LESSONS OF THE MARSHALL PLAN FOR EASTERN EUROPE
The Philip Morris Institute for Public Policy Research
Istituto affari internazionali (IAI)
Roma, 29/I/1998

(2)

LESSONS OF THE MARSHALL PLAN FOR EASTERN EUROPE

THURSDAY, JANUARY 29, 1998

08.30 - 09.15	Registration and Welcome Coffee

SESSION N°1 : SPEEDING TRANSITION : LEARNING FROM THE MARSHALL PLAN

09.15 - 12.40

Turning the ex-communist countries of Central and Eastern Europe into efficient market economies is a more deep-rooted problem than was putting Western Europe's shattered wartime economies back on their feet 50 years ago, but there are some marked similarities. Does the Marshall Plan, enacted by Congress in April 1948, offer any sort of blueprint for those Central European nations that look to be at the head of the queue for EU membership, and indeed for the Union itself as it strives to encourage them to achieve economic "cohesion"? Were Marshall Plan bodies like the European Productivity Council and the European Payments Union of crucial importance to its success? How important was it that 80 per cent of Marshall aid was in grants not loans, and that these were coupled with US export restraints that have not been matched by the EU's exporters?

- *Keys of the Marshall Plan's success*
- *What are the strategic goals of the enlargement policies?*
- *What have been the criteria for evaluating the costs and benefits of Eastern enlargement?*
- *What effect will Eastern enlargement have on the Transatlantic partnership?*

09.15 - 10.30 **PART I :**

SPEAKERS:

Boris Biancheri Chiappori	President, ANSA Press Agency and former Secretary General of Italy's Ministry of Foreign Affairs
John Harper	Professor, Johns Hopkins University, Bologna
Cesare Merlini	President, Istituto Affari Internazionali, Rome
Jacek Saryusz-Wolski	Vice-Rector, College of Europe-Natolin, Warsaw

10.30 - 11.00 Coffee Break

11.00 - 12.40 **PART II :**

SPEAKERS:

Mark Malloch Brown	Vice President External Affairs, The World Bank, Washington
Paul Hartig	Director General, Centre of Information, Trieste
Edward Mortimer	Journalist, *Financial Times*, London
Michael Stürmer	Director, Stiftung Wissenschaft und Politik, Ebenhausen

12.40 - 13.00	Address by **Carl Bildt**	Former Swedish Prime Minister, Chairman of Moderaterna, Sweden
13.00 - 14.30	Lunch	
14.30 - 14.50	Address by **Lamberto Dini***	Minister of Foreign Affairs, Italy

SESSION N°2 : EU ENLARGEMENT : TIME TO REVIEW WESTERN ASSISTANCE ?

14.50 - 16.20

The West has already spent more on aid to Eastern Europe than did the US on the Marshall Plan, with G-24 assistance totalling Ecu 86.6 bn for 1990-5, added to which a further Ecu 75 bn has recently been proposed by the European Commission's President as a preparation for EU enlargement. By contrast, at today's prices total Marshall aid amounted to ECU 66 bn. Yet trade and investment are picking up much more slowly in Eastern Europe today than in Western Europe during the 1950s. Is a reevaluation needed of EU efforts and of Western policies as a whole?

- *How can technical and financial assistance to Eastern Europe be made more effective:*
  - *through the imposition of civil society frameworks of rules, institutions and behaviours?*
  - *through greater coordination of assistance?*
- *How can the beneficiary countries' demands for more direct investment be met?*
- *What is being done to improve environmental standards and nuclear safety?*
- *What will be the effect of the euro on monetary stability in Eastern Europe?*

SPEAKERS :	**Danuta Hübner**	Head of the Chancellery of the President of the Republic of Poland
	Andras Inotai	Director, Institute for World Economics, Budapest
	Bertrand de Largentaye	Principal Administrator, Directorate General for External Relations, European Commission
	Stefano Micossi	Director General, Directorate General for Industry, European Commission
	Fabrizio Saccomanni	Head of the Foreign Department, Banca d'Italia, Rome

16.20 - 16.40	Address by **Giuliano Amato**	Former Italian Prime Minister, Professor, European University Institute, Florence
16.40 - 17.10	Coffee Break	

**To be confirmed*

Session N°3 :	50 years on : new challenges of post-conflict reconstruction	
17.10 - 18.40	*The formerly communist countries of the Balkans that are now recovering from conflict face the greatest challenges of all. Investors need reassurance of long-term stability, yet their likely exclusion from NATO and the EU for the foreseeable future will probably make economic recovery more difficult. Did the Marshall Plan contain any solutions to the problems of these war-torn countries? Should there be a special coordination organisation similar to the OEEC for these countries, or is the European Commission playing an adequate role?* • *Defining security strategies for the Balkans* • *Institution and democracy-building* • *How can further inter-state and inter-regional cooperation in Eastern Europe be encouraged?* • *Economic assistance & the challenges of micro-economic reconstruction*	
SPEAKERS :	**John Barrett**	Head of Policy Planning, North Atlantic Treaty Organisation, Brussels
	Paolo Garimberti	Journalist, *La Repubblica*, Rome
	Aldo Fumagalli Romario	Former President, Young Managers of Confindustria and managing director, Sol S.P.A, Monza
	George Schöpflin	Professor, School for Slavic & East European Studies, University of London
	Predrag Simic	Director, International Politics and Economics Institute, Belgrade
	Radovan Vukadinović	Director, Institute for World Economics, Zagreb
18.40	Close of Conference	

The Philip Morris Institute and the Istituto Affari Internazionali are grateful
to the Banca di Roma for kindly providing the Palazzo de Carolis.
The Organisers also wish to thank the Council of United States and Italy
for the generous grant bestowed from its special fund established
to celebrate the 50th Anniversary of the Marshall Fund.

THE PHILIP MORRIS INSTITUTE
FOR PUBLIC POLICY RESEARCH ASBL
6, RUE DES PATRIOTES, B-1000 BRUSSELS, BELGIUM. TEL: (32-2) 732 11 56 - FAX: (32-2) 732 13 07

6

LESSONS OF THE MARSHALL PLAN FOR EASTERN EUROPE

A one-day conference organised by the Philip Morris Institute in partnership with the Istituto Affari Internazionali

Thursday, January 29, 1998

Addendum to the Programme

The following have unavoidably had to withdraw from the programme: **Lamberto Dini**, Minister of Foreign Affairs, Italy (Afternoon Address). **Paul Hartig**, Director General, Centre of Information, Trieste (Session 1, Part II).

We are delighted to welcome **Minister Silvio Fagiolo**, Head of the Office of Minister Lamberto Dini, who will give the Afternoon Address (14.30 -14.50). **Vincenzo Calogero**, Programme Manager, Secretariat for Central European Initiative Projects, European Bank for Reconstruction and Development, has also kindly agreed to address Session 1, Part II. Please note that **Fabrizio Saccomanni** (Session 2) is Central Manager for International Affairs and not Head of the Foreign Department of Banca d'Italia.

Please also note that lunch will be served between 13.00 and 14.30.

ORGANISED IN PARTNERSHIP WITH

Istituto Affari Internazionali

THE PHILIP MORRIS INSTITUTE
FOR PUBLIC POLICY RESEARCH ASBL
6, RUE DES PATRIOTES, B-1000 BRUSSELS, BELGIUM. TEL: (32-2) 732 11 56 - FAX: (32-2) 732 13 07

LESSONS OF THE MARSHALL PLAN FOR EASTERN EUROPE

List of participants

ORGANISED IN PARTNERSHIP WITH

Istituto Affari Internazionali

FIRST	LAST	POSITION	ORGANISATION
Angelo	Airaghi	Senior Vice-President	Finmeccanica
Giuliano	Amato	Professor	European University Institute, Florence
Riccardo	Andreoni	Group Brand Manager	Philip Morris Europe
Mladen	Andrlic	Director of the Diplomatic Academy	Ministry of Foreign Affairs, Croatia
Cesare	Aprioli	Area Manager, Central & Eastern Europe	Pirelli Spa, Milan
Luisa	Arezzo	Deputy Editor	Liberal
Antonio	Armellini	Minister Counsellor	Italian Embassy to the UK
Massimo	Arpino	Director	Telecom
Sergio	Arzeni	Head of the Local Economic and Employment Development Programme (LEED)	OECD
Juris	Audarins	Counsellor	Latvian Embassy to Italy
Fabrizia	Baduel Glorioso	Former President	Economic and Social Committee of the EU
Michele	Bagella	Professor of Economics	University of Rome "Tor Vergata"
Emanuele	Baglioni	Student	University of Rome "La Sapienza"
Mario	Baldassarri	Professor of Economics	University of Rome "La Sapienza"
Zvonimir	Baletic	Director	Institute of Economics, Zagreb
Antonio	Bandini	Head of Financial Department Development Cooperation	Ministry of Foreign Affairs, Italy
Xavier	Baron	Bureau Chief	Agence France Presse (AFP)
John	Barrett	Head of Policy Planning	North Atlantic Treaty Organisation
Tomasz	Bartoszewicz	Counsellor	Polish Embassy to Italy
Sergey	Batyrev	Bureau Chief	Itar-Tass
Peter Andrej	Bekes	Ambassador	Slovenian Embassy to Italy
François	Bellon	Head of Regional Delegation for Central and South-East Europe	International Committee of the Red Cross
Roberta	Benini	Head of Research and Advisory Unit on Economies in Transition	Nomisma - Institute of Economic Research
Giorgio	Bernini	Member	The Italian Antitrust Authority

FIRST	LAST	POSITION	ORGANISATION
Pier Luigi	Bertinelli	President	Unione Italiana Lavoratori Agroalimentari (UILA)
Boris	Biancheri Chiappori	President	ANSA Press Agency
Carl	Bildt	Chairman	Moderaterna, Sweden
Annalisa	Biondi	External Relations Manager	Finmeccanica
Carlo Andrea	Bollino	Economist	The Treasury, Italy
Cristina	Bompard	Director	Council of the Bar and Law Societies of the European Community
Gianni	Bonvicini	Director	Istituto Affari Internazionali
Bruno	Botta	Head of Unit	Presidenza del Consiglio
Pavel	Bouda	Correspondent	Czech TV
Janos V.	Budavari	International Economist	Food & Agriculture Organisation of the UN
Giuseppe	Burgio	Professor	University of Rome "La Sapienza"
Raimondo	Cagiano	President	Italian Centre for European Training (CIFE)
Luigi	Cal	Director International Affairs	Italian Confederation of Trade Unions (CISL)
Pietro	Calamia	Diplomat	
Luigi	Caligaris	MEP	European Parliament
Vincenzo	Calogero	Programme Manager	Secretariat for European Initiative Projects, European Bank for Reconstruction and Development (EBRD)
Corrado	Campobasso	Researcher	Institute of Studies and Documentation on Eastern Europe and EU (ISDEE)
Mercedes	Camps	Publications Coordinator	The Philip Morris Institute for Public Policy Research
Umberto	Cappuzzo	Vice-President	Alcide De Gasperi Foundation
Livio	Caputo	Leader Projects Division	Forza Italia Group, City Council, Milan
Emmanuele	Carboni	Head of EU & International	Telecom Italia
Antonino	Caruso	Senator	Senate of the Republic
Giuseppe	Cattaneo	Director General	Aspen Institute Italia
Fausto	Cereti	Chairman	Alitalia
Pier Andrea	Chevallard	Managing Director	Chamber of Commerce, Milan (PROMOS)
Hana	Cigankova	First Secretary	Czech Embassy to Italy

FIRST	LAST	POSITION	ORGANISATION
Armand	Clesse	Director	Luxembourg Institute for European and International Studies
Maurizio	Coccia	Director	Centro militare studi strategici (CEMISS)
Luciano	Consoli	Managing Director	Atlantide Editoriale
Alberto	Conti	Head of International Affairs Department	National Research Council, Italy
Giovanni	Corsi	Assistant Editor	*La Stampa*
Maritza	Cricorian	Secretary	Istituto Affari Internazionali
Michel	Crozier	Scientific Advisor	Andersen Consulting, Paris
Giuseppe	Cucchi	Military Adviser of the Prime Minister	Presidenza del Consiglio
Marta	Dassu	Director	Center for International Political Studies (CESPI)
Bertrand	de Largentaye	Principal Administrator	European Commission, Directorate General for External Political Relations
Piero	De Peverelli	President	Power & Financing Associated Consultants
Guido	de Rossi del Lion Nero	Former President	Italian Association of Communication Studies (AISSCOM)
Lutfi	Dervishi	Editor-in-Chief	*Albania*
Vito	di Battista	Commercial	Studio di Battista
Nicola	de Santis	Liaison Officer Italy	North Atlantic Treaty Organisation (NATO)
Donato	Di Gaetano	Economist	Confindustria
Simonetta	Di Tommaso	Promotion and Cooperation Department Member	Italian Institute for Foreign Trade (ICE)
Mihail	Dobre	Diplomat	Romanian Embassy to Italy
Paola	Donatucci	Collaborator	Istituto Affari Internazionali
Maria	Dunin-Wasowicz	Research Fellow	College of Europe, Natolin
Antonio	Duva	Senator	Senate of the Republic
François	Ettori	Resident Representative	World Bank Resident Mission, Romania
Silvio	Fagiolo	Head of the Office	Ministry of Foreign Affairs, Italy
Isabella	Falautano	Researcher	Istituto Affari Internazionali
Tito	Favaretto	Director	Institute of Studies and Documentation on Eastern Europe and the EU (ISDEE)

FIRST	LAST	POSITION	ORGANISATION
Sandra	Fei	Deputy	Camera dei Deputati
Luigi	Ferrari-Bravo	President	UNIDROIT
Luigi	Ferro	Vice-President	Associazione Amici della LUISS
Alfredo	Filippone	Manager Corporate Affairs	Philip Morris Corporate Services
Marcello	Foa	Foreign Editor	*Il Giornale*
Nathalie	Furrer	Conference Executive	The Philip Morris Institute for Public Policy Research
Federico	Galdi	Director International Relations	Confindustria
Flaminia	Gallo	Researcher	Istituto Affari Internazionali
Paolo	Garimberti	Journalist	*La Repubblica*, Rome
Attila	Gecse	Ambassador	Hungarian Embassy to Italy
Luisa	Giuriato	Research Assistant	University of Parma
Serena	Giusti	Researcher	European University Institute, Florence
Anna-Catrin	Glemser	Junior Group Brand Manager	Philip Morris European Union Region
Giuseppe	Glisenti	Director	Credito Artigiano
Emil	Goranov	Counsellor	Mission of Bulgaria to the EU
Francesco	Gozzano	Journalist	*Mondo Operaio*
Giampiero	Gramaglia	Deputy Director	ANSA
Vincenzo	Gramata	Strategic Planner	ENI/AGIP Division
Ettore	Greco	Deputy Director	Istituto Affari Internazionali
Monika	Grimm	Managing Secretary	Istituto Affari Internazionali
Geir	Grung	Ambassador	Norwegian Embassy to Italy
Vincenzo	Guizzi	Deputy Secretary General	Camera dei Deputati
Andreas	Gummich	Head of Eastern Europe Strategy	Deutsche Bank-Global Markets
Ahmet	Gurkan	Chargé d'Affaires	Turkish Embassy to Italy
Franca	Gusmaroli	Programme Director	Aspen Institute Italia
John	Harper	Professor	Johns Hopkins University, Bologna
Ivana	Holoubkova	Minister Counsellor	Czech Embassy to Italy
Violina	Hristova	Correspondent	BBC World Service

FIRST	LAST	POSITION	ORGANISATION
Danuta	Hübner	Head of the President's Chancellery, Poland	
James	Hynes	Chief Psychologist	Community Help Services, Belgium
Andras	Inotai	Director	Institute for World Economics, Budapest
Emanuele	Itta	Professor	University of Lecce
Dunja	Jevak	Head of Department for Economic Integration	Ministry of Foreign Affairs, Croatia
Dieter	Kastrup	Ambassador	German Embassy to Italy
Tamas	Korsos	Counsellor	Hungarian Embassy to Italy
Christiaan	Kröner	Ambassador	Dutch Embassy to Italy
Leclz	Kubiak	Counsellor	Polish Embassy to Italy
Celik	Kurdoglu	Director Foreign Operations	Global Securities, Turkey
Karin	Lauritsch	First Secretary	Austrian Embassy to Italy
Miodrag	Lekic	Ambassador	Yugoslavian Embassy to Italy
Guido	Lenzi	Director	Western European Union Institute for Security Studies, France
Enrico	Letta	Secretary General	Agenzia Ricerche e Legislazioni (AREL)
Abigail	Levene	Journalist	Reuters
Manfred	Lindau	Regional Representative for Europe	Food and Agriculture Organisation of the United Nations (FAO)
Giovanni	Livi	Press Director	Institute for International Political Studies (ISPI)
Carla	Lombardi	Office Support Supervisor	Philip Morris Corporate Services
Giorgio	Lombardo	Senior Economist	Istituto Mobiliare Italiano (IMI)
Matjaz	Longar	First Secretary	Slovenian Embassy to Italy
Fabrizio William	Luciolli	Secretary General	Italian Atlantic Committee
Elsie	Macris	Conference Executive	The Philip Morris Institute for Public Policy Research
Pauli	Mäkelä	Minister Counsellor	Finnish Embassy to Italy
Mark	Malloch Brown	Vice-President External Affairs	The World Bank, Washington
Paolo	Mancinelli	Former Secretary General	Olivetti
Stefania	Mancini	Head of Unit	The Italian Voluntary Service Foundation
Andrea	Manzella	MEP	European Parliament

FIRST	LAST	POSITION	ORGANISATION
Gabrielle	Martignago	Manager, Venice Office	Italian Institute for Foreign Trade
Gianfranco	Martini	Head of European Relations	Council of European Municipalities and Regions
Luciano	Melini	Central Director	Associazione Nazionale Costruttori Edili (ANCE)
Cesare	Merlini	President	Istituto Affari Internazionali
Giles	Merritt	Director	The Philip Morris Institute for Public Policy Research
Stefano	Micossi	Director General for Industry	European Commission
Siviana	Magliocco	Principle Administrator	Red Hot Peppers
Giulio	Moreno	Assistant Manager	Deputy Directorate for Foreign Relations, ENI
Silvia	Morera	Senior Consultant	Coopers & Lybrand
Edward	Mortimer	Journalist	*Financial Times*, London
Antoinette	Nikolova	Correspondent	*Deutsche Welle*
Desmond	O'Grady	Journalist	*Sydney Morning Herald*
Cornelius	Ochmann	Director, Central and Eastern Europe	Bertelsmann Foundation
Federica	Olivares	Managing Director	Edizioni Olivares
Francesco	Oliviera	Ambassador	Italian Embassy to Croatia
Savino	Onelli	Deputy Director	Centro Militare Studi Strategici (CEMISS)
Ade	Onitolo	Assistant Economist	Department for Education and Employment, UK
Florea	Oprea	First Secretary	Romanian Embassy to Italy
Torsten	Örn	Ambassador	Swedish Embassy to Italy
Gian Piero	Orsello	Vice-President	Italian Council, European Movement
Alessandro	Pagani	Research Assistant	S. Anna School, University of Pisa
Pasko	Pandeli	Ambassador	Albanian Embassy to Italy
Giovanni	Papa	Researcher	Delegation of the European Community, Italy
Gian Paolo	Papa	Head of the Delegation	Delegation of the European Community, Italy
Maria Teresa	Pardo	Student	University of Rome "La Sapienza"
Ferruccio	Pastore	Director	Centro Studi di Politica Internazionale (CESPI)
Costanza	Pera	Director General	Ministry of Public Works, Italy
Enrico	Pietromarchi	Ambassador	Italian Embassy to Greece

FIRST	LAST	POSITION	ORGANISATION
Kalakulla	Plator	Political Counsellor	Albanian Embassy to Italy
Fausto	Pocar	Professor of International Law	University of Milan
Romanas	Podagelis	Ambassador	Lithuanian Embassy to Italy
Simona	Poidomani	Journalist	Adn-Kronos
Rinaldo	Pollak	International Affairs Consultant	AGIP
Dimitri	Polunin	Correspondent	Itar-Tass
Bona	Pozzoli	Secretary General	National Association for Information and Documentation on Europe (ANIDE)
Igor	Puchkarsky	Director	Novosti Press Agency
Ivar	Raig	Director of Division	Ministry of Foreign Affairs, Estonia
Dennis	Redmont	Director	Associated Press
Daniele	Rees	Corporate Affairs Executive	Philip Morris Corporate Services
Aurelio	Regina	Director Corporate Affairs	Philip Morris Corporate Services
Mette	Rem	Journalist	*Politiken*, Copenhagen
Marina	Ricciardelli	Researcher	University of Rome "La Sapienza"
Tom	Richardson	Ambassador	British Embassy to Italy
Dianna	Rienstra	Journalist	Phoenix Ink, Brussels
Cosimo	Risi	Chief of the EU Desk	Foreign Ministry, Italy
Bianca	Rita Tonetti	Research Assistant	Istituto Affari Internazionali
Cristina	Rius	Journalist	*Avui*, Barcelona
Giuseppe	Rondonotti	Senior Adviser	Associazione Industrie per l'Aerospazio i Sistemi e la Difesa (AIAD)
Alberto	Rossetto	Assistant to the General Manager	KOS
Mario	Rossi	General	Esercito
Zdeno	Rozhold	Third Secretary	Slovak Embassy to Italy
Giovanni	Russo	Chief Financial Officer	Società Finanziamenti e Rifinanziamenti (COFIRI)
Vincenzo	Russo	Associate Professor	University of Rome "La Sapienza"
Fabrizio	Saccomanni	Head of the Foreign Department	Banca d'Italia, Rome
Jacek	Saryusz-Wolski	Vice-Rector	College of Europe, Natolin
Daniele	Scalise	Journalist	*Prima Comunicazione*

FIRST	LAST	POSITION	ORGANISATION
Giuseppe Maria	Scarpa de Masellis	Plenipotentiary Minister	Ministry of Foreign Affairs, Italy
George	Schöpflin	Professor	School for Slavic & East European Studies, University of London
Anna Chiara	Serena	Student	University of Rome "La Sapienza"
Ingrid	Sergas	First Secretary	Slovenian Embassy to Italy
Philippe	Setton	First Secretary	French Embassy to Italy
Charles	Sheehan	Counsellor	Irish Embassy to Italy
Alessandro	Silj	Secretary General	Italian Social Science Council (CSS)
Predrag	Simic	Director	International Politics and Economics Institute, Belgrade
Pietro	Simonetti	Counsellor	Regione Basilicata
Radoslava	Stefanova	Scholar-in-residence	Istituto Affari Internazionali
Michael	Stürmer	Director	Stiftung Wissenschaft und Politik, Ebenhausen
Barbara	Sumberazzi	Stagiaire	Istituto Affari Internazionali
Brooks	Tigner	Bureau Chief	Defense News
Simon	Titley	Director	Burson-Marsteller
Michal	Tomasek	European Union Adviser	Komercni Banka, Czech Republic
Gabriele	Tonne	Assistant Editor	Istituto Affari Internazionali
Guy	Vanhaeverbeke	Secretary General	Trans-European Policy Studies Association (TEPSA)
Carlos	Venti	European Delegate	Pirelli
Mara	Vitali	President	Maravitali Comunicazioni
Ivan	Volgyes	National Advisor for Hungary	GE International
Peter	von Bethlenfalvy	Head of Mission	International Organisation for Migration (IOM)
Jelena	von Helldorff	Researcher	The Philip Morris Institute for Public Policy Research
Radovan	Vukadinovic	Director	Institute for World Economics, Zagreb
Claire	Walters	Grantmaking Services Director	Charities Aid Foundation
Polovina	Ylli	First Secretary	Albanian Embassy to Italy
Giuseppe	Zampaglione	Counsellor for Southern Europe	The World Bank
Giuseppe	Zanni	Responsible for Italy	Regional Policies Directorate, European Commission
Mario	Zucconi	Professor	Centro Studi di Politica Internazionale (CESPI)
Alberto	Zuliani	President	ISTAT

MINISTERO DEGLI AFFARI ESTERI

L'EREDITA'DEL PIANO MARSHALL NELLA PROSPETTIVA

DEL RIASSETTO DEL SISTEMA INTERNAZIONALE

ALL'INDOMANI DELLA "GUERRA FREDDA".

Relazione del Prof. Umberto Triulzi:

Sintesi dei risultati della ricerca

PMI-IAI Conference: Lessons of the Marshall Plan for Eastern Europe

Palazzo de Carolis

Roma, 29 gennaio 1998

Fondazione De Gasperi

L'eredità del Pinao Marshall nella prospettiva del riassetto del sistema internazionale all'indomani della guerra fredda

La ricerca si è posta come obiettivo, nell'ambito delle iniziative portate avanti dalla Fondazione De Gasperi in tema di Reconstraction degli assetti europei all'indomani delle crisi belliche, quello di definire le condizioni di riproponibilità del Piano Marshall, quale strumento in grado di contribuire efficacemente al rilancio delle economie dei Paesi in transizione dell'Europa centro-orientale e dell'ex Unione Sovietica, in una prospettiva di progressiva integrazione europea sul piano economico-politico.

In questa ottica si è inizialmente analizzato il contributo offerto dal Piano Marshall (in termini di prestiti e trasferimenti unilaterali) alla ricostruzione dei Paesi dell'Europa Occidentale e al loro inserimento nel sistema dei pagamenti internazionali; successivamente si sono messe in evidenza le peculiarità dell'assetto economico dei Paesi dell'Europa centro-Orientale all'indomani del crollo del muro di Berlino per verificarne le differenze rispetto alla situazione prevalente nei Paesi Europei negli anni '50; si sono esaminati i punti di forza e di debolezza degli attuali strumenti di aiuto e di intervento attuati dagli organismi internazionali, segnatamente FMI, Banca Mondiale, OCSE, Unione europea e Banca Europea per la Ricostruzione e lo Sviluppo; si è infine esaminata la proponibilità di un nuovo Piano Marshall incentrato su una impostazione diversa dei meccanismi di aiuto posti in essere dala comunità internazionale.

In questo studio è emerso con chiarezza il contributo fondamentale rappresentato dal Piano Marshall, considerato da molti economisti come l'unico programma di aggiustamento strutturale che abbia prodotto risultati positivi di lunga durata.

E' opinione diffusa che una visione meramente quantitativa dei flussi di aiuti da un lato all'altro dell'Atlantico non può dare conto adeguatamente dell'importanza e dell'attualità del Piano Marshall. Per comprenderla in tutta la sua essenza e valutarne una riproponibilità occorre tornare al disegno politico americano diretto alla sicurezza internazionale, alla stabilità e alla prosperità dei singoli Paesi.

Nella lezione di Harvard il generale Marshall parlava di "Europa nel suo insieme", affermando che l'iniziativa di rilanciare le economie uscite dalla guerra "doveva venire dall'Europa" per un programma comune in grado di generare una cultura dell'integrazione, del coordinamento multilaterale e dell'interdipendenza fra benessere economico e sicurezza politica.

Non vi è dubbio alcuno che uno degli insegnamenti-chiave che scaturiscono da un'analisi approfondita dei meccanismi predisposti dal Piano Marshall sia quello relativo alla valorizzazione delle opzioni di integrazione dei mercati e del coordinamento delle politiche economiche quali condizioni necessarie per il ristabilimento di un clima di fiducia internazionale.

Questo aspetto, assieme a quello inerente alla necessità di una maggiore attività di programmazione, coordinamento e monitoraggio delle iniziative attuate dagli organi preposti a realizzare le scelte economiche nazionali, in un quadro di un più ampio cooperazione su scala regionale, costituiscono l'ossatura di una strategia di intervento che ha certamente, ancora oggi, molto da offrire agli studiosi e agli esperti di economia.

In particolare tre sono le conclusioni principali alle quali è pervenuto questo studio:

1)- il minore impatto prodotto sulle economie dei paesi in transizione dall'insieme degli aiuti erogati dalla comunità internazionale, il cui importo è risultato pressochè simile, se si escludono gli IDE (23 miliardi di $ nei riguardi dei Paesi dell'Europa centrale ed orientale nel periodo 1991-95, praticamente nessun investimento durante il periodo del Piano M.) a quello erogato dal Piano Marshall, è dovuto in parte, come ha sostenuto correttamente John Arper nel suo intervento introduttivo, alla mancanza di una leadership nella organizzazione di tali aiuti (too many cooks in the kitchen); in parte ad una interpretazione della destinazione-localizzazione degli aiuti funzionale agli obiettivi politici perseguiti dai paesi eroganti piuttosto che alle necessità oggettive espresse dai paesi riceventi; in parte infine dallo scarso coordinamento ed insufficiente coerenza dei programmi avviati dagli organismi internazionali;

2)- un secondo motivo che può spiegare il minore successo degli aiuti forniti alle economie in transizione è la quasi totale assenza in questi paesi di sistemi giuridico-istituzionali ed amministrativi, di professionalità adeguate nei settori produttivi e nei servizi e di entrepreneural heritage in grado di assicurare la presenza in loco delle condizioni che potevano favorire un positivo innesto delle ricadute economiche indotte dalla realizzazione delle molteplici iniziative finanziate dalla comunità internazionale. Queste risorse, come è noto, erano pienamente disponibili nei paesi usciti vincitori e vinti dal secondo conflitto mondiale ed infatti nel giro di pochi anni questi paesi si sono potuti risollevare economicamente. I Paesi in transizione hanno avviato molte trasformazioni e riforme al loro interno per dotarsi di sistemi e strumenti in grado di creare e promuovere lo sviluppo delle risorse fisiche ed umane necessarie alla crescita del mercato, ma siamo solo all'inizio di un processo che richiederà anni per essere portato a completamento;

3)- un terzo elemento è dato dalla scarsa importanza attribuita dai Paesi europei, almeno in una prima fase del programma di aiuti rivolto ai Paesi in transizione, alla formazione, agli scambi transnazionali, alle "missioni di produttività" come strumento di assistenza tecnica. Ricordo che dei sei assi portanti del Piano Marshall evidenziati da Barry Eichengreen nei suoi lavori (stimolo agli investimenti, strumento di finanziamento delle importazioni, strumento di finanziamento della spesa pubblica, stimolo alla ricostituzione dei flussi commerciali, aiuto al recupero della stabilità sociale, strumento di assistenza tecnica) quest'ultimo è quello che a mio avviso ha ricevuto la minore attenzione.

Il programma di assistenza tecnica previsto dal Piano Marshall rappresentò la risposta alla percezione del gap esistente nel settore delle tecnologie e dell'organizzazione della produzione tra USA e vecchio continente. Al fine di promuovere il trasferimento di *know-how* , furono inviate negli Stati Uniti numerose delegazioni, composte da dirigenti, operai specializzati e funzionari: i partecipanti a queste missioni raggiunsero la ragguardevole cifra di circa 24.000 unità. Ogni missione era dedicata allo studio dei sistemi di produzione di una determinata industria, ovvero ai settori della ricerca applicata. Gruppi particolarmente selezionati composti da 12-17 persone provenienti da categorie diverse (managers, ingegneri, operai, sindacalisti, ecc..) trascorsero sei settimane in un giro per gli USA sotto la supervisione di responsabili americani; ogni settimana comprendeva tre giorni di visite e ispezioni e tre giorni per la stesura di un rapporto. A conclusione del tour, il gruppo stilava una relazione conclusiva che veniva poi pubblicata e diffusa con ogni mezzo in Europa (attraverso articoli su riviste specializzate, presentazioni audiovisive, convegni); veniva inoltre incoraggiata la realizzazione di legami permanenti tra imprese europee e gruppi statunitensi specializzati in consulenze.

L'economista Silberman sostiene che il programma di assistenza tecnica realizzato a partire dal 1950, consentì non solo di trasferire *know-how,* ma comportò un vero e proprio cambiamento nella mentalità degli imprenditori europei. L'aumento della produttività registrato dalle imprese

europee negli anni successivi alla realizzazione del Piano Marshall non può essere ascritto completamente al successo del programma di assistenza, essendo piuttosto il prodotto congiunto di numerosi fattori, non ultimo la maggiore espansione degli scambi intra-area favorita dallo stesso Piano. Tuttavia il fatto che i settori su cui venne incentrato il programma siano risultati gli stessi in cui l'adeguamento delle tecnologie e del *know-how* prima e l'aumento di produttività poi ebbero i maggiori effetti, fa ritenere che l'apporto offerto dal Piano di assistenza fu tutt'altro che trascurabile.
Lo stesso non può dirsi per i programmi di assistenza tecnica attuati in favore dei Paesi in transizione, come il Piano PHARE e TACIS o quelli gestiti dalla Banca Mondiale per i quali, peraltro, risulta difficoltoso persino valutare l'impatto in termini di reali ricadute sui singoli Paesi beneficiari.

In conclusione, tenuto conto delle differenze e dei ritardi certamente più marcati osservati nei Paesi dell'Europa centrale ed orientale nella disponibilità di capitale umano in grado di gestire i problemi della riconversione da economie centralizzate ad economie di mercato, sarebbe stato più opportuno destinare, prima o congiuntamente all'avvio ad imponenti programmi di infrastrutturazione e riconversione dell'apparato produttivo e finanziario di questi Paesi, i cui risultati stentano a manifestarsi in termini di crescita della competitività dei loro sistemi produttivi e di sviluppo di una imprenditorialità locale capace di affrontare le sfide del mercato, una parte dei 100 miliardi di $ sin qui spesi alla formazione delle risorse umane (managers, ingegneri, operai specializzati, funzionari pubblici ma anche operatori delle banche, delle camere di commercio, degli enti di promozione ed assistenza ecc.) e all'attuazione delle riforme istituzionali ed amministrative che avrebbero dovuto assicurare una gestione più efficace dei programmi di aiuti.
La riproponibilità del Piano Marshall per i Paesi dell'est dovrebbe, *mutatis mutandi* , partire da qui: dal recupero della filosofia applicata per i programmi di formazione e per la trasmissione delle esperienze e delle competenze tecniche e gestionali necessarie a rafforzare la mentalità e lo spirito di iniziativa dei cittadini di questi Paesi. Tali interventi devono necessariamente precedere le altre forme di aiuto (crediti multilaterali, bilaterali, sovvenzioni, forme di alleggerimento del debito, aiuti alimentari ecc.) se si vuole che un nuovo Piano Marshall per le econome in transizione possa guidare in modo meno traumatico e più equilibrato la crescita dell'area.

THE PHILIP MORRIS INSTITUTE
FOR PUBLIC POLICY RESEARCH ASBL
6, RUE DES PATRIOTES, B-1000 BRUSSELS, BELGIUM. TEL: (32-2) 732 11 56 - FAX: (32-2) 732 13 07

2

Background paper for the PMI-IAI conference:

Lessons of the Marshall Plan for Eastern Europe

John L. Harper

Professor of U.S. Foreign Policy and European Studies
The Johns Hopkins University Bologna Center

This paper has been specially prepared as background to the conference **Lessons of the Marshall Plan for Eastern Europe**. It is intended to stimulate debate and represents the views of the author.

Palazzo de Carolis, Rome

January 29, 1998

ORGANISED IN PARTNERSHIP WITH

Istituto Affari Internazionali

Lessons of the Marshall Plan for Eastern Europe

Table of Contents

Executive summary

Jacques Santer's mid-1997 presentation of the European Commission's *Agenda 2000* strategy – intended to prepare the European Union for its fourth enlargement – coincided with the fiftieth anniversary of George C. Marshall's proposal for a European Recovery Program (ERP) at Harvard University. "A veritable Marshall Plan" was how Santer described the new efforts to help Central and Eastern European candidates to qualify for EU membership. By doing so, he raised a number of questions:

- What did the Marshall Plan actually accomplish?
- What were the keys to the Plan's success, as compared to the G-24's efforts during the 1990s in Central and Eastern Europe?
- Can lessons still be drawn from the Marshall Plan to help Central and East European countries as they strive to join the EU?

What did the Marshall Plan accomplish?

The Marshall Plan was conceived to help the Western European economy recover from World War II. The spectre of communist control of Western Europe's resources was seen as a serious threat to America's geopolitical interests, and no doubt encouraged the U.S. government to act boldly.

The Marshall Plan set out four basic tasks:

- Stimulating a strong production effort
- Expanding foreign trade
- Restoring internal financial stability
- Encouraging intra-European co-operation

The ERP followed a series of poorly co-ordinated stop-gap measures that had been put in place by the United States and the United Nations. U.S. private capital had shied away from reinvesting in Europe, having suffered heavy losses due to the war. Despite a number of unfulfilled promises, the Marshall Plan was a considerable success.

Marshall aid was distributed unevenly and its results varied from one country to another, but the ERP contributed to renewed recovery after a slowdown in the early months of 1947. It allowed participating countries to avoid politically dangerous austerity measures.

The Marshall Plan also addressed the technical and productivity gaps between American and European industry that had widened during World War II. It contributed to technological modernisation and worker productivity.

The ERP laid the groundwork for intra-European co-operation and the liberalisation of trade and payments, beginning with the 1947 Conference on European Economic Co-operation, that became the Organisation for European Economic Co-operation and later the Organisation for Economic Co-operation and Development. A European Payments Union – in place from 1950-1958 – provided a transition arrangement between bilateral agreements and the full convertibility of currencies, thus encouraging the resumption of intra-European trade flows.

But the Plan did not overemphasise fiscal responsibility and monetary stability; tensions between growth and financial stability were generally resolved in favour of higher investment and growth.

European co-operation – like other aspects of the ERP – did not live up to all of its organisers' expectations. Political union did not progress as much as the U.S. Economic Cooperation Administration had hoped, and European firms never achieved economies of scale comparable to those enjoyed by their American counterparts.

The keys to the Marshall Plan's success

There are certain striking parallels between Western Europe's post-war situation and that suffered by the post-communist Central and Eastern European countries: disruption of long-standing trade flows, a shortage of hard currencies, endemic inflation, the need for industry to modernise and shake off state control. But despite these similarities, the performance of the former Soviet satellites has been disappointing when compared to post-war economic growth in the West.

These disparities can to some degree be accounted for by the organisational differences between the two efforts. The United States provided a central authority and clear political guidelines for the implementation of reform efforts in the years following World War II, but no such central leadership exists now for aid efforts directed at Central and Eastern Europe.

Not only do individual countries and organisations each have their own approaches to aid and assistance, but private investors, consultants and foundations have all spoken their piece, creating a welter of advice, not all of it good.

Financial assistance efforts have largely neglected many of the key elements needed to bring about the transition from command to market economies. These include:

- Institution building
- Efficient corporate governance
- Implementation of laws needed for a market economy
- Creation of a modern effective and public administration
- Development of appropriate social policies.

The European Commission announced a comprehensive strategy for enlargement in mid-1997and set a definitive timeline for accession negotiations. Some critics say this concrete action was too long delayed. The EU has also been harshly judged for refusing open access to Central and Eastern European goods in "sensitive" sectors. Agriculture, steel, textiles and several other key sectors have remained virtually closed to the Central and Eastern European countries despite the importance of these industries to their economies.

Some of the differences between 1947 and 1989 have been unavoidable. In 1947, there was only one available donor, so international co-ordination was not an issue. The Soviet Union decided that it and its satellites would not take part in the Marshall Plan; now, Russia and the New Independent States are competitors for donor money.

The Central and Eastern European countries generally have to contend with a starting position that is worse than that of Western European countries in 1947, while the levels of liberalisation they must achieve are much greater. A payments union has not been an issue both because the type of trade the Central and Eastern European countries traditionally had with one another was not subject to extensive growth and because their leaders did not have a common vision to drive their co-operation.

Lessons to be drawn from the Marshall Plan

Western Europe's post-war situation and Central and Eastern Europe's post-communist transition drive vary greatly in character, nevertheless there are useful lessons to be drawn from the Marshall Plan:

- The EU and its member states must err on the side of generosity by increasing the financial assistance, unconditionally removing all trade restrictions, freeing immigration to the EU from this region, and possibly using future excess reserves (resulting from the pooling of national reserves at the time monetary union goes into effect) to liquidate as much of Central and Eastern Europe's debt as possible.

- Allowances must be made for local realities, and EU supervisors of the transition must be patient and flexible.

- When there is a trade-off, growth and creating robust, competitive economies should have the edge over applying the EU's *acquis communautaire* to the Central and Eastern European countries.

In short, political goals will have to override technical criteria, or the very stability that the EU hopes to create risk being undermined by an inflexible approach.

Lessons of the Marshall Plan for Eastern Europe

John L. Harper
Professor of U.S. Foreign Policy and European Studies
The Johns Hopkins University Bologna Center*

Introduction

When, on July 16, 1997, European Commission President Jacques Santer presented *Agenda 2000*, the Commission's 1,300 page strategy for strengthening the European Union and preparing for enlargement early in the next century, his announcement came close to the 50th anniversary of George C. Marshall's Harvard speech on June 5, 1947, announcing the intention to launch a major new U.S. aid programme for Europe.

The EU Commission recommended that formal accession negotiations begin in early 1998 with half of the ten Central and Eastern European (CEE) applicants. The five – Poland, Hungary, the Czech Republic, Slovenia and Estonia – were judged closest to fulfilling the membership requirements set by the European Council at Copenhagen in June 1993. A commission official later commented that there was "clear blue water" between the fortunate five and the rest.[1]

Santer's presentation referred to the "substantial extra costs for the existing 15 members" – ECU 75 billion – contemplated by the Commission strategy as "a veritable Marshall Plan for the countries of Central and Eastern Europe."[2] But Santer's reference to the Marshall Plan, like countless others since the collapse of Communism, raised as many questions as it answered. This paper will address three such questions:

- What did the Marshall Plan actually accomplish?
- What were the keys to the Plan's success as compared to Group of 24 (G-24) efforts to date in CEE?
- Is it too late to learn anything from the Marshall Plan to help to prepare CEE countries, in particular the first wave, for accession to the EU?

The Copenhagen criteria

- "stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities."
- "a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the EU."
- "the ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union."

What did the Marshall Plan accomplish?

The Marshall Plan, or European Recovery Program (ERP), was conceived to deal with the crisis of European, and especially western German, economic recovery that became apparent in late 1946 and early 1947. After talks with Stalin in March-April 1947, Marshall was convinced that the USSR was eager to exploit economic and political discontent in order to extend its influence over all of Germany, and that local communist parties would do the same in Italy and France.

* The author would like to thank Krista Schwarz for her help in preparing this paper.

Communist control of Western Europe's resources was thought to be a serious geopolitical threat to the U.S., while it was hoped that a more prosperous and tightly-knit Western Europe would be able to maintain its independence with a minimum of outside help. A flourishing capitalist Europe was also seen as an indispensable component of the multilateral trade regime, inspired in part by the pre-1914 example, that the U.S. State Department had long pursued, and of the reconstructed monetary system based on fixed exchange rates and currency convertibility foreseen by Bretton Woods.

The ERP came in the wake of a series of short-term, stopgap, and poorly co-ordinated efforts: Government Aid and Relief in Occupied Areas to combat "disease and unrest" ($840 million for Germany and a similar programme for Italy); U.S. Export-Import Bank loans to France in 1946 ($600 Million), and Italy in 1945 ($25 million) and 1947 ($100 million) for raw materials; the 1946 British loan ($3.75 billion) requiring the convertibility of the pound; the 1947 Greek-Turkish package ($400 million); the 1947 IBRD loan to France ($250 million); 1947 "Aid of the United States of America" for Italy and Austria; 1948 "Interim Aid" ($522 million) for France, Italy and Austria. Last but not least, UNRRA ($9 billion) provided mainly food, medicine and housing in Italy, Austria, Eastern European (including the USSR), and China, 1943-47.

The lack of U.S. political control over UNRRA prompted Undersecretary of State William Clayton to say of the future Marshall Plan: "The United States must run this show!"[3] U.S. private capital, meanwhile, having lost heavily in Europe before the war and facing serious political risks, was absent from the scene.

The elements of the ERP

The Economic Cooperation Act of 1948 authorising the ERP called for a viable, "healthy [West European] economy independent of extraordinary outside assistance." U.S. bilateral agreements with 15 participating governments set four basic tasks:

- a strong production effort
- expansion of foreign trade
- restoration of internal financial stability
- intra-European co-operation.

The underlying purpose was to stop communism and restore Western Europe's faith in the future.

Between mid-1948 and the end of the programme on December 31, 1951, the ERP provided $12.5 billion, mostly in aid-in-kind. For each dollar's worth of merchandise granted, the recipient governments were required to deposit the equivalent in a local currency "counterpart fund" – to be spent for purposes approved by the Economic Cooperation Administration (ECA), the U.S. agency overseeing the plan. During the

Categories of aid-in-kind by percentage of total

Food, feed, fertiliser	32.1
Fuel	15.5
Cotton	14.0
Other raw materials and semi-finished goods	18.8
Tobacco	4.4
Machinery and vehicles	14.3

Source: Alan Milward, *The Reconstruction of Western Europe, 1945-51* (Berkeley: University of California Press, 1984), 101 plan's official life the ECA approved the release of $7.6 billion of such funds for investment and debt retirement.[4]

Evaluating the experiment

Few policymakers who invoke the plan today have a very clear idea of what it accomplished. Indeed, academic experts continue to argue the point. It can safely be said that the plan's results did not correspond to the expectations raised by its own propaganda, or to mythical accounts according to which U.S. aid resuscitated a moribund European economy.[5] The plan was, nonetheless, a considerable success.

It helped, first of all, to create new political and psychological conditions. It was a signal of sustained U.S. interest in the problem of Western Europe. Marshall's warning on the eve of the April 1948 Italian elections that communist-dominated governments would not receive aid contributed to the centre-right victory. Large-scale U.S. aid made it easier for France to abandon its punitive line toward Germany in favour of co-operation. The plan brought hope to policy makers, investors, and ordinary people. It greatly enhanced the prestige and popularity of the donor country.

The ERP did not, however, solve the "communist problem." The removal of communist parties who were in a position to block economic stabilisation from the French and Italian cabinets occurred in May, 1947, before Marshall's announcement. Communist influence remained strong during and after the plan. U.S. officials blamed this in part on the failure of European governments to adopt necessary reforms (e.g., a serious land reform in Italy). Insistence half way through the plan on rearmament lost the U.S. much good will. Europe was still dependent on U.S. aid after 1951.

Marshall aid was distributed unevenly and its results varied considerably from country to country and at different levels. In general, it contributed to the continuation of recovery begun in 1945, but which had slowed or stopped in the first quarter of 1947 due to harsh weather and the shortage of dollars to buy food and raw materials.

ERP aid, April 1948-June 1952
(in millions of dollars)

United Kingdom	3,189.8	**Denmark**	273.0
France	2,713.6	**Norway**	255.3
Italy	1,508.8	**Turkey**	225.1
West Germany	1.309.0	**Ireland**	147.5
Netherlands	1,083.5	**Sweden**	107.3
Greece	706.7	**Portugal**	51.2
Austria	677.8	**Iceland**	29.3
Belgium - Luxembourg	559.3		

Source: "The Marshall Plan: Origins and Implementation", U.S. Dept. of State Bulletin, June 1982

Providing a safety net

Serious students have argued that the plan was not strictly necessary. Industrial production was once more on the upswing before ERP aid arrived. Local resources accounted for 80-90 per cent of capital formation in the major economies in 1948-49.[6] But it was the prospect of sustained U.S. support (among other factors) that encouraged businessmen and farmers to release stocks and to make investment decisions – helping to solve the so-called "marketing problem."

The Marshall Plan provided a cushion of aid, amounting overall to 2.5 per cent of recipient GNP, that allowed countries (in particular France and the Netherlands) to avoid politically explosive austerity measures. During the ERP, Western Europe's aggregate GNP increased by over 32 per cent, industrial production by 40 per cent, and agricultural production by 11 per cent over pre-war levels. The average European per capita GNP, having fallen from 62.6 per cent of U.S. per capita GNP in 1938 to 38.3 per cent in 1947, was back to 44.7 per cent of the U.S. level in 1951.[7]

To take a key example, in West Germany, the "breakthrough to steadily rising rates of production" in October 1947, was indeed achieved with local resources, before the Marshall Plan. (By the end of 1948 only $22 million in non-food raw materials – mostly cotton – had arrived.) There is no direct connection between the plan and Erhard's 1948 currency reform. Counterpart funds accounted for only 5.5 per cent of gross industrial investment in Germany in 1949-52. At the same time, U.S. plan-era policies gave Germany back greater control of its own resources – helping it to help itself – while imported supplies broke production bottlenecks in the textile, electric power, transport, and coal mining sectors.

Similarly, Einaudi's famous 1947 credit squeeze in Italy occurred in the absence of U.S. aid, but ERP funds covered, on average, more than 28 per cent of Italy's annual imports, 1948-51.[8]

World War II had considerably widened the technical and productivity gap between U.S. and European industry. The ERP made an important, if immeasurable, contribution to technological modernisation and increases in worker productivity. For example, counterpart funds helped to finance the Monnet Plan with its ambitious production targets for steel, coal, transport, electric power, and agriculture equipment, and the modernisation of Italy's electric power, complete-cycle steel, oil refining, and automotive sectors.

The ECA by no means promoted an anti-statist, "neo-liberal" approach to microeconomic reform. Many of its officials were New Deal or Keynesian-oriented and sympathetic to economic planning. Following the American experience, however, the ECA did place great emphasis on productivity as the key to raising living standards and ending the distributional struggle. It sponsored technical assistance projects, management seminars, pilot plants, and national "productivity councils." The Anglo-American Council on Productivity (financed by the British Treasury and ECA Technical Assistance Funds) sent 138 British "productivity teams" of managers, technicians and workers (900 people in all) to U.S. factories to study production methods and industrial relations. Two hundred French teams (2,600 people) and groups from other continental countries followed suit.[9]

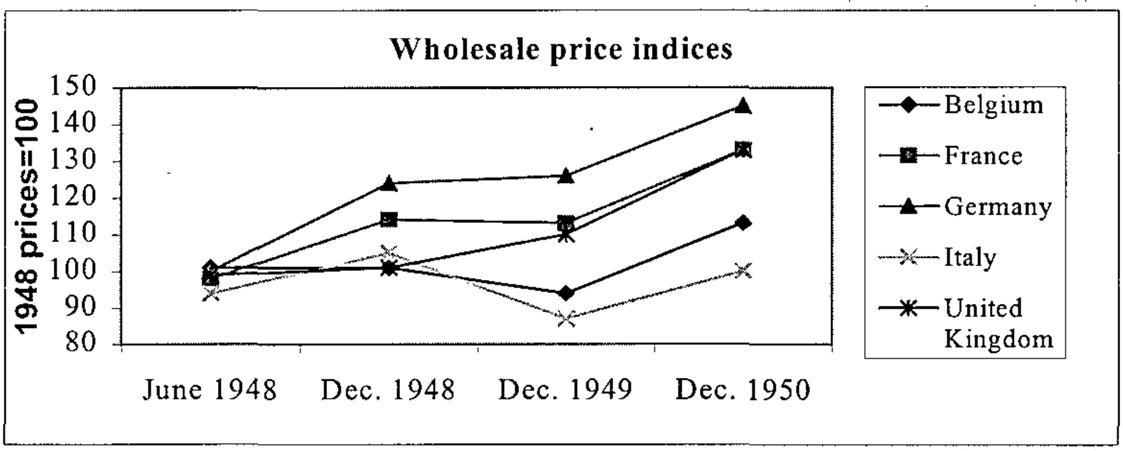
Output per worker in Europe's mining and manufacturing industries increased by an annual average of 6.2 per cent (1948-53), though it is an open question how much of this can be attributed to the ECA's Technical Assistance Program ($34 million authorised, $18 million spent by the end of the plan.) ECA and U.S. labour activists had limited success in converting European unions (with the possible exception of the Italian CISL) to the apolitical U.S.

model. Workers' living standards – French real wages were 36 per cent below 1936 levels in 1952 – made a mockery of plan propaganda. In the longer run, however, at least for managers, "the cumulative influence of a plethora of Marshall Plan-inspired productivity institutes, business schools, training centres, academic research and the conventional wisdom that they developed was pervasive throughout Europe."[10]

The victory of growth over financial stability

The ERP was not a striking success in the area of fiscal responsibility and monetary stability.[11] The basic tension between financial stability and higher investment and growth was generally resolved in favour of the latter objective. An exception is France. There the ECA tried to tie the release of counterpart funds to reforms guaranteeing higher tax revenues and a lower ceiling on central bank advances to the treasury. This tactic was only partially successful and created friction with the French government. In Britain the ECA exercised little control over the fund. It was used entirely for debt retirement while the Labour government carried out an ambitious investment programme not to American tastes. To little avail the ECA criticised the Italians for pursuing deflationary policies and failing to make plans to invest the lira fund.

In general, a comparison of 1948 and 1950 prices shows that the ERP-era reduction of inflation, due mainly to efforts independent of U.S. conditionality, was quickly offset by the effects of the Korean war.



Source: Imanuel Wexler, *The Marshall Plan Revisited* (Westport, CT: Greenwood), 1983, 115

From EPU to ECSC: the birth of European co-operation and liberalisation

The ERP strongly encouraged intra-European co-operation and trade and payments liberalisation, beginning with the 1947 Conference on European Economic Co-operation (CEEC). At U.S. behest the Conference became the permanent Organisation for European Economic Co-operation (OEEC)[12] with responsibility for screening annual national aid requests and recommending an allotment of ERP funds to the ECA.

An effective device for trade and payments liberalisation was the European Payments Union (in operation from June 1950-Dec. 1958). The Europeans committed themselves to liberal policies by adhering to Bretton Woods and ERP bilateral agreements, but their currencies remained inconvertible and trade was conducted on the basis of some 200 bilateral agreements. Under the EPU governments accepted the currency of any other member government in payment for exports, unsnarling the bilateral agreements.

The Bank for International Settlements consolidated balances monthly, leaving each country with a surplus or deficit with the union as a whole. Deficit countries received credits (to a point) as an alternative to restricting imports for lack of hard currency. The ECA helped to design the EPU and provided it with working capital of $350 million. The Americans insisted that EPU members adhere to an OEEC Code of Liberalisation (September 1950) by which they locked themselves into a schedule for the progressive dismantling of quantitative barriers to intra-bloc trade. Intra-European trade expanded from $10 billion in 1950 to $23 billion in 1959.[13]

It has been argued that the prerequisites of convertibility into the dollar for current transactions – realistic exchange rates, sufficient reserves, elimination of excess purchasing power ("monetary overhangs"), adequate wage discipline – were within reach of most ERP countries in 1950. Be that as it may (total OEEC gold and dollar reserves were less than $10 billion that year), quick convertibility was unthinkable for Britain after the 1947 fiasco, and elsewhere would have required further devaluation (i.e. beyond the levels of 1949), consequent terms of trade losses, and tight fiscal and monetary policy to offset imported inflation. Nor was foreign capital waiting to reward "virtuous" macroeconomic behaviour. The EPU provided a prolonged transition from bilateralism to convertibility. In so doing it helped to avoid further cuts in living standards while contributing to the reconstruction of intra-European trade.

During this period the U.S. tolerated systematic discrimination against its exports, as the EPU members removed quotas with each other more rapidly than they did with the dollar area. Tariffs (seen by the Americans as a less egregious form of protection) were the purview of the U.S.-inspired GATT, adopted in 1947. GATT permitted the creation of new tariff preferences as a stage in the creation of a free trade area or customs union – the route eventually taken by the continental six.[14]

Efforts to promote European co-operation fit the general ERP pattern: results were significant but fell short of original expectations. ECA hopes to turn the OEEC into the supranational embryo of a European federation were vastly overblown – as usual the British led the opposition. Trade liberalisation did not lead to Paul Hoffman's dream of a single integrated market allowing European firms to achieve the economies of scale of their U.S. counterparts. The historian Michael Hogan calls this the "central failure" of the Marshall Plan.[15]

The plan had nothing directly to do with the European Coal and Steel Community. Monnet tended to dismiss the OEEC. He acted in response to the prospect of a Germany freed from effective control by the Americans in order to contribute to the Western military-industrial build-up decided upon in early 1950. The ECSC was essentially a home-grown idea which the Americans were wise enough to embrace and lend vital support. Thanks to U.S. backing, for example, the ECSC obtained a waiver from GATT rules prohibiting a preferential area in a limited range of goods.[16]

The keys to the Marshall Plan's success, compared to post-1989 efforts

The post-Berlin Wall predicament of Central and Eastern Europe seems at first glance to have many features in common with the post-1945 situation of Western Europe: the collapse of long-standing trade relationships, contributing to a sharp fall in output; a shortage of hard currencies to pay for essential imports; monetary overhangs giving rise to inflation; the problems of dismantling state controls and restructuring obsolete heavy industry. In short, the CEE countries and Western Europe appear to have faced similar tasks of stabilisation, liberalisation, and structural reform.[17]

Aid to 15 countries from Jan. 1, 1990-Jan. 1, 1996

(billions of ECU)	Overall aid	Of which grants
EU	13.3	6.9
EU member states	32.6	9.9
Japan	5	1.1
USA	10.1	5.8
International Financial Institutions	21.4	--
Other G-24	4	1.9
Total	86.5	25.6

Source: DG 1A, *Financial Assistance to the Countries of Central and Eastern Europe*, 17

Though we have seen that it did not perform miracles, the ERP appears to have been much more successful than Western aid programmes to Central and Eastern Europe in tackling these problems and raising living standards. Certainly there are striking contrasts between the economic performance of Western Europe, 1947-51, and that of CEE, 1989-96. On average, GDP in the ten CEE countries grew during that period by -20.6 per cent, consumer prices (1990-95) increased by 6,057 per cent, and average CEE per capita GDP as a percentage of the EU average fell from 55.5 to 33.6 per cent. During the ERP, member-country GNP grew on average by 30 per cent, wholesale prices on average by 46 per cent, and (as noted earlier) average per capita GNP as a percentage of the U.S. level increased from 38.3 to 44.7 per cent (For individual country data, see Appendix one.) Francesco Papadia of the Bank of Italy recently remarked that Western Europe "should be ashamed of itself" when comparing its efforts to those of the U.S. after World War II.[18]

Why was the Marshall Plan more successful? The reason would not appear to be because of a large disparity in sheer amounts of aid. It has been estimated that public international assistance to post-communist Central and Eastern Europe had amounted by 1996 to 2.7 per cent of recipient country GDP compared to 2.5 per cent for the Marshall Plan.[19] Marshall Plan aid equalled about $80 billion in 1997 dollars, and covered an area with a population of 283,000,000. Official aid flows to the 10 CEE candidate countries for the period 1990-96 amounted to almost $100 billion, and covered an area with a population of only 103,000,000. (For break-down by source and destination, see Appendix two.) According to EU sources, a total of ECU 86.5 billion was provided to 15 CEE countries (the 10 candidates plus the 5 Balkan countries) in 1990-95.

It should also be remembered that there were large private flows into Central and Eastern Europe, an estimated $53.7 billion for 1991-1995, of which $23.1 was foreign direct investment. There was practically no outside private investment during the Marshall Plan.[20]

'How' is more important than 'how much'

A more obvious difference lies in the organisation of the two aid efforts. One problem with CEE aid efforts has been that of "too many cooks in the kitchen," in other words, a lack of clear leadership. The ECA's leverage over local authorities in France, Italy and Britain via the counterpart funds was far from perfect, but the Marshall Plan was the only game in town. Recipient governments had little choice but to follow U.S. advice to keep politically undesirable forces out of power, accept the return of Germany to the Western fold, and co-ordinate their efforts in the OEEC and EPU. Aid to CEE after the cold war has been subject to no such central authority and clear political guidelines.

Individual G-24 country programmes naturally tended to vary according to national interests and ideological predilections, rather than a thought-out division of labour. French aid consisted mainly of export credits to Romania. British aid was mainly debt relief for Poland. The top U.S. priority was macro financial assistance, with Poland the biggest beneficiary. Facing severe budget deficits, the U.S. pressured the Western Europeans to pay the lion's share, while trying to retain maximum political leverage in CEE. Germany, by far the largest donor, has provided export credits, balance of payments credits, and debt relief, with Poland and Hungary the most important CEE recipients.

Efforts sponsored by international organisations have not been more coherent. In accordance with its traditional, controversial approach, the IMF has extended mainly short term credits conditional upon macroeconomic stabilisation and liberalisation. World Bank loans have focused on stabilisation and infrastructure (energy, transport, telecommunications, housing) development. The EBRD has concentrated on merchant banking projects on a commercial basis in the emerging CEE private sector, as required by its 1990 founding agreement. The EU's European Investment Bank (EIB) provides loans (co-financing only) for telecommunications, energy, and transport infrastructure projects. The EU's Phare programme (begun 1989) initially provided technical assistance grants for economic restructuring, and after the 1994 Essen summit, more accession-oriented projects in the area of infrastructure. The EU has operated its own loan programme for macroeconomic stabilisation (through DG XVIII).

Mismanagement and bad advice?

Not surprisingly, these various efforts have overlapped and sometimes conflicted. The EU's DG II, for example, has not always seen eye-to-eye with the IMF. As official co-ordinator of G-24 efforts, the EU has acted more as a clearing-house for information than the source of an overall strategy. Private investors, consulting firms, and foundations have added their own advice. Vaclav Klaus called it "soft advice for hard currency." It may be fairer to say that some of it was simply bad advice. If it is true that the stunning post-1989 contraction of the CEE economies "represented a bungle of economic policy on an unprecedented scale," it is possible that better advice might have limited the damage.[21]

Change in real GDP, 1990-1995						
	1990	1991	1991	1993	1994	1995
Czech R.	-0.4	-14.2	-6.4	-0.9	2.6	4.8
Estonia	-8.1	-11.0	-14.2	-8.5	-2.7	3.2
Hungary	-3.5	-11.9	-3.1	-0.6	2.9	1.5
Poland	-11.6	-7.0	2.6	3.8	5.2	7.0
Slovenia	-4.7	-8.1	-5.4	1.3	5.3	3.9

Source: Kasper Bartholdy, "Statistical Review," *Economics of Transition*, Oct. 1996

Shock therapy," in any event, can be criticised for its "neglect of institution building, efficient corporate governance, the development and implementation of the laws necessary for a market economy, the creation of a modern and effective public administration, the development of appropriate social policies, and other tasks which inevitably take time." The Marshall planners, by contrast, were strongly aware of the importance of institutions and suspicious of pure "laissez faire."[22]

The EU and its member states are open to serious criticism for their handling of the CEE countries after 1989. The EU launched its association or "Europe Agreements" in 1990, and encouraged the emerging Central European Free Trade Area (CEFTA) – in force as of March 1993 – but negotiation and ratification of the Agreements were delayed because of problems surrounding "sensitive goods."[23] According to a recent analysis, "EU-imposed anti-dumping duties and price-fixing arrangements, meant to avoid such duties, greatly restrict CEEC exports in those areas in which they could expand sales most rapidly – iron and steel in particular. The EU also continues to impose quotas on other so-called sensitive industrial goods, such as textiles, clothing and footwear. CEEC exports of non-industrial goods – especially agricultural goods – have been liberalised only slightly by the EU."[24]

A recent evaluation of Phare praises its transfer of skills and know-how for economic restructuring activities and human resource development, and amounts spent compare favourably with the Marshall Plan technical assistance programme. At the same time, the evaluation argues that Phare has been too fragmented, "demand driven," and responsive to local "shopping lists," rather than "policy driven" from above, and serving a clear EU political strategy.[25]

A definite EU accession strategy, endowed with political leverage, emerged from the Copenhagen (1993), Essen (1994), and Cannes (1995) EU summits. But only in mid-1997 did the Commission announce its comprehensive strategy (including further reform of the CAP and structural spending programmes) and set a date for the beginning of negotiations with candidate countries. The institutional reforms adopted at Amsterdam in 1997 were embarrassingly meagre and further "deepening" will be necessary if the EU is to function with an additional 5-10 member states. An earlier, unambiguous EU commitment to eastern enlargement might have had some of the favourable political and psychological effects produced by the announcement of the Marshall Plan.[26]

Comparing apples and oranges?

To be fair, however, this lack of clear western leadership is related to basic, and to a considerable degree unavoidable, differences in circumstances between Western Europe after World War II and the CEE countries after 1989. In 1947, unlike 1989, there was only one available donor; the problem at hand had the donor's virtually undivided attention; life and death national interests were, or were seen to be, at stake. The Soviet Union and its satellites did not take part in the Marshall Plan; thus they were not a major competitor for U.S. aid – as Russia and the other New Independent States (NIS) are *vis-à-vis* CEE today.

The U.S. in 1947 was not distracted by the dubious task of trying to prepare Mexico for immediate statehood – a rough analogy with Germany's DDR problem after 1989.[27] There is no comparison between the inherent strategic and economic importance of Germany, France, Italy and Britain to the United States in 1947 with that of Poland, Hungary, Slovenia and Czechoslovakia to the West in 1989. Nor is there any comparison between the seriousness of the threat, namely the risk of losing physical control to a hostile power. One need only compare the USSR of Joseph Stalin to the Russia of today.

The gravity of the threat to vital national interests explains the greater degree of U.S. generosity and sustained, high-level political attention devoted to the problem of Western Europe. Over 90 per cent of ERP aid was in the form of grants, compared to around 30 per cent of G-24 aid to Central and Eastern Europe.[28] While an estimated 83 per cent of European purchases using ERP dollars were made in the United States, there was no formal requirement to do so, and few strings were attached to benefit U.S. business. In the first fifteen months of the plan (April 1948-June 30, 1949), Marshall aid equalled 2.3 per cent of U.S. GNP; for the entire period, about 1.2 per cent. (In 1996, total U.S. ODA equalled 0.10 per cent of GNP; the OECD country average was 0.35 per cent.) Marshall aid accounted for 7.5 per cent of total U.S. government spending, 1948-1951.[29]

Post-war Western Europe, moreover, was in a much better starting position to achieve success, especially in the area of structural reform. Britain, France, Belgium, Sweden, and especially Germany in 1947 were not relatively poor, peripheral, centrally-planned economies like those of Central and Eastern Europe in 1989. They were richly-endowed, developed capitalist economies and did not suffer from serious cases of "management shock."[30] Conditions varied from country to country, but in general they had appropriate legal systems in place and abundant human capital: skilled workers, entrepreneurial talent, academic expertise, lawyers, bankers, accountants, engineers, and – with a few exceptions – efficient bureaucracies. Western Europe in 1947 was not a tabula rasa on which the Americans mapped out their ambitious designs. It possessed vital institutions and experienced, energetic interlocutors in the private and public sectors with ideas and ambitions of their own.

To take relatively backward Italy: the state-controlled mechanical engineering sector required a painful restructuring, but Italy had not ceased to be a market economy under fascism. FIAT and Pirelli were major private companies. IRI[31] firms were partially government-owned and had been obliged to follow war-economy directives, but they were not state-owned enterprises in the communist sense, and were not reprivatised after 1945. (Indeed, the state sector expanded in Italy, France and Britain.) IRI-bred managers like Oscar

Sinigaglia (head of FINSIDER) needed U.S. technology but not re-education to operate successfully in post-war conditions.

Compared to Central and Eastern Europe, the Italian and German experiences with heavy-handed state intervention had been brief and mild. It should also be remembered that while distribution networks and trade relationships had been shattered, damage to physical plant was light. Italy lost a mere 14.5 per cent of its productive capital stock between 1942 and 1945. According to Werner Abelshauser, Germany "entered the post-war period with a remarkably large and modern capital stock."[32]

Not only was Western Europe richer and more advanced to start with in 1947 than the CEE countries in 1989, the prevailing criteria of liberalisation were much less demanding than those required of Central and Eastern Europe today. In a sense, the goal-posts have been moved back. Adhering to the GATT of the 1950s and the Bretton Woods rules (the European countries returned to convertibility in their own good time and many kept currency controls until the late 1970s) was not the same thing as joining a customs union including some of the world's most competitive economies, implementing the body of legislation and case law (over 100,000 pages and constantly growing) that constitutes the *acquis communautaire* (did anybody care about environmental standards or elevators for the handicapped in the fifties?), not to mention preparing for the EMU. Had the task of the Marshall Plan been to bring Western Europe into the American single market and federal regulatory framework, it would have taken several decades and many billions more.[33]

Given these basic differences in conditions and objectives comparing the Marshall Plan to post-1989 aid programmes sooner or later becomes an exercise in "comparing apples and oranges." To be sure, there was a tension in U.S. policy between the aim of integrating Europe into a multilateral world economy and that of promoting European autonomy and self-reliance, essentially for political reasons. After the Rome Treaty the Americans became increasingly worried about the prospect of a closed bloc – hence the launching of the Dillon and Kennedy rounds.

But during the period of Europe's recovery, Washington considered European strength and cohesion more important than fully reciprocal access to European markets. John Foster Dulles (American Secretary of State under Eisenhower) could accept a more protectionist and independent Europe because, in his words, "the resultant increased unity would bring in its wake greater responsibility and devotion to the common welfare of Western Europe." President Eisenhower spoke of "the desirability of developing in Western Europe a third great power bloc."[34] With the West German powerhouse an essential supplier and growing market for the Benelux, France and Italy, the ECSC "six" had virtually unlimited scope for the growth of trade among themselves.

What if other strategies had been used after 1989?

Much ink has been spilled over the question of whether Central and Eastern Europe might, with western encouragement, have pursued an analogous strategy of regional integration, powered by a CEE or CEE-NIS payments union, modelled on the EPU. This might have allowed for more gradual, less painful internal adjustment, and cushioned the sharp fall of national income resulting from the precipitous end of the CMEA in 1991.[35]

Unlike intra-EPU trade, however, intra-CMEA trade was trade among "high-cost-low-quality producers" – not a state of affairs to be perpetuated, and many CMEA countries quickly diverted their trade to the West.[36] It would have been difficult to persuade the CEE countries to enter any arrangement with the states of the former Soviet Union that appeared to perpetuate unwanted ties. A CEE-only payments union did not make much sense since trade within Central and Eastern Europe was only 15-20 per cent of total CMEA trade, and there was limited scope for it to increase among a group of small economies. Once Poland, Hungary, and the Czech Republic had introduced a considerable degree of currency convertibility, a payments union became an academic question.[37]

It is clear, finally, that the leaders of the Visegrad countries (Poland, Czechoslovakia, Hungary) did not share a common vision of CEE regional integration analogous to that of Schuman, Adenauer, and De Gasperi – and it would have been counterproductive to try to force them to adopt one. In the absence of a clear timetable and criteria for EU membership, moreover, CEE leaders tended to believe that western encouragement of regionalism masked a desire to relegate them to a second division Europe. With the arrival of the opportunistic Klaus in power in June 1992, and the break-up of Czechoslovakia (leading *inter alia* to Slovak-Hungarian tensions), the Visegrad group's political co-operation came to an abrupt end.[38]

If the regional-integration/payments union formula – one of the keys to the Marshall Plan's success – was not economically or politically feasible in post-1989 circumstances, a kind of functional equivalent might have been more rapid and genuine asymmetrical trade liberalisation by the EU. The asymmetry provisions contained in the Europe Agreements have been "less generous than they may appear."[39] Greater access to EU markets would have been a boon to the CEE, while the overall impact on the EU would arguably have been slight. CEE exports to the EU today are 50-60 per cent of total CEE exports, while EU imports from Central and Eastern Europe are only about 4 per cent of total EU imports. The EU has run an overall trade surplus, and even an agricultural trade surplus, with CEE since the early 1990s.[40]

As we have seen, this has not happened because of the power of vested interests to slow market access in agriculture and other "sensitive" areas, and of a general lack of enthusiasm in EU countries about making sacrifices for CEE. In late 1996 only 57 per cent of Germans, 55 per cent of Britons and 51 per cent of Austrians thought EU enlargement was a good idea.[41] Western leaders could have explained more forcefully the economic and political advantages of helping CEE, but it is understandable why some countries (Germany) saw a more obvious interest in enlargement than others (France). And it is very doubtful, in the absence of a compelling geopolitical emergency à la 1947, whether such appeals would have had much effect.

Timing makes a difference

A final key to the success of the Marshall Plan was the continuation of generally favourable economic and political conditions that allowed Western Europe to consolidate the gains of the plan after it ended in 1951. The Korean war, despite its initially negative impact, increased orders for German industry and led to sustained growth. Trade liberalisation continued culminating in the Rome Treaty. Supplies of labour were abundant in Italy and Germany. The rate of growth of productivity generally exceeded that of real wages and profits were ploughed back into plant and equipment. Oil and other raw material prices were low and access to them was guaranteed by the U.S. political military-umbrella.

The collapse of communism, however, did not coincide with the beginning of a long cycle of economic growth in Western Europe. It came instead at a time of painful restructuring in response to technological and demographic change, and of fiscal and monetary stringency – resulting in anaemic growth and low demand for CEE exports – to meet the requirements of European Monetary Union. The political-ideological climate of the early post-war period had been conducive to the idea of social solidarity and the constructive role of the state. The 1980s and 1990s offered a stark contrast in this regard. Once again, the basic circumstances were different in ways that were both not easily correctable and unpropitious for Central and Eastern Europe.

50 years on: is it too late to learn from the Marshall Plan?

There could not have been a Marshall Plan for Central and Eastern Europe after 1989, and there will be none today. The interests at stake for the Western donors were simply not as compelling as they were for the United States fifty years ago, and the tasks to be performed are difficult to compare. Nonetheless, it may be not stretching things to say that the position of Central and Eastern Europe after eight years of transition, especially of the most important front-runner states, is closer to that of Western Europe at the beginning of the Marshall Plan than it was in 1989-90, when appeals for a new plan were first heard.

Growing parallels to the post-war situation

There are rough parallels, first of all, between the piecemeal and unsystematic aid efforts mounted under U.S. and UN auspices in 1945-48 and the loosely co-ordinated G-24 efforts of 1989-97. Several CEE countries, having passed through an initial, "heroic" phase of liberalisation, and having resumed growth after severe contractions, have now experienced rising current account deficits as a percentage of GNP, potential political instability, and popular opposition to completing the process of industrial and financial reform. Capital inflows presently finance the deficits. Such inflows are not an unmixed blessing even while they last, and the experience of the so-called Asian tigers suggests that they may not last forever.[42]

Current account balance (millions of dollars)

	1995	1996	1997	1998
Czech R.	-1,362	-4,476	-4,100	-4,400
Hungary	2,480	-1,678	-2,200	-2,600
Poland	-5,455	-1,352	-5,000	-7,000
Slovenia	-36	47	100	150

(1997 and 1998 estimated)

Source: WIIW, in *Business Central Europe* Sept. 1997, 68

This set of problems is roughly comparable to the problems of 1947-48. After an initial period of liberalisation and recovery, Western European economies encountered balance of payments and competitiveness problems (including a large and growing trade deficit with the U.S.) that put their continued integration into the world economy at risk. Interestingly, the gap in per capita GNP between the five frontrunners and the EU in 1997, is close to that between the Marshall Plan countries and the United States in 1947.[43]

Taking the good with the bad:
looking at the progress of Hungary, the Czech Republic and Poland

Following the general pattern, **Hungary's** GDP fell almost 20 per cent between 1989 and 1993. But the renewal of growth was accompanied by a current account deficit amounting to 9.4 per cent of GDP in 1994. The general government deficit reached 8 per cent of GDP the same year (driven by an unsustainable pension system), while the public debt (70 per cent of it in foreign hands) reached 90 per cent of GDP. The European Commission gives Hungary high marks for the measures taken (March 1995) to put its house in order – in 1996 the current account deficit had dropped to 3.9 per cent of GDP. The Commission also praises Hungary's progress in privatising banking and industry and liberalising its capital markets. Hungary has been rewarded with 40 per cent of total foreign direct investment in Central and Eastern Europe.

But even at extremely modest growth rates – 1.5 per cent in 1995 and 1 per cent in 1996 – the macroeconomic situation is precarious. The Commission strikes a cautious note: "Although inflation is slowing [from 28.3 per cent in 1995 to 23.6 per cent in 1996], and the budget and current account deficits are declining, these trends are not irreversible. The improvement in the country's finances which got underway in 1995 was crucially dependent on the confidence of the international community...Continued confidence is essential if the positive economic trends which emerged in 1995 and continued in 1996 are to be sustained. Foreign debt service will constitute a substantial flow from Hungary for many years to come. Foreign investment helps finance these payments."[44] The question that comes to mind is what will happen to the current account and foreign confidence when and if the more rapid growth necessary to close the per capita GDP gap between Hungary and the EU begins?

Not long after Vaclav Klaus announced at the end of 1995 that his country's much vaunted transformation was over (followed in January, 1996, by his government's application to the EU), the **Czech Republic** found itself in serious economic and political straits. Klaus's macroeconomic stabilisation produced impressive results, but his voucher programme, through which state-owned banks came to control nominally-privatised companies, has been accompanied by wide-spread fraud and only limited restructuring. Unemployment has been low (in part because of the lack of restructuring), but wages are growing at a much faster rate than overall productivity (8.5 per cent and 4 per cent, respectively, in 1996). After the Klaus coalition's setback in the June 1996 elections, and formation of a minority government, important reform projects in the housing, banking, energy and health-care sectors were put on hold. Political uncertainty and – following the Hungarian pattern – a growing current account deficit (equal to 8 per cent of GDP in 1996) provoked a currency crisis and depreciation of the crown (20 per cent against the $) in May 1997.[45]

According to the Commission's mid-1997 opinion, these events suggest two things: "First, that macroeconomic stability cannot be taken for granted, and in particular that ways may need to be found to contain consumer spending so as to limit the size of the trade deficit.

Second, that for longer-term solid growth further substantial restructuring at the enterprise level is still needed." The Commission called for "decisive action to sustain the disinflationary process by reducing public spending" and an increase in the pace of structural reforms.

Klaus's 1997 austerity package will no doubt help to cool consumer demand, but political and psychological conditions do not seem especially favourable to serious restructuring. Prime Minister Josef Trosovsky – whose government took office at the beginning of January – has promised to continue economic reform, but new elections are expected before the end of 1998, leaving uncertainty about long-term action. Polls in 1997 indicated that almost 50 per cent of Czechs preferred the pre-1989 system to the new one. It is not hard under these circumstances to imagine a backlash against membership in the EU.[46]

Despite the **Polish** economy's recent high growth rates and vibrant private sector, serious problems remain. Labour productivity has increased by over 10 per cent per year over the past five years but it is questionable whether it can continue to grow at that pace. Investment is moderate, about the EU average. Domestic demand is strong, and the growing current account deficit could sooner or later force the Poles to follow the deflationary example of Hungary and the Czech Republic.[47]

A recent sectoral analysis of Poland calls it "a tale of two economies." The first is primarily private-owned, dynamic, and with many small foreign investments (e.g., the wood and paper, light manufacturing, food processing, and construction sectors). The second is primarily state-owned, loss-making, with a few large foreign investments (e.g., mining, fuel and power, metallurgy, electro-engineering, chemical, transport, communications, and banking).[48] The coal mines lost over $700 million last year. More than half of industrial workers are still employed by state-owned enterprises. Agriculture accounted for 27 per cent of total employment but 6.6 per cent of GNP in 1995.

The 1993-97 coalition was unwilling to run the political risks involved in a serious restructuring of mining, heavy industry (steel, defence, chemicals, ship building), or agriculture. The new government, in which the Solidarity Election Action (AWS) bloc (33 per cent of the vote in September 1997), is the main component seems even less likely to take decisive action. A showdown between AWS and its neo-liberal partner, Freedom Union (UW), and/or a backlash against EU membership may be in the cards.

Poland is too important a country to exclude from the frontrunner group of candidates, but reading between the lines of the Commission's opinion it is obvious that Polish accession is fraught with very serious difficulties.[49] Under the second Copenhagen criterion, "The main problem is that of the larger state-owned companies, where management failures in the face of foreign competition could have serious consequences. Agriculture needs to be modernised, and there have been some reversals in trade policy." With respect to the third Copenhagen requirement, "substantial efforts will be needed to apply the *acquis* in the fields of telecommunications; fisheries; and consumer protection...For the environment, very substantial efforts will be needed, including massive investment and strengthening of administrative capacity to enforce legislation."[50]

In sum, not unlike the Western European economies in 1947, the impression given by the three most important CEE candidates on the eve of the accession negotiations is one of macroeconomic fragility and (with the possible exception of Hungary) microeconomic vulnerability.[51]

In these circumstances, according to a recent analysis, "rapid [EU] enlargement poses enormous, unique, economic and political challenges to the applicants. If these challenges are not effectively met, and enlargement precipitates severe economic disruption or even impoverishment, then no amount of political goodwill can make it succeed." Helmut Schmidt put it more bluntly: "If I were a Polish entrepreneur, I would be very alarmed. Within six months of joining the EU Poland will be wiped out, because in the fields of marketing, productivity and so on it is far from being able to compete." According to a Hungarian observer, "Balancing growth and integration is what the negotiations are all about." Balancing those objectives was also – roughly speaking – what the Marshall Plan was all about.[52]

Drawing conclusions

If 1947 and 1997 bear a rough resemblance, is there anything to be learned now from the experience of the Marshall Plan? It should be clear from the previous discussion that the plan provides no magic formula for Central and Eastern Europe – far from it. Nonetheless several simple, inter-related points come to mind.

First, when like the U.S. in 1947 and the EU in 1997, you are running a large and growing trade surplus with poorer neighbours, follow Burke's advice: "generosity in politics is not seldom the truest wisdom."[53] Generosity would mean not only increasing the size of Santer's proposed programme (ECU 75 billion for the financing period 2000-2006), but fulfilling the promise of the original Europe Agreements, for example by unconditionally removing all EU restrictions on agricultural and other sensitive imports, and allowing free immigration from Central and Eastern Europe to boot. Another example of enlightened generosity would be to use excess money in the hands of the future European Central Bank (left from the pooling of national reserves) to liquidate all or part of the foreign currency debt of Central and Eastern Europe.

Second, the notion of "Accession Partnership," functioning according to strict "accession conditionality," is taking a leaf from the Marshall Plan book (e.g., the bilateral agreements), but EU supervisors, like their ECA predecessors, will have to be patient, flexible and prepared to defer to local realities. That the Commission understands this is suggested by the following contradictory statement in *Agenda 2000*:

> A basic principle for the accession of new members to the European Union is that they will have to adopt the totality of the Community *acquis*, and that thus all Community policies will be applied to the enlarged Union, <u>subject to such adaptations or transitional arrangements</u> as may be agreed in the accession negotiations. On the other hand, availability of necessary resources for the adoption of the *acquis* is a major bottleneck. Also, <u>costly adaptation of candidate countries in some areas could be delayed by considerations of competitive</u>

> advantages and protection of domestic industries. It is nevertheless imperative that full adaptation to the EU *acquis* by candidate countries be realised the soonest possible. (emphasis added)[54]

In reality the "imperative" of "full adaptation" will probably have to give way to the necessity of long-term "transitional derogations" which will create a de facto "Europe à la carte" as far as Central and Eastern Europe is concerned.

Third, Marshall Plan experience suggests that when there is a trade-off, growth should be favoured over integration, and creating robust, competitive economies (second Copenhagen requirement) should have priority over adoption of the *acquis* (criterion three). For example, before and after accession the CEE countries should be exempted from the EMU stability pact and be given wide autonomy as far as exchange rate policy is concerned. If the EU could live with the devaluation of the pound and the lira after 1992, it could live with the managed depreciation of the crown and florin for a long time to come. The kind of "job-destroying wage rate policies" practised in the former DDR must be shunned.[55] The upward harmonisation of social and environmental policy must proceed at a pace that will not destroy one of the few competitive advantages possessed by Central and Eastern Europe: low labour costs.

Finally – and to sum up the lessons of the Marshall Plan – the Western Europeans, like the Americans after World War II, must keep their eyes on the political ball. There will be times when the political ends of the member states will have to override the technical criteria of the Commission, just as the State Department sometimes intervened to rein in the ECA.[56] The American technocrats were obliged to accept that liberalisation is a process in which states move at different speeds, according to their national interests, in the context of a dynamic, risk-filled world. The early post-war period saw the collapse of the International Trade Organisation project, the opt-out of Britain and Scandinavia from the European customs union, and the delay of European convertibility for many years.

Each of these developments was probably just as well. Nor would it be the end of the world if Poland opted out of certain parts of the *acquis*, or if the Polish people (in defiance of their elites) changed their minds and decided to settle for the status of Norway, Switzerland or Turkey with respect to the EU. EU membership for Central and Eastern Europe is not an end in itself, it is a way to stabilise a potentially dangerous part of the world. There are ways of accomplishing this purpose other than full membership, and in some cases full membership will surely undermine the very stability it aims to bring about. If, moreover, a particular country promises to be more trouble than it is worth inside the EU, it should be left outside. There will be times, to quote another piece of 18th century wisdom, when the best advice will be Talleyrand's "surtout pas trop de zèle."

Appendix one

Central and Eastern European countries: growth, inflation and per capita GNP

Country	% Change GDP (89-96)	% Change in Consumer Prices (90-95)	1989 Per Capita GDP as % of 1990 EU Per Cap GDP	1996 Per Capita GDP as % of 1996 EU Per Cap GDP	1997 Population in Millions
Czech	-11	82.37	75.8	55	10.3
Estonia	-31	13851.74	49.4	23	1.5
Hungary	-14	73.16	59.5	37	10.2
Poland	4	187.65	53.9	31	38.6
Slovenia	-4	722.21	84.4	59	2
Bulgaria	-32	12019	48.15	24	8.4
Latvia	-48	5799.58	52.2	18	2.5
Lithuania	-48	24793.56	38.8	24	3.7
Romania	-12	2948.89	38.4	24	22.7
Slovakia	-10	94.7	55.1	41	5.4
CEE Averages	-20.6	6057	55.5	33.6	10.5

	% GNP per Capita Change (47-51)	% Change in Wholesale Prices (48-51)	1947 Per Capita GNP as % of 1947 US GNP	1951 Per Capita GNP as % of 1951 US GNP	1947 Population in Millions
Austria	104	159	19.16	34.16	6.92
Belgium	26	23	49.67	54.57	8.42
Denmark	15	51	63.43	63.56	4.15
France	35	70	42.36	50.11	41
Germany	90	66	29.17	48.44	67.3
Greece	31	34	11.54	13.18	7.55
Iceland	-3	n/a	68.95	58.43	0.13
Ireland	14	23	29.63	29.61	2.96
Italy	27	0	24.32	27	44.99
Luxembourg	19	n/a	64.94	67.44	0.29
Netherlands	22	44	52.18	55.55	9.63
Norway	21	49	60.49	63.76	3.14
Portugal	31	18	7.66	8.76	8.31
Sweden	16	49	84.03	85.04	6.8
Turkey	29	6	7.11	7.98	21.66
United Kingdom	11	51	71.3	69.28	49.54
Europe Average	30	46	38.3	44.7	17.69

Sources: Business Central Europe, September, 1997; Michael Gaspard, Incomes and Living Standards in Central and Eastern Europe and the Former Soviet Republics; EBRD Transition Report, April1997; Alan Milward, The Reconstruction of Western Europe, 1945-51, 1984; The State Department Special Supplement on the Marshall Plan, June, 1997; UN Statistical Yearbook, 1948.

Appendix two

Western aid to Central and Eastern Europe (1990-96)

FIVE FRONTRUNNERS In million USD						
FROM/TO	**Czech***	**Estonia**	**Hungary**	**Poland**	**Slovenia**	**TOTAL**
PHARE	1,047.32	261.32	2,198.93	2,035.25	125.33	**5,668.14**
IMF	1,453.56	96.25	2,660.18	1,630.33	0.00	**5,840.32**
IBRD	783.36	116.37	1,480.54	4,071.88	110.03	**6,562.19**
EIB	1,286.73	85.78	1,100.02	1,773.66	189.22	**4,435.42**
EBRD	447.87	190.40	1,446.18	1,106.34	232.71	**3,423.50**
DAC* **	8,916.84	626.36	8,588.83	27,887.86	727.32	**46,747.20**
TOTAL	**13,935.67**	**1,376.48**	**17,474.69**	**38,505.33**	**1,384.61**	**72,676.77**
OTHER CEE In million USD						
FROM/TO	**Bulgaria**	**Latvia**	**Lithuania**	**Romania**	**Slovakia****	**TOTAL**
PHARE	1,188.33	309.43	411.75	1,789.28	127.66	**3,826.46**
IMF	1,390.45	261.90	399.35	4,210.43	176.04	**6,438.17**
IBRD	832.36	178.19	159.78	2,042.59	145.44	**3,358.36**
EIB	360.79	39.11	103.44	599.21	409.99	**1,512.53**
EBRD	259.11	189.80	192.59	918.15	250.53	**1,810.20**
DAC***	2,074.51	610.78	990.29	4,839.04	1,346.29	**9,860.90**
TOTAL	**6,105.54**	**1,589.21**	**2,257.21**	**14,398.70**	**2,455.96**	**26,806.62**

Grand Total:	**99,483.39**

Source: European Commission, DG 1A

* Aid to Czechoslovakia before 1993 is calculated above as part of The Czech Republic's amount.
** Aid to Slovakia begins in 1993.
*** The OECD's Development Assistance Committee (DAC) consisted of the following: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Ireland, Greece, Iceland, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States.

Endnotes

[1] See Commission Press Release IP/97/660, DOC 97/9, Strasbourg/Brussels, 16 July 1997. See also Gunter Burghardt and Fraser Cameron, "The Next Enlargement of the European Union," *European Foreign Affairs Review*, Spring 1997, 12-13. Fraser Cameron's comments at Castelgandolfo conference on NATO and EU enlargements, Oct. 14, 1997.

[2] Commission document *Agenda 2000: For a Stronger and Wider Union.* "An historic opportunity." The 75 billion figure refers to the financing period 2000-06, and is to be composed of 21 billion in pre-accession aid to the ten candidates, and the rest in aid to the new members.

[3] In May 1947. See *Foreign Relations of the United States*, 1947, vol. 3.

[4] Imanuel Wexler, *The Marshall Plan Revisited* (Westport, CT: Greenwood), 1983, 108.

[5] Marshall, in a radio address on Germany April 29, 1947, said that "the patient is sinking while the doctors deliberate." Acheson described the 1947 situation as follows: "The life of Europe as an organised industrial community had come well-nigh to a halt, and with it, so had production and distribution of goods of every sort." *Present at the Creation* (New York: Norton, 1969), 213. In fact, industrial production was on the upswing in most European countries by mid-1947, before the arrival of Marshall aid.

[6] On capital formation see Charles Maier, "The Two Postwar Eras and the Conditions for Stability in Twentieth-Century Western Europe," *American Historical Review* 86 (April 1981), 341-42.

[7] See Alan Milward, "Was the Marshall Plan Necessary?", *Diplomatic History* 13 (Spring 1989), 231-53; Harlan van B. Cleveland, "If There had Been No Marshall Plan...", in Stanley Hoffmann and Charles Maier, eds., *The Marshall Plan: A Retrospective* (Boulder: Westview, 1984), 59-64. See also Michael Hogan, *The Marshall Plan* (Cambridge: Cambridge University Press), 324-25, 431; Charles Maier and Gunter Bischof, eds., *The Marshall Plan and Germany* (New York: Berg, 1991), 36-37. For an account stressing the "marketing problem," see Barry Eichengreen and Marc Uzan, "The Marshall Plan: Economic Effects and Implications for Eastern Europe and the Former USSR," in *Economic Policy*, April 1992.

On per capita GNP (Europe defined as the 16 ERP countries, including Turkey), see U.S. Dept. of State, Bureau of Public Affairs, "The Marshall Plan: Origins and Implementation" (June 1982), 16.

[8] See Werner Abelshauser, "American Aid and West German Recovery," in Maier and Bischof, eds., 383, 405-09; Knut Borchardt and Christoph Buchheim, "The Marshall Plan and Key Economic Sectors: A Microeconomic Perspective," in ibid., 410-51. On Italian imports, see B. Bossone and F. Papadia, "Stability and Credibility in the Transition Process of the Previously Centrally Planned Economies: A Comparison with the post-War Italian Experience" (courtesy of F. Papadia), 155.

[9] Andrew Carew, *Labour Under the Marshall Plan* (Manchester: Manchester University Press, 1987), chaps. 9-10.

[10] Carew, 215, 223. See also Wexler, 93, 277 n. 102; Pier Paolo D'Attore, "ERP Aid and the Politics of Productivity in Italy during the 1950s," *EUI Working Paper* 85/159, 1985. The size of the ECA Technical Assistance Program prompts one to question the concentration of scholars like Maier on productivity as the centrepiece of the ERP. See also Vera Zamagni, "American Influence on the Italian Economy," in C. Duggan and C. Wagstaff, eds., *Italy in the Cold War: Politics, Culture and Society, 1948-58* (Oxford: Berg, 1995).

[11] Recent analysts have exaggerated the degree of leverage provided by the counterpart funds in pursuing this goal. See J. B. De Long and B. Eichengreen, "The Marshall Plan: History's Most Successful Adjustment Program," in Dornbusch, R., Noelling, W., and Layard, R., eds., *Postwar Economic Reconstruction and Lessons for the East Today* (Cambridge, MA: MIT Press, 1993), 215-17.

[12] Later the Organisation for Co-operation and Development (OECD)

[13] Barry Eichengreen, *Reconstructing Europe's Trade and Payments* (Manchester: Manchester University Press, 1993), chaps. 1-2. Members reduced restrictions by a given percentage of their pre-existing level, usually one-half and increasing to 60 and 75 per cent. See also William Diebold, *Trade and Payments in Western Europe* (New York: Harper, 1952), 97, 124, 172n.

[14] See ibid., chaps. 3, 5. Diebold, chap. 12.

[15] Hogan, 334. Hoffman was the head of the ECA until October 1950.

[16] See John L. Harper, "In Their Own Image: The Americans and the Unity of Europe, 1943-1954," In Martyn Bond, Julie Smith, and William Wallace, eds. *Eminent Europeans* (London: Greycoat Press, 1996). See also William Diebold, *The Schuman Plan* (New York: Praeger, 1959), chap. 18.

[17] To use the terminology of Bossone and Papadia, 159-60.

[18] Statement made at the Castelgandolfo, Italy conference on NATO and EU enlargement, Oct. 4, 1997.

[19] IBRD *World Development Report*, June 1996, cited in Mario Nuti, "European Community Response to the Transition: Aid, Trade Access, Enlargement," in S. Baldone and F. Sdogati, *EU-CEECs Integration: Policies and Markets at Work* (Milan: FrancoAngeli, 1997), 4. Nuti cautions that since CEE economies were farther from PPP exchange rates than Western European countries, the figure may be closer to 1 per cent than 2.7 per cent.

[20] IMF, *World Economic Outlook*, May 1997.

[21] See Robert A. Mundell, "The Great Contractions in Transition Economies," in M. J. Blejer and M. Skreb, eds., *Macroeconomic Stabilization in transition Economies* (Cambridge: Cambridge University Press, 1997), 98-99.

[22] John Eatwell et al., *Not "Just Another Accession*" (London: Institute For Public Policy Research, 1997), 8. For criticisms of the lack of co-ordination, see also Paolo Miurin and Andrea Sommariva, "Financial and Technical Assistance to Central and Eastern Europe: A Critical Appraisal of the Role of International Institutions," *Washington Quarterly*, summer, 1994, 100-01; Richard Portes, "From Central Planning to a Market Economy," in Shafiqul Islam and Michael Mandelbaum, eds., *Making Markets* (New York: CFR Press, 1993), 38.

[23] Negotiations with Poland, Hungary and Czechoslovakia began in December 1990 and went into force for Poland and Hungary in February 1994; for the Czech Republic and Slovakia, in February 1995.

[24] Richard E. Baldwin, Joseph F. François and Richard Portes, "The Costs and Benefits of Eastern Enlargement: The Impact on the EU and Central Europe," *Economic Policy*, April 1997, 132.

CEEC is an abbreviation for Central and Eastern European countries.

[25] "The PHARE Programme: An interim evaluation," published by the Evaluation Unit of the European Commission, June 1997. It should also be noted that Phare has been criticised for not having been "demand driven" enough, and neglecting investment." See Nuti, "European Community Response," 4.

[26] The Commissions recommendations have not been approved as of this writing. See Nuti, "European Community Response," 8. Richard E. Baldwin, "Progressive Economic Integration: Making the Magic Work Again," in *Economics of Transition*, Oct. 1996.

[27] Until 1993 Russia had probably received more financial resources than all other CEE-NIS combined. In 1994 it was still by far the biggest recipient (38 per cent). OECD, "Aid and other Resource Flows to the CEEC and the NIS of the Former Soviet Union (1990-1994)," (Paris 1996), 14.

There were conservative Republicans who demanded equal aid for China, but the Truman administration managed to limit the damage.

[28] The G-24 figure is based on the information contained in footnote 23.

[29] Wexler, 249-50. U.S. legislation did require that 50 per cent of goods shipped be carried in U.S.-registered ships.

[30] That is, a lack of managers trained to operate in market conditions. M. Bruno, quoted in Bossone and Papadia, 164.

[31] IRI is the state holding company.

[32] On the Italian economy, see John L. Harper, *America and the Reconstruction of Italy, 1945-1948* (Cambridge: Cambridge University Press, 1986), chaps. 1-3; B. Bossone and F. Papadia, 147. See also Abelhauser, in Maier and Bischof, 377.

[33] And of course it never would have happened because of political opposition on both sides.

[34] Quoted in John L. Harper, "In Their Own Image: The Americans and the Question of European Unity, 1943-1954," In W. Wallace, J. Smith, and M. Bond, eds., *Eminent Europeans* (London, Greycoat Press, 1995).

[35] According to Mundell, "There is no doubt that the collapse of trade was a major cause of the contraction among the more industrialised and trade-dependent states." See "The Great Contractions," 98. For one of many arguments in favour of a payments union, see, Oleh Havrylyshyn, "Trade and Payments Options for Central and Eastern Europe," in T. Fleming and J.M.C. Rollo, eds., *Trade and Payments Adjustment in Central and Eastern Europe* (London: RIIA, 1992).

[36] On the EPU period, Eichengreen notes (following Robert Triffin) that for many product categories, European prices were as competitive as U.S. prices, also that Europe possessed a number of "world-class industries." *Reconstructing Europe's Trade and Payments*, 115.

[37] For the case against a payments union, see Zdenek Drabek, "Convertibility or a Payments Union?--Convertibility!" in Fleming and Rollo, eds., 55-73. See also, R. Portes, in Islam and Mandelbaum, eds., 47.

[38] For a detailed discussion, see Nadia Costantini, "From Visegrad to CEFTA: the Limits of the Process of Regional Co-operation in Central Europe, 1990-1996." MAIA Thesis, The Johns Hopkins Bologna Center, 1997.

[39] According to Nuti, "Transitional economies having adopted an exceptionally liberal trade regime, asymmetry in tariff reduction still allows for a higher initial degree of protection for EU producers." See "European Community Response," 6. On this point, se Bossone and Papadia, 171.

[40] Baldwin, François, and Portes, 133.

[41] "Together in Europe," EU Newsletter for Central Europe.

[42] Capital inflows "can pose risks of overheating, of excessive real exchange rate appreciation, and of macroeconomic volatility." Executive Summary, EBRD *Transition Report*, Nov. 1997. On the mixed effects of capital inflows, see also Eatwell et al., 49-50.

[43] The GNP per head of the Marshall Plan countries, on average, was 38.3 per cent of the U.S. level in 1947. The GDP per head of Poland, Hungary, Czech Republic, Slovenia and Estonia, on average, equals 41 per cent of the EU level today.

[44] *Agenda 2000*. "Commission Opinion on Hungary's Application." In March 1995 Hungary raised interest rates and devalued the florint by 30 per cent.

[45] In 1995 the current account deficit was fully financed by large capital inflows. In 1996 this was no longer the case and foreign exchange reserves fell by 1.2 billion ECU that year. See *Agenda 2000*. "Commission Opinion on the Czech Republic's Application."

[46] Jiri Pehe, "Czechs Fall From Their Ivory Tower," in *Transitions*, Aug. 1997, 22-27.

[47] *Agenda 2000*: "Commission Opinion on Poland's Application" Part B.3.4; Joe Cook, "Decision Time," *Business Central Europe*, Sept. 1997. For a survey of the positive achievements of the 1993-97 government, see

Grzegorz W. Kolodko and D. Mario Nuti, "The Polish Alternative: Old Myths, Hard Facts and New Strategies in the Successful Transformation of the Polish Economy," (Helsinki: UNU/WIDER; 1997).

[48] Robert E. Kennedy, "A Tale of Two Economies: Economic Restructuring in Post-Socialist Poland," *World Development*, June 1997, 841-65.

[49] The Nov. 1997 EBRD *Transition Report* (Executive Summary) speaks of "particularly serious weaknesses...even in more advanced countries, in enterprise restructuring, financial sector development and competition policy."

[50] *Agenda 2000*. "Commission Opinion on Poland's Application." "Summary and Conclusions."

[51] One might add political uncertainty, though it is assumed here that Copenhagen criterion one is met by all 5 frontrunners.

[52] Eatwell et al., 20; Schmidt, speaking in Sept. 1996, quoted in ibid., 28; Z. Becsey, Hungarian sec. of state for EU integration, quoted in *Business Central Europe*, Sept. 1997, 22.

[53] The original version of Burke's maxim is "Magnanimity in politics is not seldom the truest wisdom." Burke continued, "Small minds and large empires go ill together."

[54] European Commission, *Agenda 2000, Impact Study*, Part I, Summary.

[55] Eatwell et al., 56.

[56] A case in point was October 1949 when the Department got Paul Hoffman to tone down his appeal to the ERP countries on integration, and later to soften pressure on the British.

The Philip Morris Institute

The Philip Morris Institute for Public Policy Research is a non-profit organisation which aims to stimulate debate by publishing Discussion Papers and organising conferences and seminars that address major policy issues confronting today's European decision-makers.

The establishment in May 1993 of the Philip Morris Institute for Public Policy Research reflects the desire of Philip Morris Companies Inc., the world-wide food, tobacco and beverage manufacturer, to make an important contribution to the European policy debate. The activities and the choice of topics and authors are decided by an independent Editorial Board. PMI Discussion Papers, conferences and seminars are intended to provide a forum for ideas and to promote innovative thinking that will help shape the Europe of tomorrow.

Each PMI Discussion Paper consists of a number of authoritative policy proposals and analyses on a single topic. The papers are intended to provide a wide spectrum of opinion and expertise. Authors of the papers are leading policymakers and specialists from within Europe and elsewhere. PMI contributors are among the architects of Europe's future.

PMI papers are distributed world-wide to some 20,000 selected politicians, journalists, officials, business leaders and other policy analysts. PMI papers are published in English, French, German, Italian and Spanish.

The Philip Morris Institute regularly organises seminars in its Brussels premises, and has a growing international conference programme that brings together leading analysts, commentators and policymakers. Recent events have included *Europe of the Regions* (Dublin, October 1996), *Globalisation and the European Welfare State* (Lyon, January 1997), *How much popular support is there for the EU?* (Leiden, April 1997) and *How can Europe prevent conflicts?* (Luxembourg, November 1997).

In November 1995, PMI launched a writing prize on the future of Europe. The first Philip Morris Institute Europe Prize, worth Ecu 15,000, was awarded in November 1996 by a panel of distinguished journalists for the best essay on the theme *"What Europe for the New Millennium?"* The Institute repeated this initiative in 1997, with the theme *"Does Europe Matter?"*

The Philip Morris Institute's Editorial Board

The Philip Morris Institute Conferences

BRUSSELS, JUNE 1994.

New trends in world trade

This one-day conference organised by the Philip Morris Institute brought together trade experts, economists and diplomats to discuss the implications for future trade patterns for the World Trade Organisation (WTO), the successor to the General Agreement on Tariffs and Trade (GATT). Discussion focused on the WTO's future role and responsibilities in managing international commerce, the need to redefine the EU's trade and aid policies vis-à-vis the Lomé group and other developing markets and, finally, the EU's trade stance regarding the new market democracies of Eastern and Central Europe.

Participants included ***Peter Sutherland****, Director General of the GATT;* ***Minoru Endo****, Japan's Ambassador to the GATT;* ***Sergio Abreu Bonilla****, Foreign Minister of Uruguay;* ***Hugo Paemen****, Deputy Director General of the European Commission's External Economic Affairs Directorate and the European Union's chief GATT negotiator; and* ***Peter Pooley****, Director General for Development Policy in the European Commission's DG VIII.*

PARIS, JANUARY 1995.

Beyond Maastricht - The issues at stake in the IGC

The 1996 Intergovernmental Conference was the subject of a one-day conference at the Sorbonne organised jointly by The Philip Morris Institute and the Centre for European Law at the University of Paris II. The programme was divided into three roundtable discussions, each of which identified and addressed a different aspect of the forthcoming review of the Maastricht Treaty.

Participants included ***Alain Lamassoure****, France's Minister for European Affairs;* ***Emile Noël****, Secretary General of the European Commission from 1967-87;* ***Michal Lobkowicz****, Director of the Foreign Affairs Ministry of the Czech Republic;* ***Jacqueline de la Rochère****, Director, Centre for European Law, University of Paris II; and* ***José-María Gil-Robles Gil-Delgado****, Vice-President, European Parliament.*

MADRID, OCTOBER 1995.

Mediterranean Partnerships

The EU has begun to recognise that stability in the Mediterranean is as important to the Union's well-being as in the formerly communist countries of Central and Eastern Europe, and has shifted a major part of its attention to its broad southern flank. A number of daunting challenges coming from the southern Mediterranean basin now confront the EU. The nature of these challenges and their possible solutions were the subject of a one-and-a-half day conference organised by the Philip Morris Institute and the Association of European Journalists, with the assistance of the Spanish Ministry of Foreign Affairs.

Participants included ***Javier Solana Madariaga****, the then Spanish Minister for Foreign Affairs;* ***Carlos Westendorp y Cabeza****, who was then Spanish Secretary of State for European Affairs;* ***Eberhard Rhein****, then Director for the Mediterranean, Near and Middle East, DG I, European Commission;* ***Bichara Khader****, Centre d'Etudes et de Recherche sur le Monde Arabe Contemporain, UCL, Belgium; and* ***George Vassiliou****, former President of the Republic of Cyprus.*

BRUSSELS, DECEMBER 1995.

The Fight against Social Exclusion

Social exclusion affects one in seven people in the European Union. The many facets of this problem were the subject of a one-day conference organised by the Philip Morris Institute, together with the European Trades Union Confederation (ETUC), the Union of Industrial and Employers' Confederations of Europe (UNICE), the European Anti-Poverty Network (EAPN), and the European Network of the Unemployed (ENU). Representatives from government agencies, NGOs, private enterprise, academic institutions and the European Commission considered a range of questions surrounding the social exclusion issue.

Participants included ***Pádraig Flynn****, the European*

Commissioner for Employment, Industrial Relations and Social Affairs; ***Johanna Boogerd-Quaak****, Dutch MEP;* ***Georges Debunne****, Fédération Européenne des retraités et Personnes Agées;* ***Zygmunt Tyszkiewicz****, Secretary General of the Union of Industrial and Employers' Confederations of Europe (UNICE);* ***Marie-Françoise Wilkinson****, Director of the European Anti-Poverty Network.*

London, June 1996.

Does Europe need a Constitution?

The context in which the EU was created is much different than the one that now exists, raising questions about the basic purposes and goals of the Union. During the IGC, the member states need to grapple with constitutional issues on which there is currently little agreement. The purpose, goals, and strategies of further integration were the focus of a one-day PMI conference in partnership with the Institute for Public Policy Research (IPPR), the European Policy Forum (EPF), and the Fabian Society.

Participants included the Rt. Hon. ***Douglas Hurd*** *MP, Former Secretary of State for Foreign & Commonwealth Affairs;* ***George Robertson*** *MP, Shadow Secretary of State for Scotland; the Rt. Hon.* ***John Redwood*** *MP, Former Secretary of State for Wales; Prof.* ***Jürgen Meyer*** *MdB, SPD Spokesperson on European Affairs; and* ***Boris Biancheri Chiappori****, Secretary General, Italian Ministry of Foreign Affairs.*

Rome, July 1996.

Europe's Global Currency

As the deadline for Economic and Monetary Union (EMU) looms, European policy makers and economic actors need to examine the concrete implications of the single currency. Taking EMU as an accepted fact, participants in this one-and-a-half day Philip Morris Institute conference, in partnership with the Istituto Affari Internazionali (IAI) and with the support of the European Commission, considered the effects the Euro may have on the European economy and the international financial system.

Participants included ***Gianni Agnelli****, Senator and Honorary President of Fiat SpA;* ***Vincenzo Visco****, Italian Minister of Finance;* ***Giuliano Amato****, President of the Italian Antitrust Authority and former Prime Minister of Italy; Prof.* ***Robert Mundell****, Columbia University;* ***Roberto Nigido****, Director General for Economic Affairs at the Italian Foreign Ministry.*

Dublin, October 1996.

Europe of the Regions: the future of regional policy

"Europe of the Regions" has become one of the buzzwords in discussions about the EU, but what does this concept mean in real terms? Participants at this one-and-a-half day conference, in partnership with Dublin-based Institute of European Affairs (IEA) and with the support of the European Commission, considered the interactions between the EU and its regions. Discussions included basic questions over the definition and role of regions as well as the specific aspects of the "Irish case" which hold important lessons for other regions.

Participants included ***John Bruton*** *TD, Irish Prime Minister (Taoiseach);* ***Eneko Landaburu Illarramendi****, European Commission Director General for Regional Policies;* ***Liz McManus*** *TD, Minister of State, Department of the Environment;* ***William Scally****, Economic Advisor to the Tanaiste;* ***Sir George Quigley****, Chairman of Ulster bank;* ***Andrew Milner****, Executive Vice-President of Canal+ Distribution.*

Lyon, January 1997.

Globalisation and the European Welfare State

Globalisation not only has profound effects on economic relations between countries, but also has created new challenges for social protection systems. EU member states are increasingly being forced to look at the need to reform their welfare systems. Participants at this one day roundtable conference examined the implications of globalisation for the European Welfare State. Conference Partners were the Ville de Lyon and the Université Jean Moulin Lyon 3.

Participants included ***Raymond Barre****, Mayor of Lyon, former Prime Minister of France;* ***Denis Jacquat****, Deputy Assemblée Nationale;* ***Bruno Lacroix****, CEO Groupe ALDES, Vice-President of the Conseil National du Patronat Français;* ***Jean-Michel Servais****, Chairman of Working Group on Professional Relations of the International Labour Office (ILO); and* ***Elie Cohen****, Director of Research at the Centre National pour la Recherche Scientifique.*

LEIDEN, APRIL 1997.

How much popular support is there for the EU ?

EU officials have become increasingly concerned over the apparent gap between EU institutions and citizens of the member states. The role of the media was one of the dominant themes at this one-day roundtable conference, focusing on how to raise popular awareness about and support for European integration. PMI's conference partner was the Europese Beweging Nederland (Dutch European Movement).

Participants included ***Piet Bukman****, Speaker of the Lower House of the Dutch Parliament;* ***Eckart Cuntz****, Director in the Council of the European Union's General Secretariat Cabinet;* ***Spyros Pappas****, Director-General on Information, Communication, Culture and Audio-visual Media in the European Commission (DG X);* ***Nikolaus van der Pas****, Chief Spokesman of the European Commission; and* ***Alain Benlezar****, Confederal Secretary in the International Department of the Confédération Démocratique du Travail.*

LUXEMBOURG, NOVEMBER 1997.

How can Europe prevent conflicts ?

Since the fall of the Berlin wall, Europe has been plagued with an increasing number of armed conflicts. These disputes are increasingly within states rather than between them, posing questions about how Europe's security architecture can be adapted to meet these new challenges. This Philip Morris Institute conference, organised in partnership with Luxembourg's government backed Robert Schuman Centre, explored the complex causes and effects of conflict in and around Europe.

Participants included: ***Jacques Post****, Foreign Minister of Luxembourg;* ***Alex Bodry****, Minister of Regional Development, Police, Youth, Physical Education and Sport;* ***Giancarlo Aragona****, Secretary-General of the Organisation for Security and Cooperation in Europe;* ***François Heisbourg****, Senior Vice-President, Matra Défense;* ***Richard B. Burt****, Former U.S. Ambassador to Germany and currently Chairman of IEP Advisors; and* ***Simon Lunn****, Secretary-General, North Atlantic Assembly.*

The Philip Morris Institute's Discussion Papers

Discussion Paper No.1, October 1993:

Towards a European immigration policy

Daniel Cohn-Bendit
Head of the Department of Multicultural Affairs, City of Frankfurt
Adrian Fortescue
Director of Co-operation in the fields of Justice and Home Affairs, Secretariat General of the Commission
Rafiq Haddaoui
Minister for the Moroccan Community Abroad, Rabat
Igor Khalevinski
Deputy Minister of Labour, Russian Federation
Sadako Ogata
United Nations High Commissioner for Refugees

Discussion Paper No.2, December 1993:

What *is* European security after the Cold War ?

Hikmet Çetin
Foreign Affairs Minister of the Republic of Turkey
François Heisbourg
Senior Vice-President, Matra-Défense/Espace and former Director of IISS, London
Simon Lunn
Deputy Secretary-General of the North Atlantic Assembly
Janusz Onyszkiewicz
Vice-Chairman of the Defence committee at the Polish Parliament and former Defence Minister
Manfred Wörner
Secretary-General of NATO

Discussion Paper No.3, April 1994:

Is European Monetary Union dead ?

Giuliano Amato
Former Prime Minister of Italy, President of the Aspen Institute Italia
Henning Christophersen
European Commissioner for Economic and Financial matters
Howard Davies
Director-General of the Confederation of British Industry
Ad Geelhoed
Secretary-General of the Dutch Ministry of Economic Affairs
Wilhelm Hankel
Former head of the Hessische Landesbank, adviser to the World Bank and the European Commission
Niels Thygesen
Professor of economics at the Copenhagen University, member of the Delors Committee on Economic and Monetary Union
Norbert Walter
Chief Economist of the Deutsche Bank Group

Discussion Paper No.4, June 1994:

Jobs and competitiveness: Confronting Europe's dilemma

David Hunt
British Secretary of State for Employment
Peter Kraljic
Managing Director of McKinsey Management Consultants, Paris
John Monks
Secretary-General of the U.K.'s Trades Union Congress
Riccardo Perissich
Director-General for Industry of the European Commission
Konrad Seitz
Ambassador of the Federal Republic of Germany to Italy
Karel Van Miert
European Commissioner for Competition Policy

Discussion Paper No.5, September 1994:

Is the West doing enough for Eastern Europe ?

Vladimír Dlouhý
Trade and Industry Minister of the Czech Republic
Ferdinand Piëch
Chairman of the board of Volkswagen
Hanna Suchocka
Former Prime Minister of the Republic of Poland
Hans van den Broek
European Commissioner for External Political Relations
Zhelyu Zhelev
President of the Republic of Bulgaria

Discussion Paper No.6, January 1995:

What future for the European Commission ?

Etienne Davignon
Chairman of the board of Société Générale de Belgique
Niels Ersbøll
Former Secretary-General of the Council of the European Union
Karl Lamers
Foreign policy spokesman of the CDU/CSU, in the German *Bundestag*
David Martin
Vice-President of the European Parliament
Emile Noël
Former Secretary-General of the European Commission
Frank Vibert
Director of the European Policy Forum, London

Discussion Paper No.7, June 1995:

Do we need a new EU budget deal ?

Hendrik Jan Brouwer
Treasurer-General of the Dutch Ministry of Finance
Michael Butler
Former U.K.'s Permanent Representative to the European Community
Efthymios Christodoulou
MEP and former Governor of the National Bank of Greece
Bernhard Friedmann
German member of the European Court of Auditors
Christiane Scrivener
European Commissioner for Customs and Taxation
Carlos Westendorp
Spanish Secretary of State for European Affairs

DISCUSSION PAPER NO.8, DECEMBER 1995:

How can the EU's voters have their say?

PADDY ASHDOWN
MP, leader of the U.K.'s Social and Liberal Democrats
ENRIQUE BARÓN CRESPO
MEP and member of the European Socialists Group
DOMINIQUE BOCQUET
Secretary-General of the French section of the European Movement
JENS-PETER BONDE
MEP and co-president of the Group of the Europe of Nations
ELMAR BROK
MEP and Chairman of the CDU Federal Advisory Committee on Foreign Policy
MATS HELLSTRÖM
Swedish Minister for Foreign Trade and European Union Affairs
GEORGE ROBERTSON
MP, Labour Party's Shadow Secretary of State for Scotland
MARTIN SEIDEL
Legal adviser, German Federal Ministry of Economic Affairs

DISCUSSION PAPER NO.9, APRIL 1996:

In a larger EU, can all member states be equal?

BENIAMINO ANDREATTA
MP, leader of the Italian Popular Party
JEAN-LOUIS BOURLANGES
MEP, President of the French section of the European Mouvement
HENNING CHRISTOPHERSEN
Former Vice-President of the European Commission in charge of Economic and Financial matters
MICHAL LOBKOWICZ
MP, foreign policy spokesman of the Christian Democratic Party (KDS) group, Czech Republic

DISCUSSION PAPER NO.10, JUNE 1996:

Does Europe need a Constitution?

JOSÉ LUIS DA CRUZ VILAÇA
Former President, European Court of Justice
FERNAND H. J. HERMAN
Member of the European Parliament
GEOFFREY HOWE
Former U.K. Secretary of State for Foreign and Commonwealth Affairs
GIANFRANCO MIGLIO
Member of the Italian Senate
RENÉ STEICHEN
Former European Commissioner for Agriculture and rural development
HEIDEMARIE WIECZOREK-ZEUL and JÜRGEN MEYER
Spokespersons on European Affairs for Germany's Social Democratic Party (SPD)

DISCUSSION PAPER NO.11, NOVEMBER 1996:

Is the Single Market working?

LORD COCKFIELD
Former Vice-President of the Commission
JOSÉ MARÍA CUEVAS
President of the Spanish Confederation of Employers (CEOE)
HANS-DIETRICH GENSCHER
Former German Minister of Foreign Affairs
TUULIKKI KANNISTO
Director of the Central Organisation of Finnish Trade

Unions (SAK)
MARIO MONTI
EU Commissioner for the Internal Market
YANNOS PAPANDONIOU
Greek Minister of National Economy
LUBOMÍR SOUDEK
President of Skoda a.s.
KARL VON WOGAU
MEP, Chairman of the Committee on Economic and Monetary Affairs
LAURENCE B. LINDSEY
Former Member of the Board of the Federal Reserve System
LOUKAS TSOUKALIS
Director of European Economic Studies, College of Europe
FRANZ VRANITZKY
Head of the OSCE Mission to Albania and former Austrian Chancellor

DISCUSSION PAPER NO.12, APRIL 1997:

How much popular support is there for the EU ?

EMMA BONINO
Member of the European Commission
ANTHONY KING
Professor of Government, University of Essex
CLAUS LARASS
Editor-in-Chief, *Bild Zeitung*
ABEL MATUTES
Spain's Foreign Affairs Minister
NICOLE NOTAT
Head of the French Confédération Française Démocratique du Travail (CFDT)
ANTON PELINKA
Professor of Political Science, University of Innsbruck

DISCUSSION PAPER NO.13, SEPTEMBER 1997:

What global role for the EU ?

CARL BILDT
Former Prime Minister of Sweden and EU High Representative
CLAUDE CHEYSSON
Former Member of the Commission
BILL JORDAN
Secretary-General, International Confederation of Free Trade Unions (ICFTU)

DISCUSSION PAPER NO.14, NOVEMBER 1997:

How can Europe prevent conflicts ?

MARK EYSKENS
Former Prime Minister of Belgium and member of the Board of Trustees of the International Crisis Group
LORD OWEN
Former EU Representative in the Yugoslav crisis
MICHEL ROCARD
Former French PM and promoter of the Centre for Active Crisis Prevention
ADAM DANIEL ROTFELD
Director, Stockholm International Peace Research Institute (SIPRI)
GERHARD SCHRÖDER
Minister President of Lower-Saxony
ABDULLAH TOUKAN
Deputy Director of the National Security Council of Jordan

Reactions to the Philip Morris Institute's Papers

PMI Discussion Papers each receive some 500 letters of comment from PMI's 20,000 readers

"I have found this paper most valuable."
SIR EDWARD HEATH, Former Prime Minister of the United Kingdom. Discussion Paper No.1, October 93

"The migration question is certainly one of the most important and controversial themes of today. The reports in your publication illuminate this question from different perspectives and are therefore an important contribution to the current debate."
KLAUS KINKEL, German Minister of Foreign Affairs
Discussion Paper No.1, October 93

"I noted with great interest the extremely diverse contributions in this Discussion Paper, which outline in a precise and original manner the new problem of security that is particular to Europe."
ALAIN JUPPÉ, France's Minister of Foreign Affairs
Discussion Paper No.2, December 93

"I very much appreciated you sending me a copy of the latest Discussion Paper to be published by the Philip Morris Institute..., which I have found very rewarding to read."
JEAN-LUC DEHAENE, Prime Minister of Belgium
Discussion Paper No.3, April 94

"The various contributions contain a lively and committed discussion of this great European project and prove in their overwhelming majority that they are based on an element of Europe's future reality. I welcome the initiative taken by your Institute in European matters."
HELMUT KOHL, Chancellor of the Federal Republic of Germany . Discussion Paper No.3, April 94

"The book published by the Philip Morris Institute will certainly add some new views to the general European debate on the positive and negative aspects of the European Monetary Union."
LECH WALESA, President of Poland
Discussion Paper No.3, April 94

"The Discussion Papers put out by the Philip Morris Institute do an excellent job."
STUART E. EIZENSTAT, United States Ambassador to the European Communities. Discussion Paper No.4, June 94

"This publication addresses vividly one of the crucial questions in Europe today."
JACQUES VANDAMME, Chairman of the Trans European Policy Studies Association, Belgium
Discussion Paper No.4, June 94

"I very much enjoyed reading this publication."
HUGO PAEMEN, Deputy Director-General of DG I, European Commission. Discussion Paper No.5, November 94

"I congratulate your on the high-standard of work."
CONSTANTINE MITSOTAKIS, President of the Greek Republic
Discussion Paper No.5, November 94

"I found the papers very thought provoking - this is hardly surprising given the stature of their authors."
E.A.J. GEORGE, The Governor, Bank of England
Discussion Paper No.6, January 95

"The publications constitute a valuable source of information and contain much food for thought."
E. LANDABURU, Director General for Regional Policy, European Commission. Discussion Paper No.7, June 95

"The Discussion Paper will make an important contribution to the preparations for the Intergovernmental Conference."
FIELD MARSHAL SIR RICHARD VINCENT, Chairman of the North Atlantic Military Committee
Discussion Paper No.8, December 95

"It is one of the best publications I have read on this subject. Keep them coming."
ANEURIN HUGHES, Ambassador and head of the Delegation of the European Commission to Australia and New Zealand
Discussion Paper No.9, April 96

"I find the Discussion Paper very interesting and informative. I really do believe that such a debate will help the work of the Intergovernmental Conference."
PROF. JURE RADIC, Vice Prime Minister and Minister of Development and Reconstruction, Republic of Croatia
Discussion Paper No.9, April 96

"It is an excellent document of value to all those concerned with the subject."
J.M. LITTLE, Chairman, Section for Industry, European Communities Economic and Social Committee
Discussion Paper No.11, November 96

"The publications are fascinating... I do not know comparable publications on the market."
DR. KONRAD NEUNDÖRFER, Delegate-General of the Foreign Trade Association (FTA)
Discussion Paper No.11, November 96

"I wish to compliment the Institute on its excellent publication on Popular Support for the EU. It serves as a valuable record of how much work remains to be done to increase European awareness among EU citizens, Europe wide."
JANE MORRICE, Head of Office, European Commission Office in Nothern Ireland
Discussion Paper No.12, April 1997

"The Conservative Party seems to be stuck in the groove of opposing further integration in Europe and it is helpful to have such a comprehensive range of opinion saying how this is out of line with much European thinking."
PETER VIGGERS, British Member of Parliament
Discussion Paper No.13, September 97

The Philip Morris Institute Europe Prize

In November 1996, the Institute awarded the first Philip Morris Institute Europe Prize at a ceremony in Brussels which was attended by more than 200 journalists, EU officials and others. Six awards, including the Ecu 15,000 Europe Prize, were presented by former European Commissioner and WTO Director Peter Sutherland in a contest which generated 2,136 entries from 67 countries on the theme *"What Europe for the New Millennium?"*

In March 1997, the Philip Morris Institute launched the second Europe Prize competition on the theme *"Does Europe Matter?"* The theme prompted nearly 1,000 entries from 43 different countries. The winning authors, from Belgium, France, Germany and the United Kingdom, will be recognised at a ceremony in February 1998, at which former European Commission Vice President Etienne Davignon will present the Europe Prize and runners-up awards.

The Europe Prize is intended to provoke debate and discussion among a worldwide audience on the future of Europe. Entrants are asked to submit a 300-word synopsis. The Europe Prize jury, made up of senior editors from some of Europe's leading publications, invites the authors of the best synopses to produce full-length articles of up to 2,000 words. From these articles, the jury awards the main Europe Prize, two runners-up whose prizes of Ecu 6,000 and Ecu 4,000, and a possible youth prize of Ecu 5,000 for authors aged 18-28.

The Jury: **Miguel Angel Aguilar** Secretary General, *Association of European Journalists* and Columnist, *El País*, Madrid; **Alberto Cavallari** Columnist, *La Repubblica*, Rome; **Robert Donahue** Editorial Page Editor, *International Herald Tribune*, Paris; **Josef Joffe** Foreign Editor, *Süddeutsche Zeitung*, Munich; **Ben Knapen** Former Editor-in-Chief, *NRC Handelsblad*, Rotterdam; **Philippe Lemaître** European Correspondent, *Le Monde*, Paris; **Giles Merritt** Director, The Philip Morris Institute; **Mitja Mersol** Editor-in-Chief, *DELO Daily*, Ljubljana; **John Pretenderis** Political Editor, *TO VIMA*, Athens; **Christopher Redman** Editor, *Time International*, London; **Mats Svegfors** Editor-in-Chief, *Svenska Dagbladet*, Stockholm; **Françoise van de Moortel** Former Editor-in-Chief, RTBF, Brussels.

Instituto Affari Internazionali

The Istituto Affari Internazionali (IAI) was founded in October 1965 on the initiative of Altiero Spinelli, its first director, and with the support of the Fondazione Adriano Olivetti, l'Associazione di cultura e politica "Il Mulino", Centro Studi "Nord e Sud" and the Ford Foundation.

A non-profit organisation, it is funded by individual and corporate members, public and private organisations, major international foundations, and by a standing grant from the Italian Ministry of Foreign Affairs.

The main objective of the Institute is to promote understanding of the problems of international politics through studies, research, meetings and publications, with the aim of increasing the opportunities of all countries to move in the direction of supranational organisation, democratic freedom and social justice.

An interdisciplinary approach together with policy-oriented objectives characterise the Institute's analysis of international events. The IAI strives to maintain a global perspective, evaluating Italian positions with respect to those of other international actors. To this end, the Institute has involved an increasing number of foreign researchers in its projects, and has strengthened its ties with similar institutes abroad through regular bilateral and multilateral meetings.

The IAI belongs to a number of international networks of research centres. These include: the Council for Asia-Europe Cooperation (CAEC), the Conflict Prevention Network (CPN), the European Strategy Group (ESG), the Euro-Mediterranean Study Commission (EuroMeSCo), and the Trans European Policy Studies Association (TEPSA).

The activities of the IAI are organised broadly as follows:

- public meetings and conferences;
- bilateral meetings with other Italian institutes and foreign counterparts;
- study groups and seminars related to research topics;
- meetings of the Fora on economy, eastern Europe, the Mediterranean and security;
- lectures by foreign and Italian guest speakers;
- publication of reviews, working papers, books and quarterlies and a comprehensive library service.

Istituto Affari Internazionali
Via Angelo Brunetti, 9 - 00186 Rome, Italy
Tel: 39.6.3224360, fax: 39.6.3224363 - Website: http:www4.iol.it/iai