

LADIES AND GENTLEMEN

May I first of all thank the Atlantic Council for giving me this opportunity of addressing you here in Washington. American leadership in the new world order is clear. The leadership given by President Bush in these last twelve months has been crucial and inspiring. The American model of market democracy is now accepted as the only sensible and acceptable political and economic system. Add to this that I am a life long admirer of the United States solutions and you will understand my joy at being here in Washington. It is indeed an honor.

On a personal note I can explain that my attachment for this country is sometimes reflected in my clothing, not the business blue you see me in today, but my sports clothing, my Dallas Cowboys sweatshirt. Apologies to any Redskins fans present but since I was appointed an honorary citizen I wear Cowboys sweatshirts during my daily workouts.

Ladies and gentlemen, we are living in historic times. The events of the last, month are difficult to comprehend, almost unbelievable. As one who spent almost five years in hiding or under direct threat from the communists, one raised under Soviet regime, the last 23 days are wonderful, emotional and unbelievable.

I would like to outline my perspective of the historic changes we are witnessing, not the changes of the last month but of the last two years, since the last month can only be understood by looking back to 1989, and perhaps even earlier, to the beginning of the eighties.

Last month began eleven years ago in 1980 with the growth of Solidarity. The Solidarity Movement brought hope to the whole region. The resistance to communism started in Gdansk. It took time to convince people, ordinary people, that there was an alternative. The seed took root, political opposition groups worked hard, and of course the reward came in 1989. The bankruptcy of communist economics, and the popular support for Solidarity, forced the communists to the Round Table and opened the door for the Mazowiecki government of 1989.

The significance of President Bush's support at this time cannot be overstated. As a newly elected member of Parliament, I remember well his address to the Polish Parliament. One paragraph I will never forget. It went as follows:

"For decades, beginning with the Versailles Peace Conference, the United States has stood for Polish independence, freedom and prosperity. We are proud of our early and long-standing commitment to Polish self-determination. As Americas President, I am here today to reaffirm that commitment."

That commitment was crucial and decisive. That commitment opened the door in Poland to democracy. And once Poland achieved democracy, it was inevitable the rest of Central and Eastern Europe would follow. The sequence is well known. The Velvet Revolution in Czechoslovakia. The fall of the Berlin Wall. And now the collapse of communism in the Soviet Union itself. Poland and Solidarity, the United States and President Bush, can feel justifiably proud.

So we have historic events and exciting times. But make no mistake, establishing democracy and the market in Central and Eastern Europe is tough. In two years we've made plenty of progress but we've also made plenty of mistakes. Impossible not to when you are forced to be pathfinder. But what I'd like to share with you today are my thoughts on how we can anchor the security of Central and Eastern Europe and ensure the survival of democracy and the market, the two cornerstones of our new found freedom. And I'd like to comment on the republics that make up the Soviet Union. What can they learn from the Polish experience.

The political security of Central and Eastern Europe depends, I believe, on five elements, some internal to the region and some external. Those five elements are:

- the democratic tradition and European roots of Central and East European countries;
- the continued support and commitment of the United States;
- the early entry of the region into the European Community and the family of European institutions;
- the NATO umbrella; and
- close cooperation between the countries of the region.

And of course the outcome in the Soviet Union, a sixth factor, perhaps beyond our control, but not, I believe beyond our influence, is so important

for us in Central and Eastern Europe.

The first element is crucial but sometimes forgotten. The political stability of Poland, and of Hungary and the Czech and Slovak Republic, depends on the re-establishment of their European democratic traditions. The democratic traditions of the region are strong and because of this I am optimistic about survival of the democratic process. The post-war East-West division of Europe and the external imposition of communism had no historical roots. With no basis in the past, the division has no relevance for the future. Historical perspective is important to avoid the distortion of personal experience. Historical perspective clearly shows Poland having a thousand years of European traditions. It puts the insanity of four decades of communism into place, a short lived interruption in the natural democratic evolution of continental Europe. And Poland is at the heart of Europe and those democratic and cultural traditions. Go back six centuries to find the first European universities and you will find them in Poland.

Let me return to the role of the United States in the political security of Poland and of the region. That speech of George Bush to the Polish Parliament in 1989 captured the essence of the American-Polish relationship. A relationship clearly bound by ties of kinship and culture but more than this. Similar constitutions, 1787 here, 1791 in Poland, that lay down fundamental freedoms and protect the rights of the individual. America and Poland share common values, the freedom of the individual is a fundamental belief in both societies. Two years later, two years after that Polish speech, the leadership role of the United States is even more important and the leadership role of the President. Poland which shares so much with the United States warmly welcomes that increased responsibility and looks to the U.S. for moral and political support:

- in its efforts to guarantee those constitutional freedoms;
- in its attempt to establish a market economy; and
- in its work to achieve a secure and prosperous future for its people.

The third aspect of political security I mentioned was the need to accelerate membership of the European Community. Poland, Hungary and the Czech-Slovak Republic do not want to join Europe - they are already in Europe.

They were never anywhere else. The short-lived artificial division of Europe needs to be fully removed. And Europe needs to acknowledge the historical accident, the division that gave prosperity to half" and economic damnation to the rest. This can only be done with a fully integrated continent. Poland needs security and Europe needs a secure Poland. Full integration is the only answer. All three Central and East European countries have experienced problems in negotiating our Association Agreements with the Community. Vested interests in protected markets are the source of the problem. What we need is breakthrough in political will. The peoples of Central and Eastern Europe need economic hope, particularly the young. That economic hope is to be full Europeans. Western Europe should open its doors. A re-united continent offers greater prosperity for all Europeans, West as well as East. It is in Western Europe's interests to expand the Community - to release and enhance the power of competition.

It is an unarguable fact that the NATO umbrella gave Europe four decades of peace. The common security interests of Western Europe and the United States led to common action on defence and gave the West a prolonged period of peaceful stability on which to build its postwar prosperity. Those common security interests were not simply based on a common external threat but on the shared values of democracy and individual freedom. Now that the continent of Europe is reunited and all the countries of Europe share those same values it is time to extend the NATO umbrella so that it includes Central and Eastern Europe.

It was clearly a mistake of the first Solidarity government to delay on pushing for the removal of Soviet troops on Polish soil. We clearly need to accelerate this withdrawal and our firm intention is that all Soviet troops will have left by the end of 1992.

Any American student of European history must be struck by the apparent endless squabbles of neighbouring European states. And we in Central and Eastern Europe are as historically guilty on this accusation as any other European region. Cooperation is not a word that springs to mind when historians look at the relations between Poles, Hungarians and Czechs. This discord is, though, I believe a thing of the past. Our new found spirit of cooperation is documented in the Visegrad Declaration. As an example, following the Monday coup,

the three countries convened ministerial consultations within 24 hours. All three countries have the same two common objectives: democracy; and the market. All three countries are struggling with the same problems of economic transformation. And all three countries face the same security issues. There is a genuine spirit of cooperation which will frame, I believe, the identity of our region.

Poland's regional cooperation is not limited either to the relations between the three emerging market democracies. We are forging closer ties with our larger neighbours. The recently signed Friendship Treaty between Poland and Germany is, I think, a watershed agreement. The treaty lays the ground for a new perspective on German-Polish relations and it will be fulfilled by closer and closer links between the life and peoples of both countries.

The sixth point I mentioned as critical for the regions political security was the future of the Soviet Union, or whatever political form the fifteen republics will take. Poland's foreign policy before the attempted coup was based on a two level approach. On one level, correct and proper relations with the Union and on a second level, the development of ties with the four republics that border Poland: Russia; the Ukraine; Lithuania; and Byelorussia. Now, following the events of the last month, like the rest of the world we anxiously await the daily reports. We are hopeful but we are apprehensive. In some ways the uncertainty of the situation makes our security more important than ever and places more emphasis on the elements I have previously outlined: U.S. support; E.C. membership; the NATO umbrella; and regional cooperation.

For a moment let me speak about economic security.

I am convinced of two fundamental truths:

- first, that without political reform, without democracy, there cannot be economic reform. For one simple reason. There has to be a mandate from the people, a mandate to accept the hardship that goes with radical economic reform. Markovic of Yugoslavia has achieved fantastic results in economic reforms only to see everything evaporate in ethnic conflict;

- the second fundamental truth is this. The amount of time given by the people to achieve economic success is limited. Reforms must be seen to be having success, and having an impact quickly, as this is essential to maintain the willingness to endure hardship. If reforms fail, this threatens a path that leads to anarchy and chaos. History teaches us very clearly that poverty breeds despair and despair breeds nationalism and the erosion, or even removal, of democracy. Central and Eastern Europe has a wonderful window of opportunity which it and its friends must not squander.

Economic reform has to succeed and has to be based on the bedrock of democracy. There is no acceptable alternative to the democratic way. None.

And the Soviet Union? In April I gave a speech at Chatham House in London where I expressed my opinion on the Soviet Union. At that time I forecast only two possible outcomes. Either an authoritarian take-over by the military or the start of the slow process of installing democracy. I didn't realise that four months later I would be twice right: we would witness both outcomes in the course of the same week.

And can the Soviet Union learn from Poland's experience? We are two years on, two years into the most radical political and economic reform program the world has ever seen. Can the Polish model be applied to the Soviet Union or its individual republics?

On the political and social dimension to this question my opinion may surprise you. But in terms of politics and society, I believe it is not Poland that the Soviet Union should copy but the United States. Poland has national identity and like the Jewish people is famous for its national cohesion and sense of national identity. The Soviet Union has no such national unity. Whether it follows the option of confederation, or of more or less independent states, it would do well to study the United States and this country's admirable ability to absorb immigrants. This country's ability to take people from totally diverse ethnic and cultural backgrounds and somehow happily to integrate them. The Soviet Union would do well to model the U.S.

One political dimension from Poland that may be relevant to the Soviet Union is the lesson of Solidarity, the "Solidarity Solution" to change. The Solidarity experience is clear - that peaceful transition is possible. The popular will for change, the resolution to avoid violence, and continual dialogue with the people means that revolutions do not have to spill blood. This is the Solidarity way. And we pray it will be the model for change in the republics of the Soviet Union. Poland is watching the Soviet events with mixed feelings:

- joy caused by democracy because we have progress in the new independent Baltic States; and
- fear that the disintegration of the Soviet Union may be the repetition of the Yugoslav tragedy.

On economic change, on the transformation from communist state planning to a market economy, clearly Poland can offer some valuable experience to the Soviet Union. The well publicised Yavlinsky Plan is on close examination a copy of what we implemented in Poland. The elements are the same: a stabilisation program; the liberalisation of prices; the fast promotion of private property; a massive privatisation program; opening of the economy to trade and investment; and severe restrictions on government intervening in the economy. The phasing of the program is also the same: a stage one consisting of stabilisation and market reforms: and a stage two consisting of privatisation-and structural change. The approach is clearly the same.

Let me though add strong words of caution in case people think reforming the Soviet economy is like building a house - simply apply the Polish blueprint.

In Poland we achieved remarkable success. The stabilisation program was untested, was brave and it worked. Phase one of the program held. With the exception of a small adjustment to counter movements in German - US exchange rates, Poland has enjoyed a stable' exchange rate for nearly two years. Unbelievable given the bankruptcy of the currency in 1989. Stage one of Poland's economic program was without doubt a miraculous success.

But on stage two, the structural reforms of the underlying micro economy, we underestimated two mammoth problems:

- we thought we had a banking system when we had nothing of the kind; and
- we thought enterprise managers would respond to market signals, when in fact a lifetime spent in communism meant they were incapable of recognising market signals, let alone responding to them.

These two core problems, the weakness of the banking system and the lack of management expertise, are currently severely hampering the Polish economic reforms. And they are not easy problems to crack. We are in the process of putting in Western banking expertise to help remove the weaknesses inherent in the Polish state owned banks. A concerted effort involving the international institutions and Western banks is now under way and that coupled with the privatisation of Poland's banks offers a solution to the problem. But the delay in solving our banking problems has proved expensive.

The absence of good enterprise managers is also a very tough problem. Clearly the best use of Western assistance is not in investment in hardware but in management expertise, massive programs are needed to train young Polish managers and we need an influx of Polish-speaking managers trained in the West.

When I take these two lessons from Poland and apply them to the Soviet Union then I am not optimistic. Poland has had to erase 45 years of communism, long enough but not so long that Poland's natural entrepreneurial energy

was lost. For example Poland never lost its private farming and private sector base. 15 million Poles live abroad. But the Soviet Union faces 70 years of communism and has been much more isolated than Poland ever was. The problems there will be on a scale almost unimaginable.

But we musn't miss this window of opportunity. This is an historic moment. And we have a duty of responsibility to make sure democracy and the market takes root. If we succeed, and the burden is clearly on this generation to go out and do it then indeed we will be well remembered.

In practice that means we Poles, Czechs and Hungarians continuing on the hard road of economic reform and of holding firm to the democratic process. In practice that means the US providing moral, political and economic support to the region. And in practice that means the European Community opening its doors and finally erasing the division of Europe.

Thank you.

Ladies and gentlemen, let's make it happen.