Arbeitspapiere
zur Internationalen
Politik 64

Central and Eastern Europe in Transition

Proceedings of a European-Japanese Conference
on Reform and Change
in Eastern Europe in the 1990s
March 5–7, 1991

Forschungsinstitut der
Deutschen Gesellschaft für
Auswärtige Politik e.V.

National Institute for
Research Advancement
(NIRA), Tokyo

ARBEITSPAPIERE ZUR INTERNATIONALEN POLITIK

64

CENTRAL AND EASTERN EUROPE IN TRANSITION

Proceedings of a European-Japanese Conference on Reform and Change in Eastern Europe in the 1990s March 5-7, 1991

published by	the Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik
and	the National Institute for Research Advancement (NIRA)
research assistance	Roland Freudenstein
editorial assistance	Volker Fuhrt

Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik e.v.

August 1991

FORSCHUNGSINSTITUT DER
DEUTSCHEN GESELLSCHAFT FÜR AUSWÄRTIGE POLITIK E.V.
Adenauerallee 131, Postfach 1425, 5300 Bonn, Fernruf: (02 28) 26 75-0
Telefax: (02 28) 26 75 173

NATIONAL INSTITUTE FOR RESEARCH ADVANCEMENT
Shinjuku Mitsui Bldg., 37th floor, 2-1-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan,
Tel. (03) 3344-3371, Fax: (03) 33443319

The conference and the publication of the proceedings was made possible by a grant of the National Institute for Research Advancement (NIRA), Tokyo.

CIP-Titelaufnahme der Deutschen Bibliothek

Central and Eastern Europe in transition: proceedings of a European-Japanese Conference on Reform and Change in Eastern Europe in the 1990s, March 5-7, 1991 / publ. by the Forschungsinstitut der Deutschen Gesellschaft für Auswärtige Politik and the National Institute for Research Advancement (NIRA). Research assistance Roland Freudenstein. Ed. assistance Volker Fuhrt. – Bonn: Europa Union Verlag, 1991

(Arbeitspapiere zur internationalen Politik; 64)

ISBN 3-7713-0399-0

NE: Freudenstein, Roland [Mitarb.]; European-Japanese Conference on Reform and Change in Eastern Europe in the 1990s <1991, Bonn>; Deutsche Gesellschaft für Auswärtige Politik / Forschungsinstitut; GT

ISBN 3-7713-0399-0
ISSN 0344-9815

Vertrieb: Europa Union Verlag GmbH, Postfach 1529
5300 Bonn 1, Telefon: (0228) 7290010
Druck: Jarschel-Druck, Postfach 1403, 5210 Troisdorf

NATIONAL INSTITUTE FOR RESEARCH ADVANCEMENT, TOKYO, JAPAN
2-1-1, Nishi-Shinjuku, Shinjuku-ku, Tel. (03) 3344-3371

EXECUTIVE PERSONNEL

RESEARCH COUNCIL BOARD

The National Institute for Research Advancement (NIRA) is an authorized corporation established in 1974 by special act of the Diet. As a joint public-private organization, NIRA's establishment resulted from the combined initiatives of representatives of the government, business, labor, and academic communities. NIRA's purpose is to promote the study of future policies designed to deal with the complex problems confronting contemporary society, thereby contributing to the general welfare.

ABBREVIATIONS

CAP	Common Agricultural Policy
CFE	Conference on conventional Forces in Europe
COMECON	Council for Mutual Economic Aid
CSCE	Conference for Security and Cooperation in Europe
CSFR	Czech and Slovak Federal Republic
DGAP	Deutsche Gesellschaft für Auswärtige Politik e.V.
DM	Deutsche Mark
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECE	Economic Commission for Europe
EFTA	European Free Trade Association
etc.	et cetera
FPD	Forum Prawicy Demokratycznej (Forum of the Democratic Right)
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GDR	German Democratic Republic
GNP	Gross National Product
IMF	International Monetary Fund
JETRO	Japan External Trade Organization
KGB	Komitet gossudarstwennoi besopasnosti (Committee for State Security)
MITI	Ministry for International Trade and Industry
MP	Member of Parliament

NATO	North Atlantic Treaty Organization
NICs	Newly Industrialized Countries
NIRA	National Institute for Research Advancement
OECD	Organization for Economic Cooperation and Development
ROAD	Ruch Obywatelski Akcji Demokratycznej (Citizens' Movement for Democratic Action)
TV	Television
U.K.	United Kingdom
UN	United Nations
U.S.	United States
USSR	Union of Soviet Socialist Republics
VCR	Video Cassette Recorder
vs.	versus
WEU	West European Union

PREFACE

Karl Kaiser

The fall of the Berlin Wall on November 9, 1989 symbolically ended the post war era. The forces that brought about the change had, of course, started earlier. The desire for freedom and self-determination could not be eradicated by occupying armies and repressive regimes. As the 1980s grew to a close the democratic movements of Eastern Europe were given a chance by the new leadership in the Soviet Union to build up democracy and achieve independence. The Soviet Union itself went through a process of fundamental change in domestic and foreign policy.

The Cold War has ended and the East-West conflict along with it. The unification of Germany is part and precondition of the re-establishment of a common Europe that reaches from the Atlantic to the Urals. All states participating in European security have agreed in the "Charter of Paris" to make democracy and the market economy shared elements of a common region of growing interdependence. As large parts of Europe turn from autocratic socialism to democracy and from the command economy to a market economy this region becomes an enormous laboratory of change.

It is one of the prime tasks of social science to examine which roles a united Germany, a uniting Western Europe, the emerging democracies of Central Europe, and the Soviet Union will play in the future and how Japan as one of the main economic and political actors in the world will be affected by these developments. Notably the evolution within the Soviet Union, the largest country in this region, represents a major challenge not only to the internal forces of democracy and regional autonomy, but to the outside world as well which has a major interest in stability and a peaceful evolution toward democracy and market economy there. In this respect Western and Central Europe as well as Japan share many interests.

A proper understanding of the processes at work in Central and Eastern Europe must be the basis for any serious discussion of possible policies in the future. For these reasons the analysis and discussion conducted by major experts from the emerging democracies in Central Europe, the

Federal Republic of Germany, and Japan is of particular importance. The papers and discussions in the following sections of this publication give important insights in the conditions and progress of change in Eastern Europe as well as Western perceptions and reactions. I would like to extend our sincere thanks to the academic colleagues from Central Europe who have made this discussion possible, and to the National Institute for Research Advancement of Tokyo and its President Dr. Shimokobe as well as his colleagues from Japan for having created the possibility for a fruitful Japanese-European academic dialogue.

Atsushi Shimokobe

The National Institute for Research Advancement (NIRA) was founded in 1974, at a time when Japan was pondering its future international responsibilities as an economic power. NIRA is mainly involved in research on domestic, as well as international issues, in the political, economic, technological and cultural fields. It is, like the DGAP, supra-partisan and independent. Funding for research comes from an endowment by the government and private firms. Recently, NIRA has become involved in bilateral and multilateral research cooperation with institutes worldwide and this was the first opportunity to meet East European researchers in such a broad environment. Therefore, this conference with participants from Eastern Europe was significant, not only for NIRA but for Japan as well.

Eastern Europe is a region which is rich in history, but has been exposed to a strong Soviet influence since World War II, and only recently has come to be able to distance itself from the USSR. Japan is particularly interested in the "laboratory"-like situation in Eastern Europe. Japan itself became an industrialized country only in this century, and is not very sure of its own shape and role in the next century, thus is equally in an experimental phase. Japan's interest in Eastern Europe, and in options for helping that region, is therefore particularly strong.

For Japan, 1985 was not only the year bringing great changes to the USSR, but also marks the beginning of a new, friction-ridden relationship between Japan and the U.S., Asia came to outgrow the self-image of ex-

colonies; globally, debtor and lender countries found a new and delicate balance. Since then, many dramatic developments, including German unification, U.S.-Soviet rapprochement, and others have made the period after 1985 a period of drastic change. 1992, with the creation of the Single Market in the EC, and presidential year elections in the U.S., will be another important year. Moreover, the near future may hold other surprises in store regarding Korea and China, making the period from 1992 to 1995 a period of confusion and complexity rather than a time of slow and steady change. After 1995, with the Japanese economic boom possibly coming to an end, Japan will have to think about a new role. The specialists in economics and politics from Eastern Europe, Germany, and Japan participated in this conference held in such transitional situation, and exchanged their opinions. The conference produced many new and valuable ideas to all the participants.

I would especially like to thank Prof. Kaiser for his understanding of our desire to study Eastern Europe more intensively, and for his suggestion of holding this conference, and to thank colleagues from Germany, Poland, Czechoslovakia and Hungary, for participating in the conference, and of course, my thanks also go to the staff of the DGAP for making an outstanding effort to organize this conference.

Atsushi Shimokobe (left), Karl Kaiser

CONTENTS

1ST SESSION

REFORMING EASTERN EUROPE: POLITICAL SYSTEMS

The Case of Hungary

Miklós Maróth

After a short preparatory phase, a radical political change took place in Hungary in March 1990. The Parliament elected then, consists of six parties and several independent members. Three parties form the governing coalition. The elections put an end to forty years of government by a communist regime, supported by Marxist/Leninist philosophy. The crucial first step in the communist takeover in 1948 was the nationalization of small and large-scale industry, placing great economic power in the hands of the government. These resources were wasted in the subsequent eight years, which contributed to the uprising of 1956. After that, economic aid from East and West, as well as the nationalization of agriculture, provided new wealth, which was again wasted during the 1960s. Subsequently, the regime turned to foreign loans, thus surviving until all internal and external resources had been exhausted, and Hungary had fallen from the group of the world's first 40 into that of the first 80 countries, economically. The Communist Party admitted to the failure of its policies and resigned, agreeing to free elections.

The collapse of Marxist theory in economics implied the collapse of all other fields of Marxism/Leninism. Communism being an all-embracing ideology, and having tried to replace older world views, its collapse led to the cultural, moral and ideological vacuum which is Hungary's main characteristic today. Only the Church had remained a philosophical alternative to the Marxist ideology taught at schools and universities. Its views thus became the only yardstick for Hungarians on which to measure the slogans and activities of the newly emerging parties. Consequently, the recent elections were not the result of profound considerations, or of an

understanding of the political parties, but rather of emotions. This explains why the percentages held by the parties are roughly identical to those of the first three post-war elections until 1948, with the Christian Democratic and National group getting around 60.

The now governing three-party coalition has as its main force the Hungarian Democratic Forum, a movement composed of Catholics, Christian Democrats, Protestants and nationalists. They agree on common European values, and defending Hungarian interests in a European context, as well as on marketization accompanied by a social network. The second strongest party of the coalition is the Smallholders Party, which was the strongest party in the post-war period until 1948, but is today supported mainly in certain rural districts. They are protagonists of private property and reprivatization, the latter being an issue of conflict with the Hungarian Democratic Forum. The smallest member of the coalition is the Hungarian Christian Democratic Party, drawing little public attention and representing the mainstream of European Christian Democratic parties.

In the opposition, the strongest group is the Free Democrats, a liberal party having many interests in common with the Hungarian Democratic Forum, but devoting special attention to American-style free enterprise. The second opposition party, without cooperating with the two others, is the Hungarian Socialist Party (formerly the ruling Hungarian Socialist Workers Party). The third and rapidly advancing opposition party is a liberal ally of the Free Democrats, the Union of Young Democrats, composed of young people of different political convictions, all of whom have distinguished themselves by taking political action in the final years of the one-party state.

Under the pressure of economic difficulties large changes may be expected in the internal structure of Hungary's political forces. Differences within parties as well as identical interests between different parties may become more visible if one analyses the names of parties more precisely. For example, the Christian Democrats within the Hungarian Democratic Forum have more in common with the Christian Democratic Party than with the purely nationalist wing of the Forum. They might merge in the future. The political struggles around the issue of privatization vs. reprivatization drove a wedge between the Hungarian

Democratic Forum and the Smallholders Party, which will lose its only issue if the government doesn't give in on this point. This might even lead to the Smallholders Party leaving the coalition. On the other hand, the Free Democrats have strong support in the (mainly Catholic) Western part of Hungary thanks to their sharp anti-Soviet slogans. Their liberalism has traditional Jewish roots, which are in the long run incompatible with the Christian feelings of most of their voters. In recent months, the difference between the Free Democrats and their young allies increased, and the latter might some day be ready to cooperate with the Christian Democratic bloc.

But at present, none of these changes seems imminent. Moreover, the mass of the voters has lost faith in freedom, and politics in general. Feeling only that their lives are becoming more difficult, they fail to see that Hungary is still only paying back the political and economic debts caused by the communists. Rapid economic improvement being improbable, radical political movements might emerge suddenly. It is also fair to say that the ruling coalition will hardly be able to repeat its electoral success of 1990. The future is thus impossible to predict.

On the other hand, all political forces share a minimal consensus on economic and foreign policy: developing a real market economy with all its implications, and turning West instead of East, paying back foreign debts, respecting human rights, entering the West European economic system, etc. There is also the will to be integrated into an overall European political entity. A supranational European community without impermeable national borders, is the only answer to the problem of Hungarian minorities living outside the boundaries of Hungary itself. Understanding such minorities as an asset for neighborly relations will provide a firm basis for future cooperation.

The Case of Czechoslovakia

Jiri Stepanovsky

According to a German daily, Czechoslovakia has declined from the clear-cut vision of November 17, 1989, to its present state where the governing party, the Civic Forum has split, and parties in general have failed to acquire specific political features (especially the Communists). The president, Vaclav Havel, is regarded as the only public figure of high integrity; the finance minister, Vaclav Klaus, is the only one with a firm concept of marketization (and a draft party program in his pocket).

Even though these foreign observations are not incorrect, they seem to us fragmentary and incomplete, and unfair regarding our efforts. The main goals of the November 17 program were: the rule of law guaranteed by an independent judiciary, free elections at all levels, a market economy, social justice, respect for the environment and an independent academic and cultural life. When confronting the proclamations and the hope of November, 1989, with the disappointment and impatience ruling now, one must not forget to consider the achievements made in 1990, which seemed impossible to accomplish, even a short while ago. Czechoslovakia suffered under particularly harsh Soviet repression, having no chance of even the slightest independence in foreign policy, or sending its young people to the West for studies. In view of that, we have achieved quite a lot:

- The last units of the Soviet army which occupied the CSFR twenty years ago, are leaving the country.

- We have gone successfully through the first free elections at all levels after 42 years.

- The newly elected parliaments have passed the necessary bills, forming the legal framework of a truly democratic and decentralized state.

- Our state enjoys general respect abroad, having received visits by George Bush, Richard von Weizsäcker, François Mitterrand, Margaret Thatcher and others.

- Full freedom of speech and assembly prevails.

- The barbed wire surrounding our country at its borders was torn down.

- Religious life has been resumed.

- We have developed a plan of economic reform, including the privatization of small business through auctions, and the privatization of large factories.

- We have begun to form the framework of a true federation with three constitutions (one each for the Czech and Slovak Republics, one for the federal state), disputes and problems notwithstanding.

We are well aware that these achievements can by no means regarded as complete, for the following reasons:

- The state of our society left over by the communist regime is miserable.

- The transition from the centrally planned economy to the market economy is particularly difficult, because, due to the industrial character of our country, the communists initially had more support here than in neighboring socialist countries. Nationalization and collectivization in industry and agriculture were total.

- Pluralism and democracy now have to be applied to a society which is only in a process of constituting itself, where the middle class and small bourgeoisie had been liquidated.

Let me elaborate on these three points:

The state of the country after 40 years of communist domination and mismanagement is thus indeed miserable. Before the war, Czechoslovakia ranked among the highest developed industrial countries of the world. It is now somewhere between nos. 30 and 40. Indicators of living standards, such as life expectancy, health services etc. are comparable to those of Europe's least developed countries.