

government imported great quantities of consumer goods, even though the effect on the standard of living would have been marginal. Ceausescu had virtually eliminated the country's foreign debt, while these measures increased it by \$2 billion between January and May alone.

Clearly, things cannot continue in this fashion for much longer. The Front has promised a cautious transition towards a market economy: according to its spokesmen, it aims at privatizing seventy percent of industry. But room to manoeuvre is not just tight, it is practically non-existent. The Romanian economy is teetering on the brink of disaster. Given the already appalling standard of living of the population as well as its newly raised expectations, spontaneous strikes and uprisings could easily become commonplace. One cannot rule out the country's sinking into chaos or adopting a military dictatorship.



HUNGARY'S SITUATION IS BETTER IN ALL RESPECTS than Romania's, and from several points of view, better than Poland's. Arising from the spring's elections is a genuine political pluralism. The coalition government installed in May is dominated by the Hungarian Democratic Forum, which won almost twenty-five percent of the vote with nearly twenty-

two percent going to its nearest rival, the Alliance of Free Democrats – still part of the opposition.

The Alliance of Free Democrats was the creation of the first dissident intellectuals. It is a party of an extremely hard-line and uncompromising political and economic liberalism – typically Jacobin in character. It sees itself as resolutely modern, anti-nationalist, and internationalist. For example, it considers the issue of Hungarians in Transylvania to be a problem of human rights and the proper subject of international discussion rather than the concern of the Hungarian government. The Hungarian Democratic Forum, on the other hand, is both pro-nationalist and closer to Hungarian political traditions. Tinged with populism, it has been wrongly accused by its chief opponent of anti-semitism. On socio-economic questions it claimed in the beginning to represent a "third way." But under election pressure from the Free Democrats and, according to them, in order to win the confidence of international financial institutions, the Democratic Forum has gradually adopted an economic programme that is hardly distinguishable from that of its rival.

Among all the Eastern European countries, Hungary is undoubtedly the best position to make an easy transition to a market economy. Having been better prepared, the ground is much more receptive. Since the end of the 1960s, Prime Minister Kadar's government, by far the most "liberal" in the region, has put numerous market mechanisms into place. The formation of industrial and state economic structures has long been a product of this school and they are both used to operating under a regime where real competition – admittedly often of a limited sort – existed between various economic units.

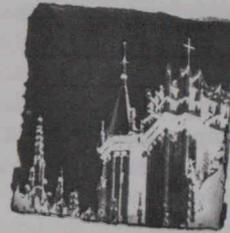
In Poland as well as in Hungary, economists close to the government maintain that it is not loans from foreign governments they need so much as direct foreign investments, whether for new projects or for purchasing state-owned industries. Poles consider the progress so far to be very unsatisfactory. Over the last year, foreign investments in Poland came to an estimated \$300 million. During the same period, while it still had a Communist government, Hungary received \$700 million. Even if one sees this latter figure as completely inadequate as well, it does nevertheless show that the state of the economic foundations and infrastructure is still better in Hungary than in Poland.

DESPITE THESE ADVANTAGES, HUNGARY'S PER CAPITA FOREIGN DEBT IS THE highest in the region and the change to a market economy will require considerable sacrifices on the part of the population. In fact, as one of the leaders of the Democratic Forum observed, the new Hungarian gov-

ernment does not have even half the popularity of the Polish administration – a legitimacy enabling it to impose such sacrifices. In conditions like these, the Hungarian government might have been tempted to strengthen unity and solidarity by putting more weight on the nationalist option. But this would carry with it some serious problems on the international level.

During the election campaign, the Democratic Forum spoke of a Hungarian nation of fourteen million people and proclaimed itself defender and champion. In reality, there are 10.6 million Hungarians in Hungary itself. So in fact, the Forum was referring to the 2.5 million Hungarians in Transylvania (a figure still open to dispute), to 500,000 others in Slovakia, and to a few hundred thousand who live in Yugoslavia.

It's with Romania that the problem could become most acute. In January, after the fall of Ceausescu and with the opening of the Romanian borders, whole busloads of militants from the Democratic Forum were sent into Transylvania to support and mobilize Hungarians, an action that heightened tensions between the two countries. For the past few months, some two hundred Hungarian refugees have been leaving Romania for Hungary every day – a figure higher, proportionally, than the number of East German refugees last summer. The Hungarian government suspects its Romanian counterpart of favouring this exodus in order to rid itself of a problem. One intellectual, an advisor to the Hungarian government and otherwise fairly moderate, told us in Budapest: "If this is really a deliberate Romanian policy, we will accept the refugees, but we will insist that they bring their land with them." Obviously, it has not yet come to that.



IN CONCLUDING WITH CZECHOSLOVAKIA, WE can end on a much more optimistic note. The economic and political conditions there are the best in Eastern Europe, the standard of living is higher than anywhere else, and foreign debt negligible. As a result, the government has more room to manoeuvre in making a gradual transition to a market economy. Perhaps precisely for that reason, views on economic liberalism are less doctrinaire than in Poland or even Hungary. President Havel's economic advisors envisage a mixed economy emphasizing the private sector.

The relative absence of sectarianism and dogmatism is also fundamental to the country's political culture, which is marked by a high level of tolerance. There is no evidence of the anti-semitism that is resurfacing to varying degrees in Poland, Hungary, and Romania. Resentment against the Communists exists, of course, but there is less of an urge for revenge and the settling of scores. Czechoslovakia was, between the wars, the only Eastern bloc country to live under a genuine democracy, an experience that has left a deep impression.

Czechoslovakia, like its neighbours, will have difficult problems to solve. The environment has been seriously damaged. Modernizing its industrial equipment, as well as bringing its economy up to Western European levels – where it was before the Second World War – will be expensive. The latent issue of Slovak nationalism is coming to the fore once again, and could in the end compromise the future of the federation. But Czechoslovakia appears to have all the assets it needs to meet these challenges. □

1. See "Downhill," *Gazeta International*, no. 17, 1990, p. 9.

2. See *New York Times*, 10 May 1990, p. A13.

3. *Jozef Pilsudski (1867–1935), a Polish national hero in the newly independent state of Poland after World War One. He was at various times a revolutionary, Commander-in-Chief of the Polish Army, and head of state.*

Translation by Marcia Rodriguez.