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Europe

Big bang in slow motion

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Eastward enlargement of the European Union was not an historical necessity after the fall of the Berlin wall. The only exception was former East Germany, where German unification in 1990 represented the first actual enlargement of the EU - then the European Community - towards the East. German unification was decided in a popular and unilateral way, and the rest of Europe had to swallow its consequences.

[<https://npa31.org/IMG/jpg/33euf.jpg>]

The current enlargement round has been called the 'big bang' because it is taking place with ten states at once. However, this is a big bang in slow motion since, unlike the German case, it has been taking place in a multilateral and bureaucratic way, within a time span of more than ten years.

In the history of post-communist re-integration, there have been two major decisions that shaped the institutional framework for the Eastern bloc (apart from East Germany). First, in June 1993, the EU summit in Copenhagen announced that the former socialist countries could eventually become members of the union, provided they comply with particular criteria in both politics and economics. Second, at the end of 1999, the EU announced its readiness for a broad enlargement up to ten new member states in the East and the Mediterranean. Both decisions were made for good reasons.

In the early 1990s, the so-called transition to the market economy demanded a 20-30 per cent decline in GDP from the post-communist economies. The nations that freed themselves from the hug of the Russian bear realized that soon they would drown in the stormy ocean of the global markets, or they would be drawn into those by the IMF and the World Bank. The London based EBRD (European Bank for Reconstruction and Development) remained a shadow of its promised self under the presidency of first Jacques Attali and later Jacques de Larosiere, and Phare aid [the EU's largest non-refundable finance programme] never amounted to a level anyone would have called serious. A 'Marshall Plan' for the East was repeatedly ruled out with the argument that in our times private capital investment plays the same role. In addition, Brussels started to make free trade agreements with the governments of East Central Europe, which rapidly changed the trade balance of the two regions to the benefit of the West.

Having spent four decades in a bath of crocodile tears, and witnessing the dismal consequences of neoliberal economics in the East, Western Europe was unable to reject the demands that the Eastern gates of the Union should be left open, even if Eastern applicants would have to wait until Austria and the Nordic states settle themselves inside the fortress.

In the mid 1990s, the Eastern policy of the EU was based on the assumption that the promise of accession and the case-by-case measurement of country performance provided sufficient leverage to generate reforms, harmonization and adjustment among the applicants, and the early promise of Eastward openness could be fulfilled by just a couple of show cases. The factor that destroyed this strategy was the war launched by NATO against Yugoslavia, without the approval of the United Nations, in Spring 1999. Western governments realized that if they did not want to leave the job of stabilization to the US air force, they needed to do something region wide. Under the presidency of Finland, the EU came out with the policy of the big bang, which was of course an insult to the top performers of the Copenhagen criteria and legal harmonization, but more adequate to handle the general problems of East-Central Europe and prevent the total Balkanization of this region.

The motives in the East can be detected more easily. For a while in the 1990s, the new political elites in the East feared restoration and in order to consolidate the achievements of the transition they wanted to join everything

Western. NATO or EU, it doesn't matter, whichever comes sooner we join - that was the mood of the mid-90s. For a few countries in the middle of the region, namely Poland, Hungary and the Czech Republic, NATO came first. They were happy to take advantage of the 'window of opportunity' partly because they interpreted NATO membership as an advance leap towards membership in the EU as well.

The endeavour of joining the 'Euro-Atlantic community' has made much of the Eastern political elites blind to the emerging divisions between North America and Western Europe, and the repercussions of that came to damage intra-European confidence before and during the recent war against Iraq, in the period before the accession treaties had to be signed in Athens and put to referendum in the accession countries themselves. Nevertheless, it is clear that accession to the EU is not a deliberate choice between America and Franco-German Europe in the eyes of the new member states.

[<https://npa31.org/IMG/jpg/34uae.jpg>]

Another paradox of the enlargement deal is that by the time that the ten country accession became reality, the EU had locked itself into a situation where financial assistance to the new members must be kept at a minimum level. At the same time, the pro-European Easterners have also locked themselves into a situation in which they were prepared to accept virtually anything if accession can eventually take place. It is undeniable that the perspective of EU membership has generated business confidence in recent years, but it is also true that accession to the EU will manifest itself in hardly noticeable improvements in the coming years. Most people in the East do not see this as fair compensation for the losses, sacrifices and adjustment of the 1990s.

The extremely low turnout in Hungary at the referendum on EU membership is clearly a judgment on what terms the EU offers in a material sense to this country that otherwise has always been the most enthusiastic of the candidates. This is also an expression of disillusionment with the whole transition process that started in the apparently euphoric year of 1989. The IMF or the World Bank have never exposed themselves to a referendum, and now much of the economic disappointment is expressed against the European Union, which is actually the only organization that holds at least the potential to rectify this decade long market failure. Short of tangible material gains, pro-Europeans in Hungary had to rely on historical arguments like "EU accession would undo the consequences of World War One", a story that would hardly be functional in Poland.

Of course, some arguments from the pro-EU camp itself have hurt the cause of accession. Some economic experts had claimed that joining the EU would demand an adjustment similar to the early 1990s, which obviously frightens the survivors of those times. It was not a good advert either when EU-enthusiasts who wanted to turn the weak negotiating position of the applicant governments into a virtue claimed that we should not expect ourselves to be able to influence the rules of the club we want to join. Such claims do not bring an allegedly democratic community closer to the hearts of people with still vivid memories of relations with another great Union.

In certain areas of integration, misconceptions are still in progress. Similarly to the failure to distinguish between the importance of joining NATO and the EU, the political circles leading the new East-Central bloc are headed towards another failure which is the inability to separate accession to the EU from the introduction of the euro. The Maastricht criteria have caused long-term headaches to a multitude of ministers in the West in the 1990s, and macroeconomic adjustment is expected to be even more painful in countries where the economies are still catching up and a rate of inflation that does not threaten real economic growth is estimated to be higher than the Western average. A forced compliance with Maastricht and the stability and growth pact can easily result in a break down of economic progress in the region, with appalling consequences for the pro-European political tendencies and free supply of political ammunition to the anti-European nationalists.

The widespread ignorance about the monetary problems shows that the mismanaged unification of the two Germanys has not been sufficiently studied by other re-capitalized countries of the region, and some of those might

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as well be repeated in the coming years. In order to find a better way, therefore, one should see that German unification was not a pilot project for the coming Eastward enlargement. If the single market with the single currency is compared to the arrangements of the United States, one can argue that the Eastward enlargement is as if Mexico was adopted as the 51st state of the US.

The development gap between East and West can only be treated with a level of re-distribution at least twice as high as the current level. At present, such an idea looks like a non-starter in Brussels. At the end of the day, however, Europe will have to open itself to new economic solutions to handle the new types of problems that the newcomers bring with themselves into the enlarged Union.