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Charting the 'Return to Europe': Or, Can Hungary, Poland, and Czechoslovakia Cooperate?

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Abstract

The democratic revolutions of 1989 and the dissolution of the postwar bipolar world have prompted the search for a framework for a common European home that might include the new democracies of East-Central Europe. This paper examines the positions of Hungary, Poland, and Czechoslovakia—the three former East bloc countries which have made the greatest progress towards adopting market economies—in relation to Western Europe and to the international political economy. The possibility of their "return to Europe" via a regional subgrouping which would enable them to speed economic recovery is considered. In keeping with the normative premise of the paper, Hungary, Poland and Czechoslovakia should form a "Central European Triangle" to represent East-Central Europe in a world where regional blocs provide a much needed degree of leverage for small and otherwise impotent countries. A regional grouping might ease the countries' transition to the global economy, facilitate internal and external economic integration, distribute and coordinate Western contributions of assistance, and reconstruct their dilapidated infrastructures. The paper examines the historical rela-

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tionship of the three countries with Western Europe as well as the impact of several significant events in the international political economy during 1990 and weighs various scenarios for the countries' reintegration with the West.

> No one can remain indifferent in the face of the democratic revolution in Eastern Europe. Everyone, in one way or another, will be affected by it. Not, at least as far as the developed democratic West is concerned, to the point of changing the incumbent order: this revolution does not force others to follow it, but is developing in the directions of values, ideas and forms akin to those of the democratic West. But with the victory of this revolution, new and hitherto inconceivable possibilities are opened up for economic cooperation and economic advancement, for the intermingling of peoples and cultures; and also for a new understanding for everyone of peoples and nations under long-term dictatorships, of the irresistible forces and illusions of revolution.
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> Milovan Djilas[1]

The Yugoslav communist-turned-dissident Djilas is not impartial, yet his statement does contain several elemental truths about the prospects for change in East-Central Europe and their implications for the West. The incumbent world order is being changed—if not by the East European nations themselves, then by the retrenchment of the communist hegemon which abandoned them to their own devices. By revoking the Brezhnev Doctrine which had legitimized Soviet intervention in Eastern Europe, the USSR has removed the lid of the socialist pressure cooker; the nations of East-Central Europe now race madly in their efforts to "return to Europe," to a land ruled by Adam Smith's invisible hand, to political freedom and economic prosperity. Yet these anticipated changes must not be taken for granted. History has not come to an end, as some enthusiastic Westerners would like to believe. While these advocates of economic liberalism may assume that it would suffice to establish Western institutions and let the market determine the rest, scholars such as Polish historian Marcin Krol speak with less euphoria and more caution:

> If we are to ponder—and I believe we must—over the future of a liberal Europe, a Europe of Alexis de Tocqueville and Edmund Burke rather than a Europe of Karl Marx and Josef Stalin, then we have to recognize that events left to run their own course, at an uncontrolled pace, will bring East-Central Europe into a crisis emanating from the mutual grievances of impoverished peoples.[2]

The transition to a new Europe cannot be accomplished by default, but must be managed.

The democratic revolutions of the past year, together with the dissolution of the postwar bipolar world, give cause to reconsider the present division of Europe into halves, thirds, or other groupings reflecting geopolitics, political alignment, stages of development, or ideology. A new framework for a common European home, or, more specifically, a European Economic Area, is being outlined as the twelve member states of the European Community (EC) prepare for a single integrated market in 1992. But where in this new Europe is there room for the fledgling democracies of East-Central Europe? This paper analyzes the prospects for Czechoslovakia, Hungary and Poland, the three former East bloc countries which have demonstrated the greatest interest in joining the international political economy, of returning to Europe via some sort of regional subgrouping that might enable them to catch up economically to the West.

If Czechoslovakia, Hungary, and Poland would cast aside old and current animosities to form a "Central European Triangle" they could facilitate both internal and external economic integration, distribute and coordinate Western contributions of assistance (financial, technological, and managerial), build an infrastructure that will best serve the interests of the region as a whole in its strategic position between East and West, and represent Central Europe in a world where bloc strength is increasingly important as a bargaining tool for bilateral trade agreements. The historical relationship of the three countries with Western Europe as well as the impact of several significant events in the international political economy during the past year will be surveyed before various scenarios for the countries' reintegration with the West are considered. I shall conclude with recommendations based on the degree of progress or lack thereof made towards the creation of a new economic regime between Hungary, Czechoslovakia and Poland during 1990.

Historical Claims for Membership in Europe

For its part, the newly free and democratic East-Central Europe which is, in this paper, Poland, Hungary and Czechoslovakia, has made exceedingly clear its desire to return to Europe. Historically this claim has foundation. All three of the countries mentioned above—often referred to as the "Northern Tier" of the Eastern bloc—received Christianity from Rome, not Byzantium, in contrast to Russia and most of the South Slav peoples[3]—a difference reflected not only in church rites, but in linguistic development, political links and cultural traditions.

All three nations share a common heritage: the Czech, Slovak and Hungarian lands, together with the southern part of partitioned Poland, all flourished in the Austro-Hungarian empire, perhaps the best of possible worlds for small nations too weak to stand on their own in the Europe of the day.

Thus before the twentieth century brought these nations independence, the inhabitants of today's Poland, Czechoslovakia and Hungary were bound together in the history of Europe. Their emergence as sovereign states after World War I realized ambitions dating back to the insurrections of 1848, the "spring of peoples." Yet after the war, Europe exhibited a curious ambivalence toward the fate of these new states, and the *cordon sanitaire* separating the Soviet Union from Europe was largely ignored by those who might have helped the region stand on its feet. The international anarchy and economic trauma of the interwar years, devastating the more developed West as well as the struggling East, only intensified the difficulties attending East-Central Europe. The countries that Woodrow Wilson had hoped would emerge as democracies in the East found themselves more and more isolated as most countries in Western Europe turned inwards to face their own problems and prop up their own economies. Only Germany proved to take any significant interest in the region, developing a network of economic interaction and trade relations that caused Eastern Europe to look to Germany for inspiration, not only in the economic sphere but in the political realm as well.[4] Even German influence did not facilitate any kind of intra-regional interaction: the interwar game was perceived as zero-sum, with each nation vying for economic favors from the West at the expense of its neighbors. And, by the outbreak of World War II, Czechoslovakia was the only one of the three countries to resist the trend toward authoritarian and near-fascist regimes.

A Return to 1918?

The interwar experience illustrates a possible fate of nascent democracies if left to their own devices in a generally hostile and isolationist world. The parallels between the interwar years and the post-1989 period are becoming more pronounced as the international situation today resembles 1918 more than 1947. The extreme bipolarity of the superpowers and their respective camps has melted into a multipolar system which has not yet been clearly defined but in which no one country seems able or willing to assert hegemony. The Soviet Union has retreated within itself, abandoned its satellites, and is actively seeking foreign assistance. Ironically, it is aided by its former archenemy, Germany, whose World War II profile is only now being downplayed in the Soviet press. On the other pole, the United States, while still able to exert some pressure in international security, is largely ineffectual on the international economic scene: witness the recent collapse of the Uruguay Round of negotiations to modernize the General Agreement on Tariffs and Trade (GATT), where other nations—in particular the European Economic Community (EEC)—refused to make the concessions in agriculture demanded by the United States as a precondition for negotiations on other forms of trade, intellectual property, and services. Germany

and Japan, the other two individual nations potentially capable of assuming international leadership, remain respectively preoccupied with internal concerns and content to remain a one-dimensional power. It appears that the world is headed towards an ad hoc multipolarity, where each nation fends for itself as best it can, uniting with others only when it cannot attain its aims by itself.

Nonetheless, the discomforts of international anarchy may be ameliorated by international cooperation or regimes. According to Steven Krasner, this world view maintains that "under certain restrictive conditions involving the failure of individual action to secure Pareto-optimal outcomes, international regimes may have a significant impact even in an anarchic world."[5] In many ways this also seems to be the world portrayed by Robert Gilpin, who speaks of the "global mercantilism" that is reshaping the international political economy that once was characterized as one of increasing global interdependence and integration.[6] To use a metaphor from economics, free trade in today's world economy can no longer be perceived as a public good, accessible to all countries which agree to subscribe to the norms and principles governing international economic regimes. The principle of non-exclusion has been violated to an unheard-of degree as countries coalesce into blocs, selecting those with whom they care to deal instead of accepting the non-discriminatory and unconditional principle of most-favored nation status. The lack of a hegemon willing to insure the continuity of supply of this great public good has led to a market failure; free trade is not there for the asking, and nations must scramble to ensure themselves a piece of the shrinking pie.

Economic Problems and Western Indifference Frustrate Reintegration

Abandoned by their former hegemon, the countries of East-Central Europe are pressed into this race. Indeed, they wish to become part of the international economic system and are trying conscientiously to remove all internal barriers to international trade. But the recent failures of liberal international economic principles are bound to work to the disadvantage of the weak and small countries. Today the evidence of this inequity is overwhelming: just as the former East bloc countries open their borders to foreign trade, they encounter many obstacles. Poland, whose economic reforms have progressed the furthest, is an example. As of January 1, 1990, all barriers to foreign trade were lifted; the zloty was devalued down to former black-market values and made freely convertible; and credit was tightened, forcing hitherto subsidized and protected Polish firms to struggle for existence in the world market.[7] An examination of the progress made in 1990 shows a net positive balance of trade with the West as well as with the Soviet Union. Yet in the crucial area of agriculture, Poland has run up against the stone wall of EEC protectionism, finding no market for its relatively inexpensive produce.[8]

Indeed, the West may have doomed Polish agriculture by its "altruistic" food shipments to Poland, further convincing the farmers of the futility of increasing and modernizing production. Such difficulties have enormously prejudiced the Polish farmers against the economic reforms which for the most part have been successful, having accomplished what they first set out to do: stabilize the country, reign in hyperinflation, and prepare the groundwork for increased privatization and liberalization of the Polish economy. The failure of the Uruguay Round negotiators to agree on reductions of agricultural subsidies and trade barriers does not bode well for countries such as Poland, where increased agricultural production provides the greatest potential for increasing exports in the short-term.

Poland, Hungary and Czechoslovakia face other unforeseen external problems as well: the disintegration of the Soviet Union, the unification of Germany, and the atrophy of the Council for Mutual Economic Assistance (Comecon). The Soviet Union's softened stance with respect to East-Central Europe has been a mixed blessing: thanks to Gorbachev's indifference to the fate of Eastern Europe, Hungary, Poland, and Czechoslovakia have regained their independence and have been able to move forward on the road to democracy and market economics. Yet even the most successful of revolutions cannot erase history: traces remain of the past. Here the problem lies in trading patterns. The countries of the former East bloc have been crippled by forced long-term interdependence within Comecon, inextricably tying their economies to that of the Soviet Union. Trade agreements of all kinds have fallen apart, not only with the Soviet Union, but with East Germany as well, which has voted itself into the West.

As regards Soviet trade, crude oil—the source of much of the East's energy—has been held hostage to the growing chaos within the country. The Soviet Union reneged on its obligations to supply the full contracted amounts of oil to a number of East European countries in 1990 because of troubles with domestic production and transport. Thus the countries in the region have been unable to meet their energy requirements.

Oil trade with Iraq predating the Gulf war has caused further problems. According to current estimates, Iraq owes Poland $500 million in credits given for the purchase of Polish goods, Czechoslovakia $300 million, and Hungary $145 million. Poland claims an additional loss of $250 million resulting from the cessation of trade and the loss of crude oil imports, as well as the loss of a railway construction project worth $1 billion.[9]

The increase in world oil prices as a result of the Iraqi invasion of Kuwait further disadvantaged the fragile transitional economies just as they were subjected to another shock: as of January 1, 1991 trade payments among Comecon countries are settled in hard currency at current world prices. Czechoslovakia, Hungary, and Poland had to earmark precious hard

currency to import oil and natural gas. Burgeoning government deficits were the result.

The scenario is particularly distressing for those countries which hope for a return to Europe. Some fear that their new geographical orientation may not be west, but south. If the region's economic problems continue to escalate, these fledgling democracies could become the less developed countries (LDCs) of the nineties. The similarities between the underdeveloped second and third worlds are all the more striking now that superpower alliances no longer distort the situation. The revolutions of 1989 have drastically altered the postwar bipolar world order and removed the urgency from the superpower conflict. The disintegration of Soviet power and the emergence of democratic rule in parts of the former East bloc already seem to have diffused the Western world's ideological interest in the fate of these countries. Given the crucial role of ideology in justifying the postwar order, the loss of this basic conflict between the first and second world may relegate the latter to the realm of Western indifference: that is, to third world status. Thus, what the third world suffered in the seventies and eighties while fighting for a better position in a New International Economic Order, the East bloc might well face in the 1990s and beyond.

Cooperative Forms for Maximizing Mutual Gain

It appears, then, that the only way to avoid the fate of the South is to retain the North's interest—even if this means becoming an irritant. The industrialized world rejoiced at the emergence of democracies in the East in 1989, but since then has become preoccupied with its own economic troubles and the war with Iraq. In the meantime, the heads of state of the East-Central European countries have been lobbying furiously to join all manner of international organizations: the International Monetary Fund (IMF), the World Bank, the European Community, the European Free Trade Association (EFTA), the Council of Europe, and many others. The countries individually have tried to win favors with the West: they have painted rosy pictures of investment opportunities within their borders, assured creditors of their ability to repay old debt (where applicable) and assume new obligations, and waxed eloquent on the the access they can provide to the masses of the Soviet Union. In each case Hungary, Poland, and Czechoslovakia all present themselves as the one country with which to do business.

How long can they continue to compete for aid, technological assistance, and capital investment without making themselves, and each other, worse off? Pareto-optimality would dictate that the transition to Western ways should be carried out with the maximum efficiency. To date, however, all of the forms of economic assistance listed above have been administered on an ad hoc basis, with the first often taking the spoils. For example, Poland

initially benefitted from being the first country to liberalize. But the revolutions of 1989 meant competition for Poland. Other countries boasted of more substantial political reforms which were to reassure Western investors. Fingers were pointed, for example, at the still very visible, if weakened, Polish communists in the government. Hungary could attract a larger share of gullible foreign investors by stating that it would never default on its interest payments. And Czechoslovakia could boast of having the strongest socialist economy and no foreign debt comparable to the burdens of Poland and Hungary, not to mention the moral authority in the person of its newly-elected president, Vaclav Havel, who the West found very attractive. All the while the West is confronted with an onslaught of conflicting information about the various countries of East-Central Europe, which until 1989 it had more or less assumed were equally communist, grey and oppressive. Each new set of elections, each new economic initiative, each new broadcast illustrating the difficulties of transition must be understood by people with no previous training whatsoever in socialist economies or politics—people who nonetheless can (and will) decide the fate of a loan application, an investment proposal or membership in an international organization. If for no other reason than to simplify East-West interaction, grounds can be found for forming some kind of subregional grouping that would coordinate economic dealings both within and without the region.

Yet do circumstances warrant the adoption of existing Western or new mixed (that is, part Western, part Eastern) regimes? A quick review of the possibilities for economic cooperation at present leaves no doubts as to the naive idealism of those who speak of a quick return to the West by this or other means.

To date, five major regional groupings have been considered as likely and/or desirable conduits for increased European economic integration: the Conference on Security and Cooperation in Europe (CSCE), the European Community, EFTA, the Nordic Group, and the Pentagonal Group.

CSCE. As the largest of the institutions (all thirty-five European states with the exception of Albania are members), CSCE's potential is that of an umbrella organization for smaller groups. As it seems to be focusing more on political and military issues such as verification functions for START or other multilateral agreements, it may be disqualified from this competition. Indeed, CSCE is more suited to the role of a "European Magna Carta which would entrench for the whole of Europe the rights, freedoms and rule of law which we in the West take for granted." Another drawback is the organization's size, which would dilute any influence individual small countries may have, thus reducing its desirability for the Central European countries as a pivotal economic regime.

The European Community. This is the institution of choice, East-Central Europe's dream solution to the problems of the last forty years. Some argue

that, by gaining immediate entry to West European institutions, the East European nations might be able to overcome the historical and nationalistic antagonisms that threaten to disrupt the region if left to its own devices. Yet, given the growing line of economically more compatible countries queuing for admission, the prospects of Hungary, Poland, or Czechoslovakia joining in the near or even slightly more distant future are slim indeed.

There are other practical reasons for not insisting on immediate EC membership. At this stage of the countries' development, one could argue that the great political and economic disparities between the members would relegate the Easterners to second-class status, where they would be weak participants unable to change the payoff structure in their favor. For as yet there is no mutuality of interest: the EC wishes to "deepen" before "widening." EC Commission President Jacques Delors and others have made this abundantly clear, advocating the three countries' return to Europe under the auspices of EFTA or other organizations. A larger, more diverse EC is also feared to be ineffectual. To address this concern, a three-ringed European Economic Area has been proposed, consisting of the EC (inner ring), EFTA (middle ring), and East-Central Europe (outer ring), with room for the USSR or other reforming countries in the outer ring as well.

The European Free Trade Association. EFTA has been suggested as the ideal vehicle for an acceptable "Finlandization" of the former East bloc nations. Ever since its inception in 1959, neutral EFTA has served as a buffer between the Comecon and the EC. This made geopolitical sense. The other role of EFTA since 1961 has been as antechamber to the EC. Great Britain was the first country to make the transition. Austria recently applied for membership, and Sweden may follow. It has been suggested that EFTA serve as "guarantor for the regime changes" for the countries of East-Central Europe, thus saving the EC the economic and political costs of integrating the new countries. Yet the argument has also been made that the standards of living in the EFTA countries are even higher than those in the EC on the average, making the idea of full integration "not sustainable."[10] In addition, future changes in the current membership list combined with the proposed influx of weaker states may make EFTA both less stable and less cohesive.

Nordic Group. The Nordic Group is a new regional grouping for cross-border cooperation of the type advocated by those who do not favor EFTA membership for East-Central Europe.[11] Founded by Sweden and Poland, the Nordic Group has concentrated on the environmental problems faced by the Baltic region. While there are both mutual interest and long-term stakes involved here, the Nordic Group does not appear to be the broader economic forum needed by the former East bloc countries. Membership in this and other groups should not be mutually exclusive, however, and might well fall under the CSCE umbrella.

Pentagonal Group. Also referred to as the Danube-Adriatic regional cooperation group, the Pentagonal Group was originally comprised of four nations: Austria, Italy, Yugoslavia, and Hungary. A fifth—Czechoslovakia—was added in the spring of 1990. Its original geographic delineation has been used—rightly or wrongly—as justification for the omission of Poland, which is not visited by either body of water. The Pentagonal is seen as a step towards—not an alternative to—the EC, with Italy stongly advocating the inclusion of the East-Central European states.

There is another option that would ensure a more homogeneous regional bloc. Some suggest that the best solution would be to reorganize Comecon, the existing East European economic regime, along West European lines. Yet Comecon has been a negative experience for all involved. Although originally intended as an East bloc alternative to the Marshall Plan and later revived and developed as a counterpart to the successful EEC, Comecon functioned more as a set of bilateral agreements between each of the satellites and the Soviet Union than as a multilateral forum for intra-bloc trade. Instead of gaining comparative advantage from the association, the satellites were forced to develop in parallel ways in accordance with the accepted Soviet dogma of breakneck industrialization, collectivization of agriculture, and high-growth steel production. Nor were the "socialist brothers" encouraged to forge links with one another. In fact, mutual distrust was the rule rather than the exception:

> The record showed clearly that it was often easier for CMEA members to cooperate with the Western countries than with each other, and at times the situation in the 1970s [a period of trade liberalization with the West] began to resemble that of the interwar period when the East European economic relations were characterized by a 'beggar my neighbor' policy.[12] Within the past year, Comecon arrangements have been downplayed by all of the partners, eager to refocus their trade on the West as well as to exert the economic sovereignty denied them for so long. Indeed, I suspect this is one of the reasons why there has been so little enthusiasm among the citizens of the former East bloc for a new or revamped East European economic community. Given the structural inertia of existing regimes and their tendency to stagnate or deteriorate without being cast off by those whose interests are no longer served, this tactic cannot be disparaged—not to mention the fact that not all of the Comecon members have reached the same conclusions concerning future economic development.[13]

This wholesale escape from the East has its disadvantages, however. Forty years of producing low-quality goods for intra-bloc barter trade has left these countries far behind in the capacity to produce export-quality goods. Given the time, capital investments, and economic restructuring

necessary to bring the countries of East-Central Europe up to the level of a Spain or Portugal—not to mention Austria or Sweden—some sort of interim arrangement within the former East bloc seems imperative if these countries are to make the transition from command to market economies successfully without compromising their new-found democratic principles.

The Promise of Regional Cooperation

The possibility of a three-way coordination of the countries' return to Europe emerged when Czechoslovak president Vaclav Havel, during his first official visit to Poland at the end of January 1990, announced his intent to hold a summit meeting in Bratislava in April of that year. The gathering elicited great excitement, as it promised to build on private contacts between the former-dissidents-turned-leaders of the post-communist nations. Indeed, the prospects of a high-level meeting between Havel, then Polish Prime Minister Tadeusz Mazowiecki (a member of the underground Czechoslovak-Polish Solidarity group that had met surreptitiously in the Sudeten mountains on several occasions), Hungarian Prime Minister Jozsef Antall (whose father had saved the lives of numerous Poles during World War II and who was favorably disposed to the Poles), activists Jan Urban, Adam Michnik and others augured favorably for coordinated cooperation. Much weight was given to Vaclav Havel's words of support for three-way cooperation on his visit to Poland in late January 1990: "I believe that Poland, Czechoslovakia and Hungary should coordinate jointly their so-called return to Europe."[14] The Czechoslovak president appeared to suggest that the three budding East European democracies could cooperate in their move towards the West.

From the very outset there were problems. Those involved in the preparations for the April 1990 meeting bemoaned the lack of organization: Civic Forum member and Bratislava summit participant Jan Urban called it "the worst organized meeting [he] had ever seen."[15] The Hungarians complained about the timing: the Hungarian parliamentary elections were scheduled for the following day, and many members of the delegation were involved. They in fact left the meeting early, before the joint press conference scheduled for the very end which all had been expected to attend.

The Bratislava meeting was not a success, notwithstanding the praise of the observer government representatives and the usual positive spin put on such intra-bloc summits. Frankly, this should come as no surprise, given the preoccupation of the three states with their own sovereignty and their own individual fates, which at that time seemed destined to follow different paths. Events since then, however, may have evened out the score somewhat as political and economic crises now plague the region as a whole.

What should be done? And should the West care? Given the recent reports of burgeoning emigration from East-Central Europe to the West,

and from the Soviet Union to the West via East-Central Europe, clearly the problems of the East are a European problem. Once begun, an avalanche of this type cannot be stopped, but it might be averted if the economic needs of the region are considered, if the changes taking place can be seen in a favorable light, and if the citizens of East-Central Europe can be allowed the sustaining dream of eventual reintegration with the West. If they cannot place their hopes with some assurance in the reforms taking place, they too, like the East Germans, will vote with their feet, bringing the burden home in the West.

My analysis of the regional subgroupings currently available found no suitable candidate for a regime which could assist the East-Central European countries with reinvigorating their economies in preparation for a return to Europe. Hungary, Czechoslovakia and Poland's needs would best be served by an economic union that would facilitate their common development, coordinate their acquisition of capital and technology, invest in the region's infrastructure, and perhaps secure markets for their exports. Given the magnitude of the unanticipated exogenous problems that have beset these nations since the Bratislava meeting, the three countries now may be aware of more similarities in their situations than differences.

A paradoxical situation thus arises. The major draw towards union—the worsening conditions in each of the three countries—is at the same time its major drawback. Which new government can afford to turn its attention away from the domestic troubles in order to assume the rather thankless task of regime-building at a time when not all domestic parties are convinced of the value of such an approach? Who, thus, can construct this East-Central European triangle?

Conclusion: The Advantages of a Benevolent Hegemon

East-Central Europe needs a Marshall Plan of its own. Some East European advocates lobby for a massive influx of funds; and indeed, additional funds would be appreciated. Yet the problem lies not in the amount of aid but in its use. The new and inexperienced governments of East-Central Europe have not been able to decide on what to do with the capital they have received to date. What they need is an outside catalyst to coordinate the region's development, identify bottlenecks, channel resources where needed, and enforce some kind of regional cooperation: in essence, someone who will help the nations help themselves.

A well-intended hegemon can provide the discipline needed to right the region's economies. The three countries must be instructed to work together. Czechoslovakia and Hungary must open their borders to Polish visitors and trade, which in turn will help to adjust artificially high currency exchange rates. Joint projects involving the development of infrastructure must be developed.

There are several forms this hegemon could assume. Possibilities range from individual countries, in particular the United States , to regional blocs (the EC) or newer international organizations (such as the Bank for European Reconstruction and Development). Whatever shape it may assume, the hegemon must speak with the voice of authority and wield both carrot and stick. Conditionality must be strictly enforced. The consequences of noncooperation within the regime must be clearly and unequivocally spelled out, as they were for France and Germany , for instance, after World War II. In addition, some hope must be given to the long-suffering peoples of these nations, a concrete goal towards which they can work: membership in Western institutions, a more liberal treatment of flows of people and goods between countries, or a greater deference shown to the accomplishments of the East-Central Europeans. While the shadow of the future must fall upon these countries, the shadow of the past should not be allowed to crush them: some reduction of old debt obligations would send a clear signal that the relationship between West and East is changing.

Only such changes as can be felt by the inhabitants of East-Central Europe will be effective. Material inducements are crucial if domestic stability is to be maintained in the face of uncertainty and risk. We have seen that mere vocal encouragement—even when supplemented with unconditional aid—cannot convince these countries to cooperate. In some ways, the elites, at a minimum, must be won over in order to legitimize the domestic political order and allow for international cooperation. As John Ikenberry and Charles Kupchan have written, "normative persuasion is insufficient to drive the socialization process. Elites in secondary states come to believe in the norms and ideals articulated by the hegemon only in conjunction with the provision of material incentives."

The game being played here is not zero-sum. Hungary, Czechoslovakia and Poland have much to gain from coordinated and intensive cooperation. The road to the West is not paved with ad hoc decision-making. Rather, dreams of a united Europe must be shaped and planned carefully over the next decades. Assistance and direction could make the trip much easier—and much less painful for all concerned.

Notes

1. Milovan Djilas, "A Revolutionary Democratic Vision of Europe," *International Affairs* 66 nr. 2 (April 1990), 272.

2. Marcin Krol, "A Europe of Nations or a Universalistic Europe?," *International Affairs* 66 nr. 2 (April 1990), 290.

3. Two of the Yugoslav nationalities, the Slovenians and the Croats, also have Western ties—one of the underlying causes for Balkan antagonism.

4. Joseph Rothschild, *East Central Europe Between the Two World Wars* (Seattle, 1974), 7–8 and passim. The parallels with today's Germany are worthy of a paper in

themselves, but the German question will not be covered here.

5. Stephen D. Krasner, *International Regimes* (Ithaca, NY, 1983), 1.

6. Robert Gilpin, "The Transformation of the International Political Economy" (unpublished manuscript), 4 and passim.

7. For an overview and analysis of the reforms, see David Lipton and Jeffrey Sachs, "Creating a Market Economy in Eastern Europe: The Case of Poland," *Brookings Papers on Economic Activity* 1 [1990], 75–147.

8. Poland agricultural exports had suffered at the hands of the EC during Poland's first period of intensified trade with the West in the 1970s, at which time—interestingly enough, during the height of the oil crisis (1974)—the EC levied an import ban on cattle and beef.

9. Jerzy Baczynski, "Pechowy Zbieg Okolicznosci" ("An Unlucky Coincidence"), *Polityka* (20.IX.90); Vladimir Kusin, "Iraq, Kuwait, and Eastern Europe," *Radio Free Europe. Report on Eastern Europe.* 1/34 (August 24, 1990), 42.

10. Comment of Margaret Thatcher as quoted in Craig R. Whitney, "The Legacy of Helsinki," *The New York Times*, November 19, 1990, A6.

11. Michael Howard, "The Remaking of Europe," *Survival* XXXII nr. 2 (March/April 1990), 102.

12. Iver B. Neumann, "The European Free Trade Association: The Problems of an All-European Role," *Journal of Common Market Studies* XXVIII, no. 4 (June 1990), 372–5.

13. Clive Church, "The Politics of Change: EFTA and the Nordic Countries' Responses to the EC in the Early 1990s," *Journal of Common Market Studies* XXVIII, no. 4 (June 1990), 423. The recent rush towards a mass exodus may be interpreted to mean less stability in the organization at a time when its effectiveness might well become diluted by less stable economies.

14. *Ibid.*, 423.

15. Andrzej Korbonski, "CMEA, Economic Integration, and *Perestroika*: 1949–1989," *Studies in Comparative Communism* XXIII, nr. 1 (Spring 1990), 65.

16. Witness the proliferation of economic programs in the Soviet Union and beyond intended to stem the Comecon countries' escalating decline as well as the conflicting approaches advocated by the various governments (and their foreign economic advisers).

17. As quoted in "Polski dzien Havla: W strone nowej Europy" ("Havel's Polish Day: In the direction of a new Europe"), *Zycie Warszawy* 22 (26 January 1990), 2. [Author's translation.]

18. Comment made during the question-and-answer period after his recent lecture at Harvard University's Center for European Studies, "Risk and Uncertainty in Reinventing East-Central Europe: Complex Cooperation or Exclusive Identities?," held December 12, 1990. I am indebted to Mr. Urban for other insights into the Bratislava conference he shared with me privately as well.

19. G. John Ikenberry and Charles A. Kupchan, "Socialization and Hegemonic Power," *International Organization* 44/3 (summer 1990), 313.