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## **E.U. AND „MADE EASTERN EUROPE REFORM”: FROM OLD PERESTROIKA (RESTRUCTURING) TO NEW EUROPEAN (CONSTRUCTION)**

*Anca Parmena OLIMID*

For European Union and Eastern Europe, the immediate legacy of the Cold War was the decisive torn-parts of the world history, because the dangerous „ myth of the red cell” and the Soviet collapse in 1989 announced the new foreign policy of East. This analysis searches to be a key instrument for E.U. - Central and Eastern European countries political approach and economic adjustment. For the West, the communist system’s failure was evident and emphasis a new aspect for the East relations. In particular, this new Central and East reality concerns **three concentric circles:**

### *The first circle:*

#### **Rethinking of national interests: from *nostalgia time* to *european dream***

Many analyses agree that Eastern European policy reflects major changes. But what will be the internal situation? Why has economic growth or institutional reforms in some transition countries of Eastern Europe and the former Soviet Union been evident and stronger than in others ? Which will be the Western verdict: integration or rejection? If economic and politic reforms bring clear benefits for countries in transition, as Romania and Russia, why have some conservative forces been so reluctant to accept and promote them? What will be the new relation with these forces? These questions complicated an already complex transition, adding a new difficulty to reform program.

This analysis looks at the policy and institutional reforms that encourage the growth of new economies in transition while imposing financial discipline and responsibility on the old soviet economy inherited from the socialist past. The Stalinist system implemented after the Second World War and lasted until the 1990’s became a system collapsed incredibly quickly.

At the end of 1980’s, USSR believed they had solved the problem of *nationalism and ethnic conflict* within multinational state. But socialist planning was in fact the gravedigger of the Soviet system. At the center disintegrated, Gorbachev opened up the political process with

*glasnost* (openness)<sup>1</sup>. After 45 years of „successful” communist policy, the conservative forces gained considerable ground in key places, dealing the country’s future. In his 1992 Foreign Affairs article, „*Russia and Eastern Europe: Will the West Let Them Fail? America and the World*”, John Mroz agree that in 1990-1995 economic conditions declined dramatically in Russia, leading to rise of conservative forces and increased expressions of anti-capitalism.

Initially skeptical because of past experience, Eastern European transition announced a **rethinking of national interests**: from nostalgia time to european dream. After 1990, this „*made Eastern Europe reform*” potentially more dangerous than other predecessor, saves the East from the dangers of its own traditionally thinking, because the Cold War was not a simple case of Soviet expansionism and American reaction<sup>2</sup>. The end of the communist influence was the period of change after sixty years of hard communism. 1989 was called as *the pivotal year of 20<sup>th</sup> century*<sup>3</sup>. It was the year in which the events changed the military and politically face of Eastern Europe and its relation with European Union. The nostalgia time became „a dead illusion”. This period encompassed events in the USSR and Eastern Europe, transforming the post-Cold War and much of our century’s geopolitical landscape. For all specialists, the most striking characteristic of the relationships developed at the end of 1980’s was *compromise* rather than change.

The E.U.-Soviet relation has gone through several pendulum swings. The USSR renounced the „Brezhnev doctrine” and condemned the 1968 invasion of Czechoslovakia<sup>4</sup>; Romania was the bloody exception to the peaceful transition. E.U policy- makers call it „the bad side of freedom”: *perestroika* (restructuring) turned into *katarastroika*, a neologism that was heard more and more on Moscow’s streets as reform program faltered and then failed. Therefore, I would like to note the major concessions that Gorbachev agrees to do on arms control, withdrawn Soviet troops from the bloody Afghanistan, reject the existence and

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<sup>1</sup> Gerard K. Haines, *At Cold War’s End: U.S. Intelligence on the Soviet Union and Eastern Europe*, 1989-1991, published by The Center for the Study of Intelligence (CSI) of the Center Intelligence Agency and George W. Bush for Presidential Studies at Texas A&M University co-sponsoring the conference U.S. Intelligence and the End of Cold War on Texas A&M University Campus at College Station from 18 to 20 November 1999, p. 2

<sup>2</sup> For a general overview, see Courtois Stephane, Werth Nicolas, *Le livre noir de communism*, Robert Laffront, Paris, 1997.

<sup>3</sup> Neal Ascherson, *1989 stands out as a pivotal year in the 20 th century: Chain reaction ends Cold War*, Washington Times, April 26, 1999, p. A 17.

<sup>4</sup> Anca Parmena Popescu, *Les moyens d’intégration du bloc communist*, allocution at University of Lille 3, Lille, class of „Etudes européennes ” („European Studies”), Lille, 19 November, 2001, p. 4.

importance of the old-fashioned class warfare in favor of democratic values on Russian foreign policy.

Given the magnitude of these reforms and according to many experts observers, perestroika focused on the need to diminish the importance of Russian administration.

Decision-making and extensive programs were designed to guide the transfer from central planning to market economy. Given Gorbachev's determination to succeed, perestroika involved and stimulated a sense of partnership between East and West, acknowledging the Warsaw Pact will be abolished, democratic regimes in Eastern Europe and newfound freedoms of speech and religion as professor Gerhard Rempel from *Department of History of Western New England College* explains: the communist control system and over-centralization of power and new policies produced no economic miracles.

The West watched in disbelief reiterating the power of conservative elements in Gorbachev's own administration, because, for that matter, West dilemma regarded these *ideological theories*. For East, the introduced policies undoubtedly encounter domestic opposition. As a sustainable strategy for East, perestroika distinguished among other short-run perspectives, by exercising decisive influence over Russian later transition reform. Many West Europeans were painfully aware that before perestroika announcement West/East high priorities were increasingly divergent.

Other hypothesis was forming around 1990's: for Gorbachev was difficult to determine what East needed to provide as an adequate reform system, because, however, ideology played a traditional role in Russian traditional mentality, preserving and claiming its rule.

This selection is comprehensive, because Western question was simple: What were Gorbachev's intentions and motives?. Europeans initially regarded perestroika as a skeptical prospect, because it was the present image of socialism collapse, a wishful thinking about restoring dynamism to a communist system, but Gorbachev's reform set up a new price for Russian democratic future...

By late 1990, West analysts reached a consensus on perestroika policy goals. First of all, perestroika emphasis a continuation and intensification of current course of Russian economy that Gorbachev attempted to promote. Second of all, Russian reform system should implicate an unilateral agenda focused on actually optimistic view: the mutual interest West-

East by offering both concessions. The authors did, however, agree that the scenario two became possible after forming of Commonwealth of Independent States, Gorbachev's resignation and Boris Yeltsin election.

As in other war-torn parts of Europe's history, for Romanian and Russian post-communist transition added a dramatic disorientation to the uncertainty and trouble; there was a common perception of political transition: a growing sense of vulnerability and fear, dreams of new policy. In Russia, the *intelligentsia* (in the sense of the educated classes) are tenaciously and unobtrusively building up resistance to this sad state of affairs<sup>5</sup>. In such a volatile atmosphere, events and possible scenarios for the coming year could go in any number of directions. In their 1995 Foreign Affairs article: „*Map, Compass and Horizon: When? Why? With Whom?* ”, Dominique Moïsi and Michael Mertes expose a new theory: the communist's funeral brought only a brief respite from the shared sense of loss over the lack of common goals, dreams of new frontiers and unifying visions... In 1990's, Romanian transitions was still cautious; its initiative reflects a fundamental rethinking of national interests and ideology. Five years after the fall of Berlin Wall, Romania and Russia were „united” by their identity crises.

1990's events painted a depressing picture for most of former communist countries. Distracted by recession, Southeastern Europe made little headway in redefining its program, visions and priorities for a region changed by the collapse of Soviet power and its *ideology*.

### **The second circle:**

#### **From national reality ...**

For E.U., the freedom's advantage, its flexibility and tolerance for change, does not ensure that the recovery will be long and satisfying.

With the fall of the Berlin Wall in November 1989, Central and Eastern Europe began to confront an unknown process: „*transition*”. After ten years Russia and Romania are still coping with the demands and responsibilities of this process. Building free market economic systems, establishing democratic forms of governance is a complex, unknown and challenging

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<sup>5</sup> Claude Frioux, *Feeling the pinch/Painful transition for Russia's intellectuals*, from the web site du journal *Le Monde Diplomatique*: <http://mondediplo.com/1998/11/03frioux>, November 1998.

process. After the exercise of democracy in transition, we'll try to find a definition of transition. Like any intellectual project, transition is, first of all, a *historical interpretation*, proving to be the main measure facing the reappearance of court phenomena reminiscent of the old conservative forces promoting a new type of Stalinist personality cult...

For Romania, at the beginning of 1990's, there was a serious *risk of returning to traditionally communist system*. Recent political events in Eastern Europe cleared any suspicions: „*the communist rule in Eastern Europe was finished*”. This reality erodes Moscow's confidence in the ex-Warsaw Pact members. But the impact of the transition made possible the new scenario of Eastern Europe: clearly, it is primarily to the national governments to solve the problems in their regions. A real „union” has to concentrate different market policies based on some sort of spontaneous balance between national difficulties and their own responsibility in E.U. integration actions.

The progressive abandon of socialist planning appears inadequate in the light of communitarian cohesion. Taking into consideration this requirement any national plan has to develop and pursue its actions leading to the strengthening of its contribution to all community's policies and to the implementation of a new mentality aiming to fulfil the condition of integration convergence<sup>6</sup>. For instance, if Romania is to join the E.U. in 2007 as planned it will have to conclude this year all negotiations with Brussels in eight extremely sensitive areas including agriculture, environment, competition, justice and domestic policy.

This new concurrential environment has to face transition risks... Today over ten years, we come to accept that Eastern Europe have a different concept of *risk* in each national economy. In Romania, jobs might be lost to cheap imports from China or from West, because the reform cycle creates some anomalies-jobs, for instance. Indeed, cheap imports and cheap labour intolerable of employment necessitates a fresh look at human potential: effective access of continuing training in Western countries. This new objective was designed to stabilise and to promote Eastern employment (E.U. established *European Training Foundation* opened to public or private sector participation by non-Community countries).

In this period, the severity pressures coming from communitarian programs, the new economy, the rising living standards and class distinction become rigid. The nearly ten years of market reforms have failed to transform agriculture and industry. In Russia, however, since the

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<sup>6</sup> *OJL374* of 31.12.1988 (article 110 of the Regulation implementing the coordination of structural funds).

collapse of the ruble in late August, early September of 1998, all levels of Russian society are in danger; the meaning and importance of ruble will be enhanced further because transitions challenges will depreciate national currency. As in other Eastern country, the nearly seven years of market reforms have failed to transform agriculture and industry, and the devaluation of the ruble has made imports of food much more expensive, further straining Russians budgets<sup>7</sup>. These reasons explain the mutual interest for the region requiring compromise. Russia should pursue a major agenda, one *unilateral* and focused on *transition's reforms*. To ensure that the costs of economic change to the new economy posture do not overwhelm the benefits, Russian administration needed to carefully think and calculate the reform programs, in all their dimensions: the military planning, the population protection, the security architecture, the diplomatic costs. After 1990, each strategic period shares a political responsibility. Romania faced major challenges preventing hyperinflation, productivity, the severity of competitive pressures causing companies to keep reducing employment even after modest economic growth resumed in late 2000, the privatization and, for Russia, obtaining a better price for oil exports.

One of the most important factors missing from the Eastern reform program is a widespread knowledge of *capitalism*, new social classes, etc. We should also spare a word for the Russian and Romanian *political class* as such, which is so often written off - not without reason - and accused of being immature and corrupt. At the same time as Eastern accomplished some progress, Western investors were struggling against the problem of corruption. E.U. officials have been hoping that European assistance would signal the start of real reforms in Eastern Europe.

The region had to reform dysfunctional political system; beyond immediate costs, the recent Romanian political reforms are indeed vital. For Romania, its new transition goal was to reach a consensus on West policy goal, because in a world torn up between the often violent affirmation of communitarian identities and the exigency of a global homologation of conduct and values, it is possible to invent a space inhabited by an entirely new political subject?<sup>8</sup>.

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<sup>7</sup> Kristina Montgomery, *Transition to Market in Russia/Social aspects of the transition to market capitalism*, from web site: [http://econc10.bu.edu/economic\\_systems/economics/transit/overview/trans\\_overview\\_russia.htm](http://econc10.bu.edu/economic_systems/economics/transit/overview/trans_overview_russia.htm).

<sup>8</sup> Daniel Barbu, *From Hard Communism to Soft Populism. Some remarks on the Romanian Cultures of Nationhood*, *Studia Politica*, vol. I, Meridiane, p. 730.

Russia that Putin inherited was still a global power, a still strong and united one of world's two superpowers. Russian struggle with the old imperialist elite in the conservative parties and the ex-military-industrial complex culminated with domestic reforms.

I would like to admit that after twenty years, Putin's reform rationalises some old perestroika measures as a step forward. For example, Putin has to restore series of administration dilemmas, among them, reducing, simplifying and formalizing the right to buy and sell land-a pledge to reduce the immense dead weight of the state bureaucracy..."the superfluous presence of the state in the economy, said Putin recently, stifles entrepreneurship and encourage corruption"<sup>9</sup>, as Gorbachev sought transferred economic planning to the periphery, to the enterprise itself. Economic managers will be given the choice to decide what they produce. Putin's plan creates more independent economic players in the market, by promoting the pluralism in all its aspects.

Admittedly, for E.U. investors, the current Russian leader is much more ambitious than any other predecessor. If Putin is to succeed, he must convince West his reforms will produce results, by introducing policies designed to propose a compatible market economy with Western exigences.

To oversimplify, I believe that Putin's goal was to restore economic dynamism to an ideological system and revitalize Russia internationally to compete with the West. The authors did, however, agree that Russian political scenario predicted that Putin is about to become the second popularly reelected leader in Russian history, after Boris Yeltsin. They also agree the significance of *Russian economic transition*, predicting that it was about to become a „system change” and that Moscow's crisis completes the image of the „universal crisis of socialism”.

### **The third circle:**

#### **... to E.U. technical and financial assistance<sup>10</sup>**

While emphasising the importance of reform, this analysis also examines E.U. political strategies to push the reform process forward in different countries<sup>11</sup>. E.U has to face East

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<sup>9</sup> Christian Caryl and Frank Brown, *No more excuses*, Newsweek, 15 march, 2004, p.27

<sup>10</sup> For a general overview on E.U.-former Soviet countries new relation, see *Une Union forte pour un élargissement réussi*, Office des Publications Officielles des Communautés européennes, Luxembourg, 2000, p.2.



challenges: one of the most important factors missing from the Eastern reform program is a widespread knowledge of capitalism, new social classes, etc.

The most reasonable analysis for this period has to estimate *the regional geometry of interests*: U.S., Russia and Romania. This selection is comprehensive: the centrifugal forces were driven by the need of rethinking new tactical policies. 1990's exposed *the theory of compromise and mutual understanding* between Moscow and Bruxelles. Second of all, to oversimplify, Romanian reform goal was to restore *dynamism and peaceful relations*. Western observers a problem of in-equality of political and economic transition in former communist countries<sup>12</sup>; they see current policy changes as general and largely internal matters, driven by the need for longer term prospects: „in the peaceful future..., Romania will strengthen in another way, as a bridge to a new Russia. America and Romania are friends to the Russian people”<sup>13</sup>. The situation in which Romania find itself necessitates special efforts to promote economic and social cohesion and thus enable it to comply with the communitarian criteria required for passage to the first stage of E.U. regional policies.

The objectives of the social program are very close to regional policy and national traditions, because E.U. *regional assistance* does not seek to replace national policies. The states are the first ones who must solve the problems in their regions by promoting infrastructures and financial supporting job-creation investments. But democratization of the Eastern market democratized risks at all, because transition made clear that European union was not yet prepared to lead the way into a substantially new international system.

The possibilities for coordinating this objectives and means of new relation E.U.-Eastern Europe have been given careful consideration by new strategies and multiservices assistance given an international backdrop of economic crisis. Western declaration for helping East mobilised funds for projects, initiated conditions to ensure social compability West-East and persue a communitarian policy regardeless of Eastern level of economic developement.

For E.U. that was the moment to promote and develop a private sector in each Eastern country, designed as a framework for a communitarian action: **the operation PHARE ( Poland**

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<sup>11</sup> \*\*\*, *Agenda 2000. Renforcement et élargissement de l'Union Européenne*, Office des Publications Officielles des Communautés européennes, Bruxelles, 2001, p.9.

<sup>12</sup> \*\*\*, *Consommation éthique*, proposal of International Congres: „L'Assemblée mondiale des citoyens”, organized by „Alliance pour un monde responsable, pluriel et solidaire”, Lille, 4-10 December, 2001, p.8-9

<sup>13</sup> George W. Bush, *Weekly Compilation of Presidential Documents*, from the 2002 Presidential Documents Online via GPO Access [frwais.access.gpo.gov]/Remarks to the People of the Romania in Bucharest, November 23, p.2085-2086

**and Hungary: aid for economic restructuring**), extended in 1992 for almost all the countries of Central and Eastern Europe stated determination of E.U. in establishing common rules and equal condition of integration. The technical and financial assistance programmes agreed with the recipient countries in the framework of the PHARE programme place the emphasis on breaking up monopolies, privatisation, the restructuring of nationalised firms, etc.<sup>14</sup>.

There is also the support for transition to open market reforms coming from **Bank for Reconstruction and Development**, because, after 1990, this „*made Eastern Europe reform*” potentially more dangerous than other predecessor, is the major opportunity to save the East from the dangers of its own traditionally socialist thinking.

„**European agreements**” create a new dimension for communitarian commercial and economic support, creating specific links and reflecting the growing interdependence between the Community and the countries of Central and Eastern Europe, they incorporate provisions on the political dialogue and provide the free arrangement on industrial products.<sup>15</sup> East faces major challenges preventing hyperinflation, productivity, the severity of competitive pressures causing companies to keep reducing employment even after modest economic growth resumed in late 2000, the privatization and, for Russia, obtaining a better price for oil exports.

The *liberalization of capital movements* provides a new European recommendation: Western investors now can enjoy the facilities of national legal „framework”. Policymakers, analysts and experts agree a *free-market economy* in Russia will be available only if it will be found the best way to improve conditions within the nation. Russia continues to rely on other capitalist nations for help, and recently, a \$10.2 million (US equivalent) loan from the I.M.F. was given to Russia to aid in the restructuring of the economy and E.U. plan exposed in 1999 explain the new strategy for Russian future<sup>16</sup>. Authorities say that financial aid had not been made to anticipate Russian government victory in elections<sup>17</sup>.

In few years, the Community market will be opened to all Eastern products, by creating links and establishing a close relation attempting to compensate previous losses. The combination of politics, external influences, inefficiencies and system’s corruption could force the self-destruction of reform programs. Everyone from media to E.U. officials to Western

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<sup>14</sup> Nicholas Moussis, *Handbook of European Union*, EDIT-EUR, Rixensart, 1995, p.329.

<sup>15</sup> *OJ L319* of 21.12.1993 and *OJ C315* of 22.11.1993.

<sup>16</sup> \*\*\*, *L’Union Européenne dans le monde/ La Russie et les Nouveaux Etats indépendants*, Office des Publications Officielles des Communautés européennes, Bruxelles, 2001, p.8.

<sup>17</sup> Michael Kramer, *Rescuing Boris*, Time, July 15, 1996, p. 28-37.

investors hope that Vladimir Putin's victory this month would signal the start of real reforms in Russia. There is a theory suggesting Putin was only making the right noises to keep investors coming in<sup>18</sup>. Russians and Europeans as well no longer accept once reasonable explanations for why their lives and their standards never seem to improve. For European Union this is a new challenge, for East, its new transition goal is to reach a consensus on E.U. policy reform goal.

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<sup>18</sup> Frank Brown, *A Rushuffled Deck*, Newsweek, 22 march 2004, p.5.