbas. The projections climbed up onto the ceiling like tree branches, but could also be imagined as traditional Ukrainian embroidery. Mariana’s goal was not only to perform the songs in the villages where they originated but to bring them to other regions of Ukraine and to international audiences, conveying news of culture flourishing despite war.

***don’t talk to me about Luhansk/it’s long since turned into -hansk/
Lu has been razed/ to the crimson pavement***

When Lyuba returned to Luhansk for a visit, she did not understand how it would be possible to write about the war. She had to search for some kind of new language. She began by using fewer metaphors. She tried not to use the word “war,” but rather to portray the war. She wanted to show the situation in such a way that readers would interpret it themselves. Then she noticed that more dialogue began to appear in her poems. There were different voices that all spoke about themselves. This was contrary to Bakhtin’s opinion that poetry is monologic. She tried to transfer what was happening in reality into language. It happened very spontaneously. She began to tear words apart.

he says: everything will be fine, salvation will come soon

Mariana sees a connection between Lyuba’s poems and the folk songs of the war-torn region that Lyuba comes from. They are alike musically. Lyuba agrees with this. She says that some of her poems are put together like a folktale or song. There are various folkloric forms that come through in contemporary poetry, in free verse.

We will never see our city again.

Lyuba's poems now focus on the deconstruction of language, language is deconstructed as the cities of the Donbas region are. She twists the march [марш] that is associated with soldiers into the scar [шрам] it leaves. Her well-known poem "Decomposition" ends with the deconstruction of her own name. She is no longer Lyuba, but just "ba," reflecting the way her life changed because of the war. The way that Mariana sings Lyuba's poems reflects this deconstruction. She tears apart the sounds, lingering on them, "mmm...shshsh...rrr...aaa."

and unedited lists of the dead/, so long that there won't be time/to check them for your own name.

There are many options for what an artist can do during wartime. An artist,

I remain connected to my family over the phone/all of my family connections are wiretapped/they are curious: who do I love more, mom or dad? "How I Killed,"

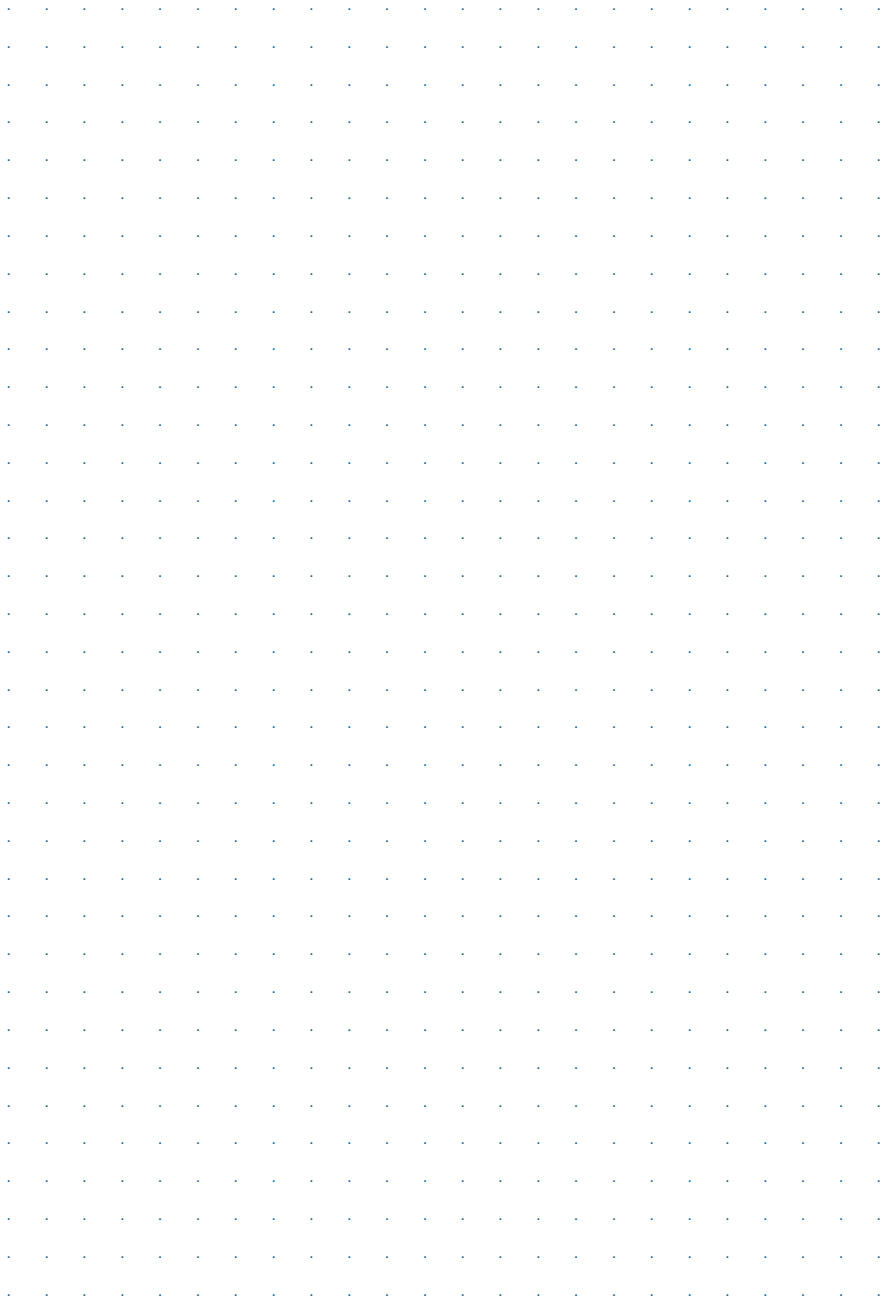
Lyuba Yakimchuk, translated by Oksana Maksymchuk and Max Rosochinsky
shocked by the war, can deny it. An artist can stop creating. An artist can put aside art and become part of the war effort. An artist can become part of the war effort through art.

Mariana and Lyuba continue to create. Their music and poetry continues despite the war and is transformed because of it. Mariana created the show "The Night is Just Beginning" with Yara Arts Group that is a collection of songs influenced by the people living in regions affected by the war. Lyuba's newest poetry collection "Donbas Apricots" includes a series of war poems, but her style of composition has also changed. Both have created beautiful pieces, but one can continue to ask: "Is this ethical?" Can anything good come of violence?

OLENA JENNINGS'S

collection of poetry *Songs from an Apartment* was released in January by Underground Books. Her translations of poetry from Ukrainian can be found in *Chelsea*, *Poetry International*, and *Wolf*. She has published fiction in *Joyland*, *Pioneertown*, and *Projecttille*. She completed her MFA in writing at Columbia and her MA focusing in Ukrainian literature at the University of Alberta. | Photo: Dimitri Keungueu

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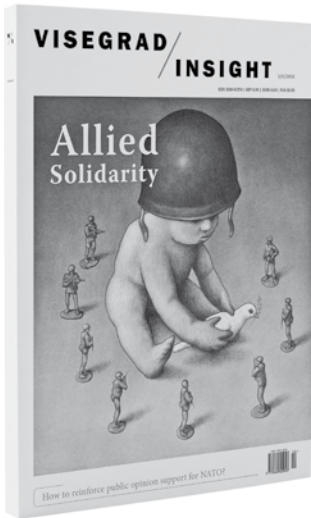
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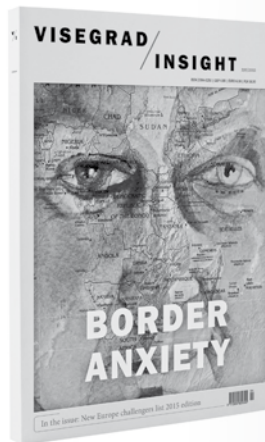
The Prague Conference organized in the framework of the Aspen Initiative for Europe will assess recent development in Central Europe and address European and transatlantic policy challenges after German election and the first year of presidency of Donald Trump, with a special focus on the goal of rebuilding trust in Western democracies.

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