TRANSFORMATION AND THE 'POLITICS OF CONDITIONALITY': A COMPARATIVE ANALYSIS OF POLAND AND ROMANIA UNTIL THE MID-1990s

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ABSTRACT

TRANSFORMATION AND THE 'POLITICS OF CONDITIONALITY':
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UNTIL THE MID-1990s

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This thesis examines the socio-economic transformation processes in Poland and Romania and aims to embed them in broader structural and historical context of changes. The main argument is that transformation processes in the states of Central and Eastern Europe are constituted by the global processes of change within a social totality. The study has three main objectives. First, it aims to provide a theoretical framework challenging the mainstream approaches methodologically/ontologically to point out to their limits and account for the dialectical relationship between the global and the internal. Second, to develop an account of the international context surrounding the transformation processes to highlight the nature of the global and hence to emphasise the unity of transformation and integration processes. As such, it critically interprets the social purpose of the international institutions and the European Union involvement in the policy-making of the states in the region through the changing techniques of monitoring, reporting and the process of negotiations. Third, to provide an analysis of the transformation processes in Poland and Romania as processes of the internationalisation of the state which would effectively help in examining the

constitutive role of the global in a dialectical relationship with the national level dynamics and changes. Integration with the global economy as well as Euro-Atlantic institutions was an integral element of the neo-liberal restructuring in Poland and Romania. Socio-economic transformation in the region with added dimensions of conditionality had important social consequences, thereby resulting in new forms of state-society relations.

Keywords: Transformation, Conditionality, Poland, Romania

ÖZ

DÖNÜŞÜM SÜRECİ VE 'KOŞULLAR POLİTİKASI':
1990'LI YILLARDA POLONYA VE ROMANYA
KARŞILAŞTIRMALI ANALİZİ

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Bu tez 1990'lı yıllarda Polonya ve Romanya'daki sosyoekonomik dönüşüm süreçlerini yapısal ve tarihsel değişimler ışığında incelemeyi hedeflemektedir. Tez, Orta ve Doğu Avrupa'daki dönüşüm süreçlerinin oluşmasında küresel değişim süreçlerinin sosyal bütünlük içerisinde önemli rol oynadığını ortaya koymaktadır. Çalışmanın üç ana amacı vardır. Tez, öncelikle, geleneksel yaklaşımları sorgulamayı ve kısıtlarını ortaya koyarak, iç ve dış etkenlerin diyalektik ilişkisinin önemini tanımlayan teorik bir çerçeve çizmeyi hedeflemektedir. İkinci olarak tez, dönüşüm süreçlerini çevreleyen uluslararası değişimin özelliklerini ve kontekstini ortaya koymayı ve böylelikle dönüşüm ve entegrasyon süreçlerinin bütünlüğünü tanımlamaya çalışacaktır. Dolayısıyla tez, uluslararası kuruluşların ve Avrupa Birliği'nin değişen denetleme, raporlama ve müzakere süreçleri ile bölge ülkelerinde politika üretme süreçlerine nasıl dahil olduğunu ve yaklaşımlarının sosyal amacını eleştirel bir bakışla yorumlamaktadır. Üçüncü olarak tez, Polonya ve Romanya'daki dönüşüm süreçlerini, ulusal ve uluslararası değişim dinamiklerinin etkileşimi ışığında küreselin rolünü analiz etmeyi mümkün kılan devletin uluslararasılaşması süreçleri olarak analiz etmektir. Küresel ekonomi ve

transatlantik kurumlar ile bütünleşme süreçleri Polonya ve Romanya dönüşüm süreçlerinin önemli bir entegral öğesi olmuştur. Bölgedeki sosyoekonomik dönüşüm sürecinin özellikle koşulluluk boyutu nedeniyle önemli sosyal etkileri olmuş ve yeni devlet-toplum ilişkilerine sebebiyet vermiştir.

Anahtar kelimeler: Dönüşüm, Koşullar, Polonya, Romanya

To my love, Ümit

and

To my parents

Bu tez Türkiye Bilimler Akademisi Sosyal Bilimlerde Yurtiçi - Yurtdışı Bütünleştirilmiş Doktora Burs Programı tarafından desteklenmiştir.

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TABLE OF CONTENTS

LIST OF TABLES

TABLES

LIST OF BOXES

BOXES

ABBREVATIONS

AWS	Solidarity Electoral Action
BBWR	Non-Party Reform Bloc
BRD	Romanian Development Bank
CDR	Democratic Convention of Romania
CEFTA	Central European Free Trade Agreement
CMEA	Council for Mutual Economic Assistance
Comecon	Council for Mutual Economic Assistance
EAs	Association (Europe) Agreements
EBRD	European Bank for Reconstruction and Development
EC	European Communities
ECB	European Central Bank
ECU	European Currency Unit
EEA	European Economic Area
EEC	European Economic Community
EMS	European Monetary System
EMU	European Monetary Union
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
FDI	Foreign Direct Investment
FDSN	Democratic National Salvation Front
FSN	National Salvation Front

G7	Group of Seven
G24	Group of Twenty Four
GATT	General Agreement on Tariffs and Trade
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
ISPA	Instrument for Structural Policies for Pre-Accession
KOR	Committee for the Defence of Workers
KPN	Confederation for an Independent Poland
LDCs	Less Developed Countries
LPR	League of Polish Families
MFN	Most Favoured Nation (status)
MKS	Interfactory Strike Committee
NATO	North Atlantic Treaty Organisation
NBP	National Bank of Poland
NIEO	New International Economic Order
OECD	Co-operation and Development
PHARE	Poland and Hungary Assistance to Economic Restructuring
PiS	Law and Justice Party
PNL	National Liberal Party
PO	Civic Platform
PPR	Polish Workers' Party
PPS	Polish Socialist Party
PRM	Greater Romania Party
PSL	Polish Peasant Party
PUNR	Party of Romanian National Unity

PZPR	Polish United Workers' Party
RCP	Romanian Communist Party
ROP	Poland's Reconstruction
ROPCiO	Movement for the Defence of Human and Civil Rights
RWP	Romanian Workers' Party
SAF	Structural Adjustment Facility
SALs	Structural Adjustment Loans
SAPARD	Special Accession Programme for Agricultural and Rural Development
SD	Democratic Movement
SECALs	Sectoral Adjustment Loans
SL	People's (Peasant) Movement
SLD	Democratic Left Alliance
SMP	Single Market Program
TKK	Temporary Co-ordinating Commission
UD	Democratic Union
UDMR	Hungarian Democratic Union of Romania
UP	Union of Labour
USD	Union of Social Democracy
UW	Freedom Union

CHAPTER I

INTRODUCTION

The states of Central and Eastern Europe had found themselves in processes of social, economic and political changes as a result of the collapse of the communist party rules in Eastern Europe. Subsequently, they declared their priority to be their countries' 'return to Europe'. This foreign policy as well as integration endeavour, 'mission accomplished' for some in 2004, intended a fast integration process of their states into the capitalist global economy and the Euro-Atlantic structures. These two priorities were conceived as parallel processes and were desirable for political, economic as well as security concerns. In particular, the European Union (EU) membership was regarded as promising convergence with the West, which entailed prosperity. In this respect, the 'return to Europe' was the closest thing to a project of transformation that served to unite the processes of democratisation, marketisation and European integration as well as a transition away from communist party rules and centrally planned economies, and Soviet domination.[1]

This was a process of change that coincided with the larger systemic change at the global level which was an integrative process itself. The prospect of membership into the Euro-Atlantic structures has been remarkable in bringing about political and economic adjustments. However, and more importantly, the great need of Central and Eastern European countries for international assistance and cooperation paved the way for various international institutions to base the assistance they provided to certain political and economic conditions. In this

[1] Antoaneta L. Dimitrova, "Enlargement-driven Change and Post-Communist Transformations: A new Perspective", in *Driven to Change: the European Union's Enlargement Viewed from the East*, edited by Antoaneta L. Dimitrova, (Manchester: Manchester University Press, 2004), p. 4.

respect, the conditionality formulated for Central and Eastern European countries that attempted to reshape the region and also determine the terms of transformation processes is the most detailed and comprehensive to date. Moreover, it may be put forward that the evolution and formation of the politics of conditionality within the context of global and European level restructuring suggests that it became an important instrument in consolidating the emerging hegemonic structure in the 1980s and 1990s. As such, with the quest for membership, states of Central and Eastern Europe "have voluntarily and democratically chosen to follow a fairly exact blueprint for their future development".[2] Hence, the transformations were defined by the strategic aims of integration of Central and Eastern European states on the one hand and were very much entangled with strategic objectives of the West on the other, the latter having deep reaching connotations for political and economic transformation and restructuring in the states of the region.

The main argument of this study is that transformation processes in the states of Central and Eastern Europe are constituted by the global processes of change as well as the internal dynamics. Thus, the main concern here will be to tackle the internal-external dichotomy inherent in the mainstream analyses of transformation processes in the region. The study shall focus on socioeconomic transformation processes and in particular state-society relations and states' relation to capital in Central and Eastern Europe. As such, the critical political economy perspective elaborated in this study challenges the mainstream approaches to transformation processes, namely the radical neo-liberal approaches and the evolutionary-institutionalist approaches, which have usually considered political and socioeconomic reform processes in the region as 'national processes' of elite bargaining and institution building. The study intends to provide its challenge by a comparative analysis of the transformation processes in Poland and Romania, until the mid to late 1990s, through embedding their trajectories within the broader global historical structures and processes. What is important here is to examine how the mainstream approaches perceive the 'external' and thus the role of the international on transformation and integration. Transformation processes

[2] Karen Henderson, "The Challenges of EU Eastward Enlargement", *International Politics*, Vol. 37, March 2000, p. 2.

are not taking place in national 'spaces' isolated from the international. It was not only the historical experiences, the starting conditions, and internal political and economic dynamics but also the international actors and global processes and developments that constituted the transformation processes in Poland and Romania.

Accordingly, the critical political economy framework provides important challenges to the mainstream approaches on methodological and ontological grounds. Mainstream approaches remain within what Cox calls the problem-solving theory, which takes current and actual process as the imperative natural process with no alternative as it finds it and concerns itself about dealing with particular problems within the existing order of things.[3] This study primarily examines how the present neo-liberal global order has come about with the aim to understand structural change taking place at the global as well as the European level since the 1970s. Restructuring at the global level also reflect the changing forms of integration. Thus, the study claims that an understanding of the changes in the global political economy, the historical forms of the particular period that the countries of Central and Eastern Europe are embedded in is necessary to correctly analyse and comprehend the trajectories of transformation in Central and Eastern Europe. However, this is not to emphasise an 'externally determined' process as opposed to the institutionalist 'internally determined' approach but rather to elaborate on a dialectical relationship between the external and the internal.

On ontological grounds, the study challenges the individualistic approach of the mainstream approaches. Thus, the study puts forward that social relations and self-understandings prevalent in particular historical times and places define and shape reality. As such, struggle in response to material conditions comes to constitute the nature of market power and social purpose of political authority. Thus, the study defines struggle as the nexus of social transformation pointing out the unity of transformation and integration within social totality. It is important to

[3] Robert W. Cox, "Globalization, Multilateralism, and Democracy", in *Approaches to World Order*, Robert W. Cox with Timothy J. Sinclair, (Cambridge: Cambridge University Press, 1996), p. 525.

note here the historical specificity of the integration processes of the states in Central and Eastern Europe as integral part of their transformation processes. In this respect, the study will be concerned with how struggle is conducted at different levels of analysis which led to the broadening of neo-liberal practices. At the global level, the emerging transnational nature of the global political economy since the 1970s - as embedded in social relations of production within global capitalism - provides an important conjuncture reflecting changing social power and authority relations in the global political economy. Focusing on the regional European level, the study is interested in pointing out how struggle differs leading to a different set of qualitative implications for the transformation in the states of Central and Eastern Europe that is reflected in the politics of conditionality of the EU approach towards the region. As such, the approach argues that transformation processes occur within the social and power relations at the global level as part of the struggle to establish a new structural order. Keeping in mind the continuing salience of state level struggle, the intention of the study will be to locate attempts at constitutionalising neo-liberalism at this level.[4] Thus, the intention will be to provide a critical interpretation of how states of Central and Eastern Europe has been integrated into the ongoing process of systemic restructuring at the global and at the regional European level through the internalisation of historical neo-liberal forms of power and domination. In-depth interviews with policy makers, opinion leaders and representatives of international financial institutions in Poland and Romania have provided important insights for understanding tendencies in both countries with respect to changes and transformations of their respective states in conjunction with structural and historical changes at the global and European levels.[5]

Before looking into the scope of arguments of this study concerning the changing role and evolving nature of the major actors in relation to influencing and

[4] Leo Panitch, "Rethinking the Role of the State", in *Globalization: Critical Reflections*, edited by James H. Mittelman, (London: Lynne Rienner Publishers, 1996), p. 96.

[5] The author, together with Prof. Dr. Mustafa Türkeş, conducted around 13 interviews with policy makers and opinion leaders in Romania in June 2004 and around 16 policy makers and opinion leaders in Poland in July 2005 as well as between October 1999 and January 2000 while on a short term study visit in Poland.

shaping the transformation processes in Central and Eastern Europe, the study should define neo-liberalism. Neo-liberalism symbolizes, as Overbeek and Van Der Pijl argue, the phenomenon of 'the New Right', and "is a fundamental expression of the outlook of the *transnational circulating capital*" characterising a liberal conservative approach where in its liberal tendency "politics is constructed from the individual, freedom of choice, the market society, *laissez-faire*, and minimal government" and its neo-conservative element emphasises "strong government, social authoritarianism, disciplined society, hierarchy and subordination and the nation".[6] It should be emphasised that wider processes of structural and historical changes are reflected in the changing role and evolving nature of involvement in internal policy making of the states in the region by actors such as the international financial institutions, in particular the International Monetary Fund (IMF) and the World Bank, and the European Community/Union with an aim to impose upon them neo-liberal forms of development. Thus, the study is concerned with how the changes in the material capabilities, as signified in the globalisation of production and finance, and dominant political and ideological perspectives are reflected in the role of international organisations and institutions. The changing role of the Bretton Woods institutions, the International Monetary Fund and the World Bank and broadening of their involvement from shaping policies of development to policies of transformation through the advice and credit they have provided since the mid-1980s require more in depth analysis in order to understand their role in promoting neo-liberalism as a project of radical system transformation in Central and Eastern Europe. The study will also examine the role of conditionality in this neo-liberal political strategy. The application of conditionality by the international financial institutions is simply defined in a technical manner as "an exchange of policy changes for external financing,

[6] Henk Overbeek and Kees Van Der Pijl, "Restructuring Capital and Restructuring Hegemony: Neo-liberalism and the unmaking of the post-war order" in, *Restructuring Hegemony in the Global Political Economy*, edited by Henk Overbeek, (London: Routledge, 1993), p. 15 (emphasis in original).

whether debt rescheduling or relief, multilateral credits, bilateral loans, or grants".[7] Outlining the evolving nature of conditionality in relation to the increasing involvement of international financial institutions as an instrument of "organising particular spheres of social action"[8] since the early 1980s will be substantiated in order to provide important insights about the role of institutions in disseminating neo-liberal principles as well. Such an analysis would also reveal how embedded they were within the social forces aiming to restructure the relations at the global level.

The increasing EU involvement and prospects for enlargement has made the EU the most influential external actor in the transition process in the region. The EU approach towards Central and Eastern Europe developed under a conjuncture of change at the global and the European level. Along with the systemic changes at the global level, the struggle over the European integration process since the mid-1980s presented a platform for struggle among various social forces which aimed to promote their world views over the socioeconomic order in the European Communities/Union. The other concern, in this respect, will be to outline the nature of conditionality and how, as an important tool of restructuring attempts, conditionality is used to extend the neo-liberal process over to the transformation processes in the states of Central and Eastern Europe through various mechanisms of integration. These are to be taken up in Polish and Romanian cases.

Another issue that the study examines is the agency of the state in internalising neo-liberal forms that the transnational social forces prioritise. This implies the need to employ new tools in understanding the transnationalisation process in the states of Central and Eastern Europe. The concept of the internationalisation of the state will be used here to analyse how states functionalise the internalisation process in the dialectical relationship between

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[7] Miles Kahler, "External Influence, Conditionality, and the Politics of Adjustment", in *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State*, edited by Stephan Haggard and Robert R. Kaufman, (Princeton: Princeton University Press, 1992), p. 89.

[8] Robert W. Cox, "Towards a post hegemonic conceptualization of world order: reflections on the relevancy of Ibn Khaldun (1992)" in *Approaches to World Order*, Robert W. Cox with Timothy J. Sinclair (Cambridge: Cambridge University Press, 1996), p. 149.

transformation and integration. The state is defined as an important agent in the globalisation process that consolidates and normalises neo-liberal hegemony at the national level. The concern here will be to examine how the state materialises and concentrates class struggle as a structure of struggle for political power and as a structure through which neo-liberal hegemony functions. Thus, competition for state power through political struggle in Poland and Romania will provide a basis for understanding tendencies of integration and internalisation of neo-liberal forms. The study maintains that state power becomes the main intention of different social factions and once attained provides an important institutional instrument where social factions can promote their own particular world views. However, struggle for dominance transcend the borders of the state as various national social factions are increasingly penetrated through processes of socialisation and internationalisation which shapes their world views with respect to economic transformation.

Power and authority relations in Poland, especially the struggle around *Solidarity,* and in Romania, as an example of one of the most pervasive communist party rules in the region, form important cases in understanding attempts at internalising neo-liberalism by using the concept of the internationalisation of the state. The integration of production structures in Poland and Romania into Western structures of production is argued to be a process that has been going on, yet occasionally interrupted, from the early 1970s, even earlier in the case of Romania, within which *perestroika* represents an important phase. How the tendencies were reflected in policy choices during the Cold War period is a point in question. The other important point here will be how certain continuities and departures in historical experiences affected the tendencies of integration in the 1990s. As such, as Bieler argues the transnationalisation process in each country of Central and Eastern Europe differs, as does the internalisation of neo-liberal restructuring through various forms of state.[9] In this respect, the study points out that although

[9] Andreas Bieler, "European integration and eastward enlargement: the widening and deepening of neo-liberal restructuring in Europe", Queen's Papers on Europeanisation No 8/2003, p. 6, available at http://www.qub.ac.uk/schools/SchoolofPoliticsInternationalStudiesandPhilosophy/FileStore/EuropeanisationFiles/Filetoupload,5264,en.pdf, (accessed in December 2005).

economic restructuring could not be based on a firmly based alliance of social forces within Poland and Romania, it was achieved through establishing a unity of transformation and integration. The main determinant in this respect related to how various states in the region approached the 'return to Europe' in association with the neo-liberal project of radical transformation strategy. In this respect, Poland and Romania provide one with the opportunity to evaluate how these processes differ and what roles the states seek for themselves in conjunction with the domestic as well as international concerns. Thus, the cases help to account for different trajectories and understand continuity and departure in the internationalisation process and social relations with the similarities and differences they posses.

Given the focus of research and the arguments above the study will be organised as follows.

Chapter 1 outlines the main arguments and the questions of concern of the study. As its core concern it identifies the critical engagement with the transformation processes in Poland and Romania as processes of the internationalisation of the state that was effectively shaped by the global and national level dynamics and changes.

Chapter 2 presents the theoretical framework of this study. The first section provides a critique of the mainstream approaches to the transformation processes. While outlining the main premises of the radical neo-classical approaches and the evolutionary-institutionalist approaches, this section elaborates on the limits, in particular, of the institutionalist approaches on the conceptualisation of the international context, the integration processes and the state, and points to their inadequacies despite their concerns for historicity and society. Then the study develops the theoretical premises of its alternative, eclectic critical political economy approach. Taking the Gramscian approach as its point of departure, the study embeds transformation within the totality of social relations at the global level. The study intends to portray the nature of hegemony and social structure within the global political economy and the inherent historically specific forms of power relations. Then, after providing a historical framework, the study looks into the state as the main structure of transformation and restructuring of social relations in the countries of the region. The concept of the

internationalisation of the state is used here to provide an understanding of the internationalisation of historical forms of power. The study intends to provide a framework for analysing how hegemonic powers promote internationalisation of neo-liberal restructuring through the emerging form of state. It also intends to question the medium of framework states provide for struggle.

Chapter 3, first, provides an analysis of global restructuring searching for the roots of structural change since the 1970s. It presents an historical analysis of struggle and structural change since the Second World War trying to account for changing conceptions of the role of the state and development. The crisis of the 1970s is highlighted as a turning point for this process. Then, this section will elaborate on the role that international financial institutions assume. The IMF and the World Bank is distinguished here as they act as channels and gatekeepers for loans. A distinction is made with respect to their role in the 1980s and in the 1990s. Then, the nature and purpose of conditionality employed by the international financial institutions is evaluated in order to bridge their developing relation to the changing social relations of production. This section also examines the radical political strategy of transformation within the general framework of the evolution of neo-liberal globalisation.

The second part dwells into questioning how to relate restructuring at the European level to the general framework of globalisation. It questions the EU role in global political economy. It is argued that the European Union emerged as a structure promoting globalisation through regional integration. Then, it briefly evaluates the integration process from the mid-1980s onwards and elaborates on changing social relations of production with the integration process by providing brief insights the hegemonic projects at the European level. Supported by the interviews which aimed to see the extent of overlapping agenda and objectives of the EU and the international financial institutions, this chapter provides an analysis of EU policy towards Central and Eastern Europe and conditionality inherent therein. This section develops its approach on two main questions: How the EU approach reflects the agency of EU? And how the approach and conditionality inherent therein reflect the struggle within the EU? The other main concern in this part is to understand how conditionality employed by both the international financial institutions and the European Union, as important agents in promoting

neo-liberal transformation, is related to each other in association with the changing social relations of production.

Chapter 4 focuses on a comparative study of Poland and Romania. It initially elaborates on the historical experiences of Poland and Romania. The study, evaluates how the communist party dominances were achieved and subsequently lost. A historical approach is of main concern to point to differing political and economic structures of the countries in question that is the outcome of national trajectories of development in conjunction with the changing global order. Besides, it looks how the states develop their positions vis-à-vis changes at the global level, albeit within the limits of Cold War politics. As such, it argues that understanding of neo-liberal restructuring as a sudden turn is misleading. The study intends to reveal tendencies with respect to transformation and integration processes that emerged as a result of internationalisation of Polish and Romanian states prior to 1989.

The second part focuses on the transformation processes. The study intends to provide a framework for analysing how hegemonic powers promote internationalisation of neo-liberal restructuring through the emerging form of state. It looks into the state as the main agent of transformation and restructuring of state-society relations in the countries of the region. It also intends to question the medium of framework states provide for struggle. It deals with struggle at the political party level which is defined as the main arena of struggle in Central and Eastern Europe. Societal actors in the region are weak, thus, assuming state power provides an important leverage for actors in the region in developing diverse mechanisms of legitimation and securing a social base with respect to enhancing their own world view. Therefore it deals with the process of internationalisation in order to be able to provide an understanding of the internalisation of historical forms of power.

Chapter 5 summarises the main conclusions and the logical consequences of the transformation in Central and Eastern Europe.

CHAPTER 2

THEORETICAL PESRPECTIVE:
STRUGGLE AS THE NEXUS OF TRANSFORMATION

2.1 Introduction

Transformation processes in Central and Eastern Europe has generated interest in various disciplines leading to several attempts at theorising the changes as well. However, transformation processes have usually been considered as national processes of elite bargaining and institution building. This study puts forward that transformation processes are not taking place in national 'spaces' isolated from the international. An understanding of the changes in the global political economy, the historical forms of the particular period that the countries of Central and Eastern Europe are embedded in is necessary to correctly analyse and comprehend the trajectories of transformation in Central and Eastern Europe. Thus, the approach in this study tries to overcome the internal-external dichotomy by engaging with the often ignored, though one of the most important aspects of the transformation processes: the international context and its constitutive role. Accordingly, this chapter intends to provide a theoretical framework for understanding the transformation processes in conjunction with the broader context of changes taking place at the global as well as the European level since the 1970s. However, this is not to emphasise an 'externally determined' process as opposed to the institutionalist 'internally determined' approach but rather to elaborate on an interaction between the external and the internal.

This study takes a critical political economy perspective as its point of departure for analysis to embed the developments in the countries of Central and Eastern Europe within broader historical processes and social structures. In this sense, it should be emphasised that world views as a human social product, including those within the states in the region, are constructed through broadly

productive practices shaped by the social relations and self-understandings prevalent in particular historical times and places.[1] In this respect, the emerging transnational nature of the global political economy since the 1970s – as embedded in social relations of production within global capitalism – provides an important conjuncture reflecting changing social power and authority relations in the global political economy. As such the approach contends that transformation processes occur within the social and power relations at the global level as part of the struggle and the endeavour to establish a new structural order. In this respect, the study will be concerned with "the social purpose underpinning political authority"[2] and how important global power relations are in the construction of power and authority relations in the states of Central and Eastern Europe. Thus, the intention will be to identify how states of Central and Eastern Europe has been integrated into the ongoing process of systemic restructuring at the global and at the regional-European level through the internalisation of historical forms of power and domination.

This chapter is organised as follows. The first part intends to provide a critique of the mainstream approaches to the transformation processes. While providing the main premises of the radical neo-classical approaches and the evolutionary/institutionalist approaches, this section elaborates on the limits, in particular, of the institutionalist approaches on conceptualisation of the international context, the integration processes and the state despite its concerns for historicity and society. The second part develops the theoretical premises of its alternative, eclectic approach. Taking the Gramscian approach as its point of departure, the study embeds transformation within the totality of social relations at the global level. Then, after providing a historical framework, the study looks into the state as the main structure of transformation and restructuring of social relations in the countries of the region.

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[1] Mark Rupert, *Ideologies of Globaliization: Contending Visions of a New World* Order, (London and New York: Routledge, 2000), p. 14.

[2] Bastiaan Van Apeldoorn, Henk Overbeek and Magnus Ryner, "Theories of European Integration: A Critique", in *A ruined fortress?: Neoliberal hegemony and transformation in Europe,* edited Alan W. Carfuny and Magnus Ryner (Maryland: Rowman and Littlefield Publishers, Inc., 2003), p. 20.

2.2 Mainstream Approaches to Transformation

2.2.1 Theoretical and Methodological Underpinnings of the Radical Neo-liberal Approach to Transformation

The neo-liberal approach to transformation in Central and Eastern Europe mainly draws on neo-classical economic theory and modernisation theory and claims to combine these with superior Western values in formulating clear and unambiguous policy recommendations.[3] Although, its political strategy has changed over the course of the events in the 1990s, as will be outlined in the next chapter, its main assumptions have remained the same, favouring the market forces as the main agent of transformation. The approach used prosperity and stability that found existence in the countries of the West as its 'future' reference point that was a desire of attainment by the Central and Eastern European countries for centuries. Yet, the future was constructed as an 'ideal' self-regulating free market model that remained largely an abstraction neglecting real life struggles.

It should be stressed that transformation to a market model was embraced as an approach in the course of time with the inability of the communist party rules to reform the state socialist system. Thus 'capitalist transformation' was effectively formed as a base in the states of Central and Eastern Europe through links established prior to the collapse of the communist party rules. In this respect, simplicity and ability of 'mobilisation' of the neo-liberal discourse were important assets in capturing the moral and normative ground among the Eastern European elite before it became an instrument through the institutional power of the international organisations.[4] Within this framework, international support overlapped with the interest of the states in the region in trying to overcome the unsuccessful attempts of the communist party rules to reform the over-centralised and over-bureaucratised state socialist system. Thus, the support, assistance and

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[3] Frank Bönker, Klaus Müller and Andreas Pickel, "Cross-Disciplinary Approaches to Postcommunist Transformation: Context and Agenda", in *Postcommunist Transformation and the Social Sciences: Cross-Disciplinary Approaches,* edited by Frank Bönker, Klaus Müller and Andreas Pickel (Lanham, Maryland; Oxford: Rowman & Littlefield Publishers, 2002), p. 3.

[4] See Maurice Glasman, "The Great Deformation: Polanyi, Poland and the Terrors of Planned Spontaneity", in *The New Great Transformation? Change and Continuity in East-Central Europe,* edited by Christopher G. A. Bryant and Edmund Mokrzycki (NY, London: Routledge, 1994), pp. 191-217.

advice of the international financial institutions, Western governments and other Western organisations were important in establishing the radical neo-liberal approach as the political strategy in transforming the political and socioeconomic structures in the countries of Central and Eastern Europe and decisive in gaining support of the peoples in the region. Several individual social scientists and, at times, entire academic institutes in the West, as Pickel puts it, "have attempted to make substantive contributions to the transformation theory as a political project, championing one or the other reform program, social technology, or approach to systemic change, and acting as appointed or self-appointed policy advisors".[5] Thus, liberal capitalism was presented as the successful 'other' of the state socialist systems, enabling the neo-liberal approach to become a strong instrument in radical system transformation from socialism.

The writings of the main proponents of neo-liberalism in the region suggest that the neo-liberal approach saw the strategy as a policy against the problem situation and one that was precisely dealt with in economic terms.[6] As such, the discourse sought to "de-monopolise the power of the state and separate the state from the economy and civil society".[7] It was believed that the intended separation of political powers and economic policy-making would unleash the power of the market and thus, ensure the transition to the market irreversible. Sachs clearly emphasises the self-organising capacity of the market; "[m]any of the economic

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[5] Andreas Pickel, "Transformation Theory: Scientific or Political?", *Communist and Post-Communist Studies*, 35, 2002, pp. 107-8.

[6] See, among others, Jeffrey Sachs, "Eastern European Economies: What is to be Done?", *The Economist*, 13-19 January 1990, pp. 23-8; Jeffrey Sachs and David Lipton, "Poland's Economic Reform", *Foreign Affairs*, 69 (3), 1990, pp. 47-66; David Lipton and Jeffrey Sachs, "Creating a Market Economy in Eastern Europe: The Case of Poland", *Brookings Papers on Economic Activity*, Vol. 1990, No. 1, 1990, pp. 75-145; Jeffrey Sachs, *Poland's Jump to the Market Economy*, (London and Cambridge, Massachusetts: The MIT Press, 1993); Leszek Balcerowicz, *Socialism, Capitalism, Transformation*, (Budapest, London and New York: Central European University Press, 1995); Leszek Balcerowicz, "Eastern Europe: Economic, Social and Political Dynamics", *The Sixth M. B. Grabowski Memorial Lecture,* School of Slavonic and East European Studies, University of London, 1993; and Josef C. Brada, "The Transformation from Communism to Capitalism: How Far? How Fast?", *Post-Soviet Affairs*, 9, 2, 1993, p. 93.

[7] Adrian Smith and John Pickles, "Introduction: Theorising Transition and the Political Economy of Transformation", in, *Theorising Transition: The Political Economy of Post-Communist Transformations*, edited by John Pickles and Adrian Smith (London and New York: Routledge, 1998), p. 2.

problems … [were believed to] … solve themselves: markets spring up as soon as central planning bureaucrats vacate the field".[8] In view of that, the problem of reform was considered to be "political rather than social or economic"[9] emphasising the need to dismantle the state socialist power structures, but one that prioritised the economic as a political solution. This was based on the belief that the market is the best mechanism for the efficient distribution and reallocation of resources besides being the model of freedom in the Hayekian sense where "economic freedom is the precondition for all other freedoms".[10] Within this context, radical neo-liberal approach is presented as the 'basic paradigm of transition'[11], providing an interdisciplinary framework for a firm break with the past.

The self-organising capacity of the market inherent in the neo-liberal discourse is based on the methodological assumption of the rationality of the individual. Thus, the neo-liberal approach takes for granted that the social fabric of the area was created through coercion and put forward that "what was needed was to set people free by removing economic and political impediments to the natural expression and articulation of individual interests".[12] The individual rationality, in this sense, is a natural and given rather than socially constructed. Accordingly, people are believed to be the same everywhere regardless of their culture and society, and the state is considered to be the main obstacle preventing them from rationally maximising their self interest.[13] Therefore, "[i]t was simply assumed that

[8] See Sachs, *Poland's Jump*, p. xiii.

[9] *Ibid.*

[10] Bönker et al., *op. cit.*, p. 7.

[11] Stanley Fischer and Ratna Sahay, "The Transition Economies after Ten Years", *IMF Working Paper,* WP/00/30, February 2000, p. 18.

[12] Christopher G. A. Bryant and Edmund Mokrzycki, "Introduction: Theorising the Changes in East-Central Europe", in *The New Great Transformation? Change and Continuity in East-Central Europe*, edited by Christopher G. A. Bryant and Edmund Mokrzycki (London, New York: Routledge, 1994), p. 7.

[13] Christopher G. A. Bryant, "Economic Utopianism and Sociological Realism: Strategies for Transformation in East-Central Europe," in *The New Great Transformation? Change and Continuity in East-Central Europe*, edited by Christopher G. A. Bryant and Edmund Mokrzycki (London: Routledge, 1994), p. 60.

newly released social energy would be used to maximise economic self-interest and thereby hasten establishment of a successful market economy".[14] This way, the people would organise their self-interests spontaneously with the middle class emerging as the most important of this process of regrouping for the capitalist formation. Hence, the approach idealised the primacy of market forces in societal organisation moving beyond a conventional economic approach and presented a political approach to change by promoting the market as the meta-institution of social change.[15]

The theoretical conception of the neo-liberal discourse of transition emphasises abstract universalism claiming that all societies are capable of establishing modern market institutions regardless of their past, that is the specific histories and the state of economies and the structure of the political and socioeconomic systems in the countries of Eastern Europe. The past is seen as an obstacle and sameness is attributed to all the countries of Central and Eastern Europe by defining them "backward… peripheral… peasant societies characterised by a weak middle class ... ruled by autocratic, corrupt, and clientalistic elites".[16] Accordingly, Lipton and Sachs argue that governments should pursue rapid change for political reasons and follow Machiavelli's famous advice to bring all of the bad news forward by destroying as much as they can at the initial stage.[17] Thus, the neo-liberal transformation theory takes the collapse of the communist party rule as a total collapse, which calls for everything to be replaced and rebuilt.[18] Establishing free markets and clear private property rights within atomised societies are seen as the only way of generating efficiency and welfare. Within this context, transformation is accepted to take place within

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[14] *Ibid.*, p. 8.

[15] See Laszlo Bruszt, "Transformative Politics: Social Costs and Social Peace in East Central Europe", *East European Politics and Societies,* Vol. 6, No 1, winter 1992, pp. 55-72.

[16] Beverly Crawford, "Post-Communist Political Economy: A Framework for the Analysis of Reform", in *Markets, States, and Democracy: The Political Economy of Post-Communist Transformation,* edited by Beverly Crawford (Boulder; Oxford: Westview Press, 1995), p. 12.

[17] Lipton and Sachs, "Creating a Market Economy", p. 100.

[18] Bönker et al., *op. cit.*, p. 9.

atomised societies where the outcomes are reduced to the rational choices and decisions of actors that are insulated from politics and societal interests.

Insulation of actors, the reforming elite and the state from the society intends separation of the 'action' from the 'structure'. This leads to the appeals of strong state, which claims, at the extreme in an authoritarian sense, that establishment of market reforms may necessitate holding democracy back.[19] The logic why radicals argue for a rapid and comprehensive approach is their belief that a gradual approach to transformation can give way to the formation of political coalitions by the former *nomenklatura*, industrial elites and other groups to block the introduction of the market reforms.[20] From this perspective, the neo-liberal approach intends to prevent the emergence of "a game of particular interests"[21] that might come from the conservatives and populists among the *nomenklatura* and other factions of the society perceiving a failure as a threat of return to communism or rather persistence of the state socialist system. Therefore, "liberal reformers and enlightened technocrats, supported by a middle class at home and like-minded political and economic elites globally, are the champions of transition" insulated from parliamentary controls and interest group pressures.[22]

As has been noted above the main unit for the neo-classical approach is the individual that facilitates change within the national context. In this context, the global or the international is problematised inadequately. Yet, the approach does not remain silent on aspects of the international; globalisation, in this respect, is attributed a positive connotation implying convergence with the West which requires the transfer of norms, rules and basic institutions of Western capitalism.[23] Here, norms, rules and basic institutions are taken to assume characteristics of

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[19] Crawford, *op. cit.,* p. 4.

[20] See Lipton and Sachs, "Creating a Market Economy", pp. 87-9.

[21] Sachs, *Poland's Jump*, p. 9.

[22] Pickel, "Transformation Theory", p. 109.

[23] Bönker et al., *op. cit*., p. 11; See also Wade Jacoby, "Tutors and Pupils: International Organizations, Central European Elite, Western Models", *Governance: An International Journal of Policy and Administration*, Vol. 14, No. 2, April 2001; Kazimierz Z. Poznanski, "Transition and its Dissenters: An Introduction", *East European Politics and Societies,* Vol. 15, No. 2, 2001, p. 211.

universal laws of an 'idealised' model. This deterministic, teleological stance of the radical neo-liberal approach to transformation and its neglect of historical political and socioeconomic conditions that are present within the national context have been the major starting points of criticisms for several institutionalist approaches from various perspectives.

2.2.2 The 'New Orthodoxy': Institutionalist Approaches to Transformation

Following the problems faced in the early 1990s by the countries of Central and Eastern Europe the institutionalist approaches have effectively emerged as dominant explanations of the transformation processes in the region.[24] It is possible to talk of variants of institutionalist approaches from disciplines of economics, sociology and political science with differing positions on the state-society relationship.[25] However, these approaches are still committed to the liberal ideal of a minimal state involvement in socioeconomic life and market dominated economy.[26] The institutionalist approaches mainly look into changes in the social relations within which economic activity is embedded and make the following

[24] See Peter Murrell, "Evolution in Economics and in the Economic Reform of the Centrally Planned Economies", in *The Emergence of Market Economies in Eastern Europe,* edited by Christopher Clauge and Gordon C. Rausser, (Cambridge, MA; Oxford, UK: Blackwell, 1992); Kazimierz Z. Poznanski, "Introduction" in *The Evolutionary Transition to Capitalism,* edited by Kazimierz Z. Poznanski„ (Boulder; Oxford: Westview Press, 1995); David Stark and Laszlo Bruszt, *Postsocialist Pathways: Transforming Politics and Property in East Central Europe,* (Cambridge: Cambridge University Press, 1998); David Stark, "Recombinant Property in East European Capitalism", *The American Journal of Sociology,* Vol. 101, No. 4, January 1996; Gernot Grabher and David Stark, "Organising Diversity: Evolutionary Theory, Network Analysis, and Post-socialism", in *Theorising Transition: The Political Economy of Post-Communist Transformations*, edited by John Pickles and Adrian Smith, (London, New York: Routledge, 1998).

[25] For a thorough assessment of the institutionalist approaches to transformation in Central and Eastern Europe, see Michel Dobry, "Paths, Choices, Outcomes, and Uncertainty: Elements for a Critique of Transitological Reason", in *Democratic and Capitalist Transitions in Eastern Europe: Lessons for the Social Sciences*, edited by Michel Dobry, (Dordrecht, Boston, and London: Kluwer Academis Publishers, 2000); Bela Greskovits, "The Path-Dependence of Transitology", in *Postcommunist Transformation and the Social Sciences: Cross-Disciplinary Approaches,* edited by Frank Bönker, Klaus Müller and Andreas Pickel, (Lanham, Maryland; Oxford: Rowman & Littlefield Publishers, 2002); Grzegorz Ekiert and Stephen E. Hanson, "Time, Space and Institutional Change in Central and Eastern Europe", in *Capitalism and Democracy in Central and Eastern Europe: Assessing the Legacy of Communist Rule,* edited by Grzegorz Ekiert and Stephen E. Hanson, (Cambridge: Cambridge University Press, 2003).

[26] See Poznanski, "Introduction", p. xxiii.

main claims on change and transformations in Central and Eastern Europe.[27] These approaches' main emphasis is on negotiation (interaction) of people (agents) with formal and informal institutions (structures) as the driving force of socioeconomic change implying that the outcome of the processes of transformation and change is neither voluntarist design nor structural determinism. As such, change is perceived to be path dependent, where historical conditions shape the path of transformation and development. Thus, state socialist institutions and social relations are considered as both constraining and shaping transformations. This also implicates national differences and diversity and complexity of organisational forms implying evolutionary change. The institutionalist approaches, therefore, focus on how existing and inherited institutional structures shape the character of the new orders.

Despite such a generalisation of main claims the study should briefly outline how the main claims are interpreted by the institutionalist approaches in economics on the one hand and institutionalist approaches in political science and sociology on the other. The main emphasis, though, will be placed on the institutionalist approaches in political science and sociology for their concern for social actors rather than the individual. Thus, the main difference between the two dominant perspectives of institutionalist approaches lies with their methodological approach.

Evolutionary-institutionalist economic approaches to transformation follow an individual methodological approach similar to that of the neo-classical approach. However, they diverge from the neo-classical approach and the perfect rationality of the well informed individual the neo-classical approach assumes, in that it advocates incomplete and uncertain nature of the information process surrounding the individuals and economic agents during times of change. The process of transformation involves distancing the peoples of the region from collectivist-type morality of communism through evolutionary formation of new individual preferences.[28] In this sense, individuals' and economic agents'

[27] See Adrian Smith and Adam Swain, "Regulating and Institutionalising Capitalisms: The Micro-Foundations of Transformation in Eastern and Central Europe", in *Theorising Transition: The Political Economy of Post-Communist Transformations*, Edited by John Pickles and Adrian Smith, (London, New York: Routledge, 1998), p. 27.

[28] Poznanski, "Transition and its Dissenters", p. 212.

behaviours are conditioned by both their incentives and interests, and their perceptions of the world reflecting historical and social processes.[29] Institutionalisation from this perspective is rather an open-ended process at the abstract level that comes into existence as a result of individuals' interactions in a 'trial-and-error fashion' and is a product of circumstances.[30] In this respect, institutionalist methodology argues for micro-dynamics and participation of relevant agents in the society interacting through the organisational and institutional settings, both old and new, in shaping the emerging institutional order.[31] As such, economic processes are seen as quasi-deterministic where success reflects efforts besides luck.[32] This method challenges the neo-classical top-down project of textbook abstraction which is based on the insulation of technocrats. Instead of perceiving the process of transformation as a matter of copying and implementing, and thus, as adoption of a universal set of capitalist institutions based on idealised successful Western models, the institutionalist approach leaves ground for a democratic policy process where bargaining and negotiation among members of society is taken as the basis of the traditional process of market democracy.

The institutionalist approaches in political science and sociology differ from the neo-classical and institutionalist economic approaches for their concern with the state-society patterns rather than the individual as the analytical unit. In this sense, the basic unit of socioeconomic transformation is considered to be not the isolated individual/firm but actors/networks (i.e. networks of firms) linking interdependent assets across formal or informal organisational boundaries. The consideration of the historical and societal leads the institutionalist approaches to emphasise more vigorously the informal practices, routines and parallel structures that survived the collapse of the state socialist systems to challenge the neo-

[29] Peter Murrell, "What is Shock Therapy? What Did it Do in Poland and Russia?", *Post-Soviet Affairs,* 9, 2, 1993, p. 119.

[30] Poznanski, "Introduction", p. xi; Murrell, "Evolution in Economics", p. 50.

[31] Murrell, "What is Shock Therapy?", pp. 120-2.

[32] Poznanski, "Introduction", p. x.

classical perception which takes the institutional setup in the region as a vacuum and calls for a thorough replacement of state socialist institutions. From this standpoint, the collapse of the communist party rule is considered not as a total collapse but a point that is arrived through reforms of the party state. Accordingly, differences in national historical legacies, inherited structures and the path of extrication from the Soviet bloc created different political institutions leading to diverse paths of development and plurality of transitions in Central and Eastern Europe.[33] Therefore, social change becomes "a result of interactions in which the designs of transformation are themselves transformed, shaped, and modified in response to and even in anticipation of the actions of sub-ordinate social groups".[34] Thus, the state socialist institutions, social routines and practices are perceived as assets and resources with which a new order is to be built through reconfigurations, though with positive and negative connotations for change and fro re-combinations of societal actors.[35]

Stark and Bruszt define and place the path dependent approach somewhere in between the orthodox neo-liberal approach and the neo-statist approach.[36] From this perspective, neither the state nor the market can be used as the primary agent of change in the transformation processes as the countries in the region lack both developed markets and coherent states.[37] Networks act as agents that do the

[33] Stark and Bruszt, *op. cit.,* p. 101.

[34] *Ibid.,* p. 82.

[35] *Ibid.,* pp. 82-3; David Stark, "From System Diversity to Organizational Diversity: Analyzing Social Change in Eastern Europe", *Contemporary Sociology*, Vol. 21, No. 3, May 1992, p. 300.

[36] For a critic of the two approaches from the perspective of Stark and Bruszt, see *ibid,* pp. 109-121. The neo-statist approach, for Stark and Bruszt, is represented by the work of Amsden et al. who in their criticism of the neo-liberal orthodoxy bring to attention experiences of East Asian countries and their process of industrialisation calling for state involvement in the transformation processes in Central and Eastern Europe. State intervention has been emphasised to offset the side effects of the market based neo-liberal approach. See Alice H. Amsden, Jacek Kochanowicz, and Lance Taylor, *The Market Meets its Match: Restructuring the Economies of Eastern Europe*, (Cambridge, Massachusetts and London: Harvard University Press, 1994). East Asian experiences have also been brought up as examples by other approaches as well: By liberal economists favouring an evolutionary path to transformation such as Daniel Daianu, "Institutional and Policy Variety: Does it Matter for Economic Development?" *Southeast European and Black Sea Studies*, Vol. 3, No. 2, May 2003; or by Marxist approaches such as Michael Burawoy, "The State and Economic Involution: Russia through a China Lens", *World Development*, Volume 24, Issue 6, June 1996.

[37] Stark and Bruszt, *op. cit.,* p. 121.

restructuring as well as being subject to the process of restructuring.[38] The state assumes an active facilitating, though, not an intervening role in the transformation processes and is involved in active design of a regulatory framework within which actors and/or networks interact. Networks carry out and coordinate economic development and the state facilitates coordination among networks for deliberative association to produce binding agreements and new forms of institutionalisation for transformation and development.

The success of active design depends on coherence of an autonomous state and capacity of state for economic transformation.[39] Stark and Bruszt put forward that it is not the insulation of reforming elite that gives the state its autonomy in the transformation processes, as the neo-classical approach argues, but "the mediating institutions of the political field practising the politics of inclusion".[40] Competitive politics, in this respect, increases state capacity through elaboration of comprehensive political programs that incorporate diverse societal interests by constraining parties and political authorities. As such democratisation, political support and democratic accountability increase the capacity of political authorities to set coherent long-term reform goals. Embeddedness of the authorities in social networks - which are interdependent - increases the state's autonomy and capacity in implementing reform policies. For Stark and Bruszt, political institutions, which mediate between state and society, are a fundamental source of coherence. Thus, while providing the possibility to achieve consensus, consistency and credibility of reform policies among the political authorities, embeddedness also improves coherence through monitoring of reform programs by state institutions as well as organised societal actors which provide for checks and balances.

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[38] *Ibid.,* p. 124; see also Grabher and Stark, *op. cit.,* p. 56.

[39] The understanding of the concepts of autonomy/coherence and capacity/embeddedness by Stark and Bruszt is provided through rethinking and reconsideration of Peter Evans' developmental state model: Stark and Bruszt, *op. cit.*, pp. 121-129; see also Peter B. Evans, *Embedded Autonomy,* (Princeton: Princeton University Press, 1995).

[40] Stark and Bruszt, *op. cit.,* p. 127.

The institutionalist approaches are more concerned with "the historical forms of emerging capitalisms in Eastern Europe"[41] than the actual content of the emerging state society order that the institutional norms and values represent and the relation of the content with the global. By bringing in history and society, the institutionalist approaches provide for an important criticism of the radical neo-liberal approach to transformation. However, they are based on a clear separation of the domestic-international and internal-external where their analytical focus remains on the internal. The evolutionary-institutionalist approaches, in particular, focus on the social origins of ruling elite, property forms and political democracy within the national system with an aim to provide an understanding of transformation processes. When the international is taken into consideration, it is perceived as pressures of international actors and factors as facilitating conditions, imposing certain constraints on domestic policy-making or "artificially"[42] enhancing state capacities, "not as causes determining specific outcomes"[43]. The internal-external dichotomy inherent within the intuitionalist approach gives way to underestimation and often neglect of the conceptualisation of the global and most importantly the constitutive role of the global during the transformation processes. The study, now, will turn to outline the limits of the institutionalist approach before turning to an attempt to overcome the internal-external dichotomy.

[41] Dorothee Böhle, "Internationalisation: An Issue Neglected in the Path-Dependency Approach to Post-Communist Transformation", in *Democratic and Capitalist Transitions in Eastern Europe: Lessons for the Social Sciences*, edited by Michel Dobry, (Dordrecht, Boston, and London: Kluwer Academis Publishers, 2000), p. 240.

[42] Juliet Johnson, ""Past" Dependence or Path Contingency? Institutional Design in Postcommunist Financial Systems", in *Capitalism and Democracy in Central and Eastern Europe: Assessing the Legacy of Communist Rule,* edited by Grzegorz Ekiert and Stephen E. Hanson, (Cambridge: Cambridge University Press, 2003), p. 306.

[43] Grzegorz Ekiert, "Patterns of Postcommunist Transformation in Central and Eastern Europe", in *Capitalism and Democracy in Central and Eastern Europe: Assessing the Legacy of Communist Rule,* edited by Grzegorz Ekiert and Stephen E. Hanson, (Cambridge: Cambridge University Press, 2003), p. 105.

2.2.3 Limits to the Institutionalist Approach to Transformation

The institutionalist approaches provide an important criticism of the radical neo-liberal approach by pointing out to the role of diverse historical legacies, role of inherited institutions, enabling and constraining nature of these factors and the transformative policy choices in leading to only partial approximation to the 'idealised' market model advocated by the radical neo-liberal approaches. However, an understanding of the socioeconomic transformation processes within purely national contexts ignores the fact that transformation processes and establishment of state-society orders in Central and Eastern Europe are taking place through their incorporation or integration into the world economy and thus results in certain methodological shortcomings. Before outlining the methodological limits lets have a look at the perception of integration of the institutionalist approaches as intrinsically this has an important role in their ignorance of the constitutive role of the international.

The institutionalist approaches perceive integration as international participation into the Euro-Atlantic structures which implies that the integration process is "normalisation of the external relationships of a capitalist nation state".[44] This, in a sense, is simplification of the complexity of the integration process. First and foremost, it should be indicated that integration of the countries of Central and Eastern Europe into the Euro-Atlantic structures has been taking place parallel to a process of thorough transnational restructuring and reorganisation of capitalism at the global and the European levels. Large scale economic opening up - liberalisation - and integration into the world economy were important priorities of the neo-liberal agenda of restructuring at the global level.[45] The most important aspect, in this respect, is the drive for convergence, in its comprehensive sense, towards an 'ideal' model. This is inherent in the understanding of integration for the radical neo-liberal approach. As put forward by Sachs and Warner, "[i]ntegration means not only increased market-based trade and financial flows, but also institutional harmonization with regard to trade

[44] Böhle, *op. cit.,* p. 241.

[45] This is only a simplification of the extent of and comprehensive nature of the neo-liberal agenda.

policy, legal codes, tax systems, ownership patterns and other regulatory arrangements" and is a process where international norms are perceived to "play a large and often decisive role in defining the terms of the reform policy".[46] It should be emphasised that the priorities of the radical neo-liberal agenda specified above were also embraced by almost all of the states of Central and Eastern Europe within their policy of 'return to Europe' "notwithstanding the differences between their past legacies and the details of their transformation strategies".[47] The radical neo-liberal agenda of transformation is intrinsically linked to the integration and globalisation processes as will be dealt with in concrete in the next chapter. Therefore, it may well be put forward that there is a dialectical process between transformation and integration which had important implications and consequences on the socioeconomic development and actual transformation trajectories in the region.

Framing transformation and integration processes within such a dialectical process puts the institutionalist considerations under scrutiny, especially the perception of transformations as independent processes which take place within territorially bounded national contexts with an underlying concept of national autonomy. With the assumption of national autonomy, historical legacies and modes of power transfers (politics of extrication) emerge as the primary points of departure for the institutionalist analyses in the explanation of the political developments and the capacity of political actors in the countries of the region after the collapse of the communist party rules. These are important challenges to the conceptions of uniformity and convergence towards an idealised free market economy model that the radical neo-liberal approach advocates. However, the origin driven perspective of the institutionalist approaches "connect postsocialist diversity not to diverse socialist legacies but to the autonomy of the political, to choices made in the democratic transition", thus implying that it is the plurality of origins, depicted as the starting conditions, that will determine the plurality of

[46] Jeffrey D. Sachs and Andrew Warner, "Economic Reform and the Process of Global Integration", *Brookings Papers on Economic Activity* 1, 1995, p. 2.

[47] Böhle, *op. cit.,* p. 241.

capitalisms, that is, the end.[48] Thus, policy choices and outcomes assume utmost importance in the explanations of the transformation trajectories and the emerging ownership patterns, forms of democracy and capitalism. By assuming an independent autonomous development and only partial influence and role for the external reduces the institutionalist analyses of transformation processes, in this sense, to an analyses of the legacies of the past and constraints/requirements of liberalisation. Such an approach fails to analyse the historical specificity of the integration processes that are integral part of the transformation processes. The integration processes bring globalist practice and its power relations within the articulation of path dependent development and it is through this framework that the question of autonomy may be put realistically.[49]

The conjuncture of changes presents an understanding of the international context providing for a serious challenge to the autonomy and sovereignty of states in their reform attempts and policy-making. Thus, the institutionalist approaches may be overestimating the possible range of diversity at the systemic level and underestimating the international actors' role and influence in shaping transformation processes.[50] Actors such as the EU, IMF, the World Bank, and transnational corporations and processes such as the globalisation of production and finance had the capacity to influence, limit and shape policy choices, actions and diversity within the region. Besides, these actors have been actively involved as co-designers of the reform processes in the countries of Central and Eastern Europe. Therefore, it is impossible to try to account for the transformation processes by neglecting the IMF and EU roles, the politics of conditionality they have employed, the minimal divergence they sought to achieve from their policy proposals, and indeed the fact that these principles were embraced by many of the states in the region. The changes also have important implications with respect to the inclusion of transnational corporations within the national contexts. By way of

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[48] Michael Burawoy, "Neoclassical Sociology: From the End of Communism to the End of Classes", *American Journal of Sociology*, Vol. 104, No. 4, January 2001, p. 1106.

[49] For a similar argument see Böhle, *op. cit.,* p. 245.

[50] Böhle, *op. cit.*, p. 245.

buying off the most profitable corporations within rising sectors transnational corporations become important actors with links that transcend borders seriously impacting on the 'deliberative associations' that the institutionalist approaches take as important within the transformation processes. The priorities of opening up and integration indicate that various actors, national and transnational, define their stance within globalist practice and social relations. Thus, by ignoring the constitutive role of the external, the institutionalist approaches cannot account for the effects of these changes on the instances of transformation and only ends up reproducing the agents and the structures of the international and the power relations inherent in the struggles at the global and regional level. Changing social relations since the 1970s lends itself to a restructuring of state-society relations which inherently is reflected upon and have been internal and inseparable elements of the transformation processes in Central and Eastern Europe, in particular through their incorporation and integration.

Identification of the elements of the past and how they matter leaves certain questions marks on how the institutionalist approaches construct the starting conditions of the states of the region[51] and how these starting conditions affect the simultaneous extension of political and economic rights. Dobry points to the ambiguity of conceptualisation of the 'past' and uncertainty in relation to how the institutionalist approaches differentiate themselves from other interpretations of transitions.[52] Moreover, the institutionalist concern with 'paths of extrication'[53] creates confusion with regards to the time scale the path dependent approaches assume and suggest, as Dobry argues, that they privilege a short time period that affects the path dependent developments.[54] Thus, the "links between particular features of starting points of processes, "extrication" paths taken, and the given

[51] Böhle, *op. cit.,* p. 246.

[52] Michel Dobry, "Paths, Choices, Outcomes, and Uncertainty: Elements for a Critique of Transitological Reason", in *Democratic and Capitalist Transitions in Eastern Europe: Lessons for the Social Sciences*, edited by Michel Dobry, (Dordrecht, Boston, and London: Kluwer Academis Publishers, 2000), pp. 55-62.

[53] Stark and Bruszt, *op. cit., pp. 15-48.*

[54] Dobry, *op. cit.,* pp. 57-8.

outcomes" suggest a historically determinist and progressive approach despite the claims to the contrary.[55] Other aspects, which hardly appear within the institutionalist accounts, such as the issues of foreign debt of the countries in the region, relations of the countries with international structures of production and finance, past experiences concerning international trade linkages and foreign direct investment, and international orientation of the economic and political elite, further reinforces inadequacy of the approaches.[56]

Consideration of these issues was probably to add to the constraints, risks and opportunities that the institutionalist approaches assume for their analyses. For instance, considering notion of transnationalisation of production and finance would certainly affect the constraints, risks and opportunities and add different factors shaping the present pattern of political economies of development. Such an approach would lead to a reconsideration of, for example, one of the important findings of the institutionalist approaches; "hybrid forms" of existence in the emerging property forms and institutional settings. The emergence of the 'hybrid forms' were largely traced back to the attempts of communist party and post-1989 leadership to create economic actors from above transferring assets which involve managers and workers of public enterprises blurring ownership and organisational patterns of public and private.[57] However, as Böhle convincingly shows with respect to Polish transport industry, in addition to diverse historical legacies and policy choices, the attempt to attain the given mode of production with its ownership and institutional forms and the increasing influence of external actors have also effectively led to hybrid forms of capitalist establishment.

One final point needs to be clarified here before the study proceeds to outline its own approach to transformation. This study also differentiates itself from the mainstream approaches of European integration, an analysis that is not brought up within the study as its first aim was to build upon what is perceived as

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[55] *Ibid.,* p. 62.

[56] Böhle, *op. cit.,* p. 246,

[57] Stark, "Recombinant Property", p. 997. Jadwiga Staniszkis, "'Political Capitalism' in Poland", *East European Politics and Societies,* Vol. 5, No. 1, Winter 1991.

the limits of transformation literature. The main critical point with regards to the limits of the established theoretical approaches to European integration, neo-functionalism and liberal intergovernmentalism, is that they pay inadequate attention to the explanation of instances of structural and socio-political change about the European political economy. This problematique stems from the theoretical and methodological assumptions of these established theories of integration which are similar to the institutionalist approaches to transformation. As such, the premise of human rationality - that this is an expression of market forces as the realm of freedom in political affairs - and the focus of neo-functionalism on the notion of spill-over and the exclusive focus of intergovernmentalism on a state-centric approach renders it difficult for these analyses to account for structural changes that transcend the state and avoid determinism or dichotomous perspectives.[58] States are still important yet international relations have taken dimensions that transcend the states.

Thus, this study departs from the mainstream institutionalist approaches that are based on sharp dichotomies between the internal-external, object-subject, and action-structure with the former remaining the main focus of these studies for the interpretations of the transformation processes. Nevertheless, it must be indicated that the historical institutionalist approaches often provide rich observations and intuitive insights, concerns that are partly shared in this study. Now, the study will turn to outline the abstract nature and the constitutive role the external plays in the transformation processes.

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[58] For a detailed analysis of European integration theories see Ben Rosamond, *Theories of European Integration,* (London: Macmillan Press, 2000); Erik Jones and Amy Verdun (eds.), *The Political Economy of European Integration: Theory and Analysis*, (London and New York: Routledge, 2005); and Mark A. Pollack, "International Relations Theory and European Integration," *Journal of Common Market Studies*, June 2001, Vol. 39, No.2. For a neo-functionalist analysis, see Wayne Sandholtz and Alec Stone Sweet (eds.), *European Integration and Supranational Governance*, (Oxford: Oxford University Press, 1998). For a liberal intergovernmentalist approach, see Andrew Moravcsik, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht,* (New York: Cornell University Press, 1998) and for an extension of this approach with respect to EU enlargement see Andrew Moravcsik and Mileda Anna Vachudova, "National Interests, State Power, and EU Enlargement", *East European Politics and Societies,* Vol. 17, No. 1, 2003. For critical perspective on these approaches see Andreas Bieler and Adam David Morton, "Introduction: Neo-Gramscian Perspectives in International Political Economy and the Relevance to European Integration", in *Social Forces in the Making of the New Europe: The Restructuring of European Social Relations in the Global Political* Economy, edited by Andreas Bieler and Adam David Morton (Hampshire, UK: Palgrave, 2001).

2.3 An Alternative: Critical Political Economy Perspective

For this study, as implied, transformation reflects social struggle. Tendencies of transformation and integration of states in the region, which in themselves reflect social struggle, are considered in relation to changing global order and structure. Therefore, the first concern here will be to identify the nature of hegemony and social structure at the global level and the inherent historically specific forms of power relations in the present global order. Changing social relations since the late 1970s lends itself to a restructuring of politics, economics and societies within the global capitalist economy, which inherently is reflected upon the transformation processes in Central and Eastern Europe. In this respect, this study will be concerned with the social purpose underpinning political authority in the contemporary global economy, which drives the global and European readiness to integrate the countries of Central and Eastern Europe despite their relative backwardness.

After outlining the historical structure or the framework for action, what is important is to provide an understanding of the internalisation of historical forms of power and domination through the politics of conditionality inherent within various mechanisms in order to overcome the internal-external divide. The concept of the internationalisation of the state will be useful here to try to make a connection between the domestic and the global. This stems from the recognition that relations of power and authority in the countries of Central and Eastern Europe are constructed not only within the national context but in interaction with social forces beyond the national. The developments at the global level provide a historical framework incorporating the states of the region within global relations of power and authority and thus, restructuring their politics, economy, and society through various mechanisms of the integration process. The study intends to provide an account of how hegemonic powers promote internationalisation of neo-liberal restructuring through the emerging form of state against a background of global order**.** Here, it will be important to point to the changing form of state with the process of globalisation where states play a crucial role in bringing about changes at the national level promoting the globalisation of production. By concentrating on the state, the study intends to contend for the transmission of

hegemony through the state and question the medium of framework states provide for struggle through which social forces attempt to establish their particular interests and ideas.

Such an approach conceives a social totality - which defines the social relations of production as its main unit of analysis – in which transformations are embedded. Now the study will turn to explain the importance of social totality and how the social relations of production as the main unit of analysis provide a basis to overcome the dichotomy of internal-external.

2.3.1 Transformation Embedded Within the Social Totality

Conceiving transformations as embedded within a social totality provides one with the necessary tools to understand the asymmetrical relations within which the states of Central and Eastern Europe have experienced their transformation and integration processes. A Gramscian perspective, enriched with other perspectives within historical materialism, provides important concepts in trying to overcome the internal-external divide in understanding the trajectories of transformation. Thus, this study perceives the totality of material, political and ideological forms within the social realm as interrelated and inseparable elements.[59] As Gramsci has been one of the most diversely interpreted theorists of our times, the basis of his methodology and the relevance of concepts appropriated from Gramsci in understanding global change and hence, change and transformations in Central and Eastern Europe in relation to global change need to be clarified.

Gramsci developed his conceptual approach within the context of a nation-state, the Italian state, through his political analysis on the history of Italy's late development as a unified state. As the leader of the revolutionary Communist Party, Gramsci directed his critical effort in identifying strategies of political and ideological struggle against the fascist regime of Mussolini. As Craig Murphy puts it,

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[59] A comprehensive overview of the Gramscian methodology is provided by Pınar Bedirhanoğlu in her Ph.D. thesis which has substantially contributed to my understanding. See Pınar Bedirhanoğlu, *Predicaments of Transnationalised Passive Revolutions: Transformation of the Russian Nomenklatura in the Neoliberal Era,* unpublished Ph.D. thesis submitted to Sussex European Institute, The University of Sussex, September 2001.

> [Gramsci was] searching for lessons relevant to the Communist Party, an egalitarian social movement bent on the further transformation of that still weakly united social order, one that remained riven by a fundamental geoeconomic division between an industrialized north and an exploited, peasant south, a social order already, in Gramsci's day, faced with the economic and political pressures that would push its absorption into an even larger capitalist political and economic order.[60]

Gramsci's approach to totality intends to avoid the determinism of the structural approaches and Marxist 'economism' where both approaches assume that changes within the socio-economic circumstances themselves produce political changes. In a Gramscian sense, changes at the socio-economic level cannot determine but create conditions within which social struggles at the political level takes place.[61] Gramsci was a man of thought and action[62] who perceived development between the economic 'structure' (base) and political, legal and cultural 'superstructures' as connected with each other within a real historical process representing a social totality in a reciprocal relationship. The approach to totality is best emphasised by Gramsci through his analysis of the historical bloc:

> [M]aterial forces are the content and ideologies are the form, though this distinction between form and content has purely indicative value, since the material forces would be inconceivable historically without form and the ideologies would be individual fancies without the material forces.[63]

Therefore, with respect to changes taking place in Central and Eastern Europe, what emerges as reform and transformation processes are discerned as results of

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[60] Craig N. Murphy, "Understanding IR: Understanding Gramsci", *Review of International Studies,* 24, 1998, p. 417.

[61] Andreas Bieler, "The Struggle over EU Enlargement: a Historical Materialist Analysis of European Integration", *Journal of European Public Policy*, 9:4, August 2002, p. 580.

[62] Gramsci believed in the unity of theory and practice: "every action is the result of various wills, with a varying degree of intensity and awareness and of homogeneity with the entire complex of the collective will, it is clear that also the theory corresponding to it and implicit in it will be a combination of beliefs and points of view which are equally disordered and heterogeneous". See the Antonio Gramsci Internet Archive on www.marxist.org for the online version of Antonio Gramsci, *Selections from the Prison Notebooks*, translated and edited by Quintin Hoare and Geoffrey Nowell Smith, (New York: International Publishers, 1971). The quotation is from the online version of the book which is available at http://www.marxists.org/archive/gramsci/editions/spn/study_philosophy/ch01.htm#s16, (accessed on 8 June 2006).

[63] David Forgacs (ed.), *The Antonio Gramsci Reader: Selected Writings 1916-1935,* (New York: New York University Press, 2000), p. 200.

social struggles fought within the social totality, where the historically specific constitutive forms within the social totality are themselves subject to change in the dialectics of the actual processes.

Another important issue has to be clarified before the study proceeds with the elaboration of concepts for the analysis of transformation in Central and Eastern Europe. Germain and Kenny, providing an influential critique of the neo-Gramscian approaches, question whether Gramsci's key concepts can be applied to comprehend the nature of social order in the contemporary period as concepts employed by Gramsci were always embedded within the concept of the nation-state.[64] Gramsci's "views on the emergence of integrated states in which force is shielded by consent and his understanding of struggle as the nexus of social transformation"[65] provides a ground for relevance and renders the Gramscian approach applicable in understanding changing social order and, in relation, the trajectories of transformations. State, for Gramsci, was composed of the political society and the civil society. Civil society, as a voluntary realm between the economy and the state and as a space in which the collective will of the people emerged, was an important site for the consolidation of power.[66] Yet, relations of power were not a result of agents' struggle only within the boundaries of the nation-state, in isolation from the international. Indeed, while considering the notion of hegemony as an educative relationship, Gramsci emphasises the importance of the international:

> Every relationship of "hegemony" is necessarily an educative relationship and occurs not only within a nation, between the various forces of which the nation is composed, but in the international and world-wide field, between complexes of national and continental civilizations.[67]

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[64] Randall D. Germain and Michael Kenny, "Engaging Gramsci: International Relations Theory and the New Gramscians", *Review of International Studies,* 24, 1998, p. 4.

[65] Murphy, *op. cit.,* p. 417.

[66] *Ibid.,* pp. 421-2.

[67] Gramsci quoted in Rupert, "(Re-)Engaging Gramsci", pp. 431-2. See Gramsci, *op. cit.,* http://www.marxists.org/archive/gramsci/editions/spn/study_philosophy/ch01.htm#s09, (accessed on 13 May 2006)

Following on and adopting Gramsci to the contemporary period, the study contends that the political contestation within the states of Central and Eastern Europe does not take place in isolation from the global, and social forces emerge and are shaped by the dialectical process of global/local interaction. The changing social relations since the 1970s point to the fact that the 'political' form of the state – which constitute political society and civil society – and the ideological contestations inherent therein transcend borders of the state "for the borders of the state itself is being transformed as the new hegemony is being constructed and new ways of organizing social relations are being learned".[68]

Neo-liberalism, to emphasise once again, in its radical or evolutionary-institutionalist abstractions separates the 'political' and the 'economic' and claims that social agents are represented as abstract individuals interacting within a market context. The notion of market context here is not confined to a national market. A central feature of international relations over the course of the last two-three decades is that contestable public spaces have come to have transnational aspects with the capitalist system becoming "a transnational system of democratically unaccountable and exploitative 'private' power, economistically representing itself in terms of 'the ideas of the Free Trade Movement', as if it was not itself a political project, an emerging transnational structure of class dominance".[69] The historical forms within the public spaces, here, are considered to have increasingly assumed transnational dimensions adding new scope to political actions of social forces - institutions and practices of civil society. The politics of conditionality, as will be elaborated in more detail, becomes an important tool, in internalising, or from within the states in the region legitimising, what is advocated as normal practices of social organisation of a state's political economy. Then, what becomes important for this study is the reciprocal relationship between power and production embodied within the relations of coercion and consent in historical forms of social organisation. Hegemony within a

[68] Mark Rupert, "(Re-)Engaging Gramsci: a Response to Germain and Kenny", *Review of International Studies*, 24, 1998, p. 431.

[69] *Ibid.*, p. 432.

historical social structure, from this perspective, does not represent an unproblematic dominance of an uncontested ideology which silences all alternative visions or political projects, but rather embraces aspects of alternative visions in order to establish its dominance. Hegemony, in other words, "is an unstable product of a continuous process of struggle".[70]

Before accounting for hegemony within the present historical global structure, the study will provide an understanding of social relations of production as its main unit of analysis and present how it contributes to overcoming the internal-external dichotomy with respect to transformations in Central and Eastern Europe.

2.3.2 Social Relations of Production as the Unit of Analysis

Patterns of production relations "are the starting point for analysing the operation and mechanisms of hegemony"[71] present within the historical global structure. In his critique of the reductionist readings of Marx, Gramsci himself argues that

> the complex, contradictory and discordant ensemble of the superstructures is the reflection of the ensemble of the social relations of production.[72]

Though production starts with the production of physical goods it should not be constrained to its narrow understanding in a technical and economistic sense but rather should be understood in the broadest sense. As Cox indicates "production…is not confined to the production of physical goods used or consumed. It covers the production and reproduction of knowledge and of the social relations, morals and institutions that are prerequisites to the production of physical goods".[73] In other words, production includes the production of ideas, of

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[70] *Ibid.,* p. 428.

[71] Andreas Bieler and Adam David Morton, "A Critical Theory Route to Hegemony, World Order and Historical Change: Neo-Gramscian Perspectives in International Relations", *Capital & Class*, No. 82, 2004, p. 89.

[72] Forgacs, *op. cit.,* p. 192.

[73] Robert W. Cox, "Production, the State and Change in World Order", in *Global Changes and Theoretical Challenges: Approaches to World Politics for the 1990s,* edited by Ernst-Otto Czempiel and James N. Rosenau, (Toronto: Lexington Books, 1989), p. 39.

intersubjective meanings, of norms, of institutions and social practices, that is, "the whole context of ideas and institutions within which the production of material goods takes place".[74]

The pattern of production relations, referred to as a mode of production relations, is "a social phenomenon".[75] Productive activity represents men's relation to nature. Capital and physical goods assume importance in the context of a particular relationship between appropriator and producer, and rulers and ruled. It is specific social processes and relations that constitute the economic 'base'. Thus, social power, the structure of authority and the distributive consequences are dialectically related in social relations of production.[76] Reciprocity, in this sense, is an important aspect of the relationship between the 'base' and the 'superstructure'. Therefore the material base and the complex superstructure are not separate spheres; they represent the inseparable and interconnected elements of a real dialectical process. While pointing to the nature of production beyond its technical aspects, Wood emphasizes the interconnectedness of various social organisational forms:

> [R]elations of production themselves take the form of particular juridical and political relations - modes of domination and coercion, forms of property and social organization - which are not mere reflexes, nor even just external supports, but *constituents* of these production relations. The 'sphere' of production is dominant not in the sense that it stands apart from or precedes these juridical-political forms, but rather in the sense that these forms are precisely forms of production, the *attributes* of a particular productive system.[77]

It is only in this sense that the 'sphere' of production can exert specific unifying pressures on the society as a whole.

Modes of social relations of production engender social forces as the most important actors. As Bieler and Morton argue "[b]y discerning different modes of

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[74] Timothy J. Sinclair, "Beyond International Relations Theory: Robert W. Cox and Approaches to World Order", in *Approaches to World Order,* Robert W. Cox with Timothy J. Sinclair, (Cambridge: Cambridge University Press, 1996), p. 9.

[75] Ellen Meiksins Wood, *Democracy against Capitalism: Renewing Historical Materialism*, (Cambridge: Cambridge University Press, 1995), p. 25.

[76] Robert W. Cox, *Production, Power and World Order: Social Forces in the Making of History*, (New York: Columbia University Press, 1987), p. 12.

[77] Wood, *op. cit.*, p. 27, emphasis provided in original.

social relations of production it is possible to consider how changing production relations give rise to particular social forces that become the bases of power within and across states and within a specific world order".[78] Production processes are, therefore, considered to be open to political contestation which makes reproduction, reformation and transformation, thus constitution of new relations of authority, domination and subjection possible. In this respect, the concept of 'social relations of production' helps to differentiate between distinct forms of society[79] and provides a comprehensive understanding of social totality without privileging either structure or agency. Thus, "understanding social transformations requires identifying the specificity of extant relations of production as well as novel pressures exerted on these relations within or from outside"[80] within a particular period in time. As such, consideration of the concept of social relations of production provides a powerful means to grasp the complexity of the asymmetrical power relations encountered by the states of Central and Eastern Europe in their endeavour to transform their political economies in an aim to become part of the capitalist global economy. Defining the nature of hegemony and the global historical structures can be a proper starting point before providing an understanding of the state as the main structure in internalising hegemonic orders.

2.3.3 Hegemony and Historical Structures Surrounding the Transformations

Hegemony, in the neo-Gramscian sense, is constructed on a world order which provides a universalistic conception compatible with the interest of most states. However, it is not merely an order among states - as conceived by the mainstream approaches based on the dominance of one country over the others - but an order with a dominant mode of production within the world economy and a

[78] Bieler and Morton, "A Critical Theory Route", p. 89.

[79] See i.e. Wood, *op. cit.*, pp. 19-48; and Cox, *Production, Power and World Order*, pp. 35-98.

[80] Bedirhanoğlu, *op. cit.,* p. 17.

complex of social relations at the global level.[81] World hegemony is describable as a combination of economic, political and social structures that is "expressed in universal norms, institutions and mechanisms which lay down general rules of behaviour for states and for those forces of civil society that act across national boundaries – rules which support the dominant mode of production".[82] Accordingly, neo-liberal globalisation involves three interlinked levels: economic, political and social which provide challenges for arrangements and forms of economic organisation, institutional organisation, embedded sets of social structures, ideas and practices.[83]

The nature of neo-liberal hegemony involves complex and dialectical relationship that is reflected between neo-liberalism as process and neo-liberalism as project of global restructuring. This process involves a simultaneous process of disintegrating embedded structures of political and socioeconomic organisation and the process of integrating material, political, social and cultural life at the global level, a process driven by the process of global restructuring of production and finance.[84] This dialectical nature of neo-liberal hegemony is clearly evident in the transformation processes of Central and Eastern Europe which can be perceived in the changing forms of conditionality. Neo-liberalism as a hegemonic project and as a radical strategy of transformation in Eastern Europe has been configured and reconfigured according to the struggles, compromises and readjustments, thus, reflecting the rigidities, dynamics of structures and the political possibilities of the time.

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[81] Robert, W. Cox, "Gramsci, Hegemony and International Relations: An Essay in Method", in *Gramsci, Historical Materialism and International Relations*, edited by Stephen Gill (New York and Cambridge: Cambridge University Press, 1993), pp. 61-2.

[82] *Ibid*., p. 62.

[83] Stephen Gill, "Gramsci and Global Politics: Towards a Post-hegemonic Research Agenda", in *Gramsci, Historical Materialism and International Relations*, edited by Stephen Gill, (New York and Cambridge: Cambridge University Press, 1993), p. 9.

[84] Gill, *op. cit.,* p. 5. See also Bastiaan van Apeldoorn, Henk Overbeek and Magnus Ryner, "Theories of European Integration: A Critique", in *A Ruined Fortress?: Neoliberal Hegemony and Transformation in Europe,* edited by Alan W. Carfuny and Magnus Ryner (Maryland: Rowman and Littlefield Publishers, Inc., 2003), pp. 37-9.

Hegemony, thus, can be understood as a form of class rule linked to a particular configuration of social forces within a framework for action or a historical structure. Historical structures are "persistent social practices, made by collective human activity and transformed through collective human activity".[85] The structure promoted by neo-liberal restructuring processes, in this sense, is "a product of historically situated social agents, struggling over alternative possible worlds".[86] However, the particular configuration of forces within a historical structure "does not determine actions in any direct, mechanical way but imposes pressures and constraints".[87] Thus, the process of globalisation, while strengthening certain social forces and engendering new, transnational social forces within the social relations of production, does not determine but rather shapes their behaviour.[88] Another point has to be emphasised here: changes since the late 1970s signify struggle within classes as much as struggle between classes.

Besides social relations of production the constitution of hegemony is based on two other spheres of activity in a dialectical relationship with each other leading to a particular configuration of historical structures: forms of state, which reflects the state-society complexes at their historical specificity; and world orders which "not only represent phases of stability and conflict but also permit scope for thinking about how alternative forms of world order might emerge".[89] As Bieler and Morton indicate "through the rise of contending social forces, linked to changes in production, there may occur mutually reinforcing transformations in

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[85] Cox, *Production, Power and World Order*, p. 4.

[86] Mark Rupert, *Ideologies of Globalization: Contending Visions of a New World Order*, (London and New York: Routledge, 2000), p. 15.

[87] Cox cited in Timothy J. Sinclair, "Beyond International Relations Theory: Robert W. Cox and Approaches to World Order," in *Approaches to World Order*, Robert W. Cox with Timothy J. Sinclair, (Cambridge: Cambridge University Press, 1996), p. 8.

[88] Bieler (and Morton) especially emphasises this as an important point in differentiating the neo-Gramscian approaches from structural Marxist approaches. See Bieler and Morton, "Introduction: Neo-Gramscian Perspectives", p.17; and Bieler, "The struggle over EU enlargement", p. 580.

[89] Robert W. Cox, "Social Forces, States, and World Orders: Beyond International Relations Theory (1981)", in *Approaches to World Order*, Robert W. Cox with Timothy J. Sinclair, (Cambridge: Cambridge University Press, 1996), pp. 100-1; Andreas Bieler and Adam David Morton, "A Critical Theory Route to Hegemony, World Order and Historical Change: Neo-Gramscian Perspectives in International Relations", *Capital & Class*, No. 82, 2004, pp. 87-8.

forms of state and world order".[90] Configuration of social forces generated in social relations of production forms the bases of power in forms of states and the method of historical structures helps to identify how these social forces become the bases of power and how this might shape world order.[91] This leaves a space for variety of forms and rival and contending ideologies which depict ideal types.

Three further elements reciprocally combine to constitute an historical structure: material capabilities, which refers to dynamic productive capabilities and accumulated resources; ideas as intersubjective meanings and rival collective images of world order; and institutions which are means of stabilising a particular order as well as agents of change.[92] These provide for approximation of particular configurations within each sphere of activity. Social forces interact in a structure embodying these three elements which symbolize an historical process, the dialectical moment of hegemony. Cox provides a picture of structure that modifies the notion of historical structure as defined by Braudel.[93] For Braudel, historical structures represent realities, "the ceaseless constraints imposed by geography, by social hierarchy, by collective psychology and by economic need – all profound forces, barely recognized at first, especially by contemporaries, to whom they always seem perfectly natural, to be taken wholly for granted if they are thought about at all".[94] The claim to establish stability and security in Central and Eastern Europe through the neo-liberal strategy of transformation should be associated with the concept of hegemony "that is based on a coherent conjunction or fit between a configuration of material power, the prevalent collective image of world order (including certain norms) and a set of institutions which administer the

[90] Bieler and Morton, "A critical theory route", p. 88.

[91] *Ibid*., p. 89.

[92] Cox, "Social Forces, States, and World Orders", pp. 98-9; Bieler and Morton, *op. cit.*, p. 88; Sinclair, *op. cit.*, p. 10-1.

[93] See Robert W. Cox, "Influences and Commitments", in *Approaches to World Order*, Robert W. Cox with Timothy J. Sinclair, (Cambridge: Cambridge University Press, 1996), p. 29.

[94] Fernand Braudel, *A History of Civilizations,* (New York and London: The Penguen Books, 1993), p. 27-8.

order" that is linked with a certain semblance of universality.[95] Thus, consideration of historical structures makes it possible to focus on an understanding of the conjuncture and what is depicted as universal that shape tendencies of transformation and integration. Moreover one might say that understanding structure as a historical product of social struggles makes it possible to reflect on the freedom of action that states of Central and Eastern Europe have during their transformation processes.

The dialectical understanding of structure and agency, as has been outlined above, on the one hand, "overcomes the understanding of globalisation as external pressure to which actors can only respond and adjust", on the other, helps "to identify the forces behind globalisation, i.e. transnational capital, and the particular social purpose they pursue, i.e. neo-liberal restructuring".[96] As mentioned above within the context of transformation and integration of the countries of Central and Eastern Europe, mainstream theoretical perspectives have mainly been evaluating the processes as technical processes of adaptation and adjustment to the policies, rules and norms of the European Union. Such approaches are concerned with an analysis of the levels of governance and institutional form rather than the socioeconomic content of the processes. Thus, the mainstream approaches fail to account for the power and thus the historical roots of social relations of power surrounding the transformation processes in the countries of Central and Eastern Europe.

Similarly, the mainstream considerations do not question the nature of conditionality. They perceive conditionality as a natural given and rather treat it as a technical issue. Their perception of conditionality seems to be simplistic and ignorant of the social context that establishes the basis of emergence of the politics of conditionality as well as the social relations it leads to. Conditionality is a product of social struggle and involves the exercise of power. It has been an important instrument that cuts across the material, political, and ideological levels

[95] Cox, "Social forces, states, and world orders", p. 103.

[96] Andreas Bieler, "Class Struggle over the EU Model of Capitalism: Neo-Gramscian Perspectives and the Analysis of European Integration", *Critical Review of International Social and Political Philosophy,* Vol. 8, No. 4, December 2005, p. 517.

of the social totality. In practical terms, it is the changing configuration of social forces that lead to the changing role of international organisations and the changing and increasing use of conditionality. Conditionality has been an important instrument linking the desires of capital with the search for security and stability in the third world and later in the immediate Eastern neighbours of the EU member states. Conditionality played an utmost role in the transmission of hegemony by bringing changing forms of coercion and consent together or rather by presenting changing forms of coercion within forms of consent portrayed as the normalisation of external relations or as the universal social practices. Thus, it helped ease for the neo-liberal social forces to legitimise the hegemonic projects that were under play at the global and the European levels through the use of international financial institutions and the EU institutions. Besides, conditionality enabled the international financial institutions and the EU Commission to present neo-liberal practices as normal practices of global political economy though these practices represented changing forms of social and institutional organisation. Thus, revealing, in concrete, the characteristics of a historical structure within a particular time span and the nature of power reflected upon the changing forms of conditionality will be a concern for the present study.

The state is at the heart of this process of internalisation of historical forms of power and domination. The state agency is important in internalising changing forms of social organisation and in bringing about changes at the national level in an aim to promote globalisation of production. The concept of the internationalisation of the state is useful here in capturing the dialectical relationship between the national and the international, and uncovering the social forces that are at play during the transformation processes.

2.3.4 Transformation, State and the Internationalisation of the State

Changes in the social relations of production since the 1970s, was paralleled by a tendency in search of a new form of state. This has amounted to a restructuring of state's regulatory, supervisory as well as its constitutive roles in the domestic and international realms. Indeed, as Panitch argues, far from eroding

the role of the state, the neo-liberal globalisation drive has been constituted through and even by the state itself.[97] The state, as one of the main actors in constituting the globalisation process, has been acting as a nub of the transformation strategy through the restructuring of its form and role.[98] Therefore, the state cannot be ignored. It still remains to be the primary site of political contestation, a site of class struggle and strategic selectivity.

As noted above, state power rests on configurations of social forces; it does not have a power of its own. This study takes the state "not simply as an institution limited to the 'government of the functionaries' or the 'top political leaders and personalities with direct governmental responsibilities".[99] It was emphasised above that the state stretches beyond the realm of political society to include aspects of civil society as well, even though the civil society may be weak. Hence, "the state is the *entire complex of practical and theoretical activities* with which the ruling class not only justifies and maintains its dominance, but manages to win the active consent of those over whom it rules".[100] Thus, the state is not a natural given but a social relation that comprises public and private spheres. The state, as a structure that materialises and concentrates class struggles, becomes "the nub of any revolutionary strategy"[101] including that of internalising the neo-liberal project, a structure through which hegemony functions. As Bieler and Morton argue:

> [T]he struggle over hegemony revolves around shaping intersubjective forms of consciousness in civil society - 'the trench-systems of modern warfare' which have to be targeted 'even before the rise to power' - rather than focusing on gaining control of the coercive state apparatus…It is through state-civil society

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[97] Leo Panitch, "The New Imperial State", *New Left Review 2*, March April 2000, p. 14; also see Stuart Shields, "Global Restructuring and the Polish State: Transition, Transformation, or Transnationalization?", *Review of International Political Economy,* 11:1 February 2004, p. 135

[98] One thing has to be clarified: though developments since the 1970s have given way to emergence of transnational forces, it is not possible to talk of a truly integrated global economy or markets.

[99] Andreas Bieler and Adam David Morton, "Globalisation, the State, and Class Struggle: A 'Critical Economy' Engagement with Open Marxism", *British Journal of Politics and International Relations,* Vol. 5, No. 4, November 2003, p. 482.

[100] Gramsci quoted in Biler and Morton, "Globalisation, the State and Class Struggle", p. 482, emphasis in original.

[101] Nicos Poulantzas, *Classes in Contemporary Capitalism,* translated from French by David Fernbach, (London: Verso, 1978), p. 38.

> relations, then, that particular social classes may establish hegemony over contending social forces.[102]

The changes taking place since the 1970s, though did not lead to anything like a global state, gave way to a change in the nature of political and ideological contestation transcending borders of the state. The state, in a parallel process, has been profoundly restructured and became more subordinated to the changes in global political economy through the internationalisation/transnationalisation of production and finance. These processes deeply affected the political and institutional forms of the state by including them in a system of interconnections, i.e. transnationalisation of production systems, which goes beyond a consideration of external pressures.[103] The notion of the internationalisation of the state "captures this dynamic [of transnationalisation] by referring to the way the transnational processes of consensus formation have been transmitted through the policy-making channels of governments".[104] The notion indicates a process whereby national policies and practices are adjusted to the exigencies of the global political economy.[105] As Jessop points out this was to be "a distinctive form of state concerned to promote economic and extra-economic conditions deemed appropriate to the emerging post-Fordist accumulation regime".[106] Bieler and Morton, commenting on the arguments of Poulantzas, indicate that "internationalisation, or transnationalisation, of production and finance capital does not represent the expansion of different capitals outside the state but signifies a process of *internalisation* within which interests are translated between various fractions of classes within states".[107] Thus, states support the reproduction of

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[102] Biler and Morton, "Globalisation, the State and Class Struggle", pp. 483-4.

[103] Poulantzas, *op. cit.,* p. 73.

[104] Biler and Morton, "Globalisation, the State and Class Struggle", p. 486; see also Bieler and Morton, "A Critical Theory Route", pp. 95-6.

[105] Cox, *Production, Power and World Order*, p. 253.

[106] Bob Jessop, *The Future of the Capitalist State*, (Cambridge: Polity Press, 2002), p. 95.

[107] Biler and Morton, "Globalisation, the State and Class Struggle", p. 487.

capital under the domination of Western capital, each state "attempting in its own way to latch onto one or other aspect of this process".[108]

The form of state "is regarded as a structure within which and through which social forces operate".[109] It is not a structure that directly represents the interests of the dominant classes, but provides a realm for concession, compromise, incorporation and neutralisation of various class interests or competing visions of the world for long term domination. Thus, the state becomes a structure where class relations are institutionalised around a particular form of production. As Panitch points out, liberalisation of financial flows, the Shock Therapy in Central and Eastern Europe which broke down internal barriers, privatisation of public assets and deregulation in other spheres were all carried out through state action, the state legalising and selectively standardising new relations among economic agents in both domestic and international arenas.[110] The power of capital, in this respect, represented as a reflection of social relations within the state, does not present a power beyond and above the power of the state.

The process of 'internationalisation of state' is even more evident in the case of transformation in Central and Eastern Europe. The state has been the major agent and structure in the processes of transformation in the countries of the region. While managing the conditionality imposed from outside, the states of Central and Eastern Europe try to balance different and divergent set of local interests. In other words, while the state - that has so much been vulnerable to pressures of conformity under the politics of conditionality - has been trying to reconfigure and restructure the society, it was itself the arena of struggle between differing and diverging views and interests within the society that in turn constitute the state. Conceived in this way, the state serves as an arena for the institutionalisation of class relations around a particular configuration of production relations.

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[108] Poulantzas, *op. cit.,* p. 73.

[109] Bieler, "The Struggle over EU Enlargement", p. 581.

[110] Panitch, *op. cit.*, p. 15.

States were the main structures through which norms, rules and regulations collectively expressed under conditionality, defined in very general terms, was transmitted with an aim to reconfigure the whole society. Conditionality as a means of Western approach not only serves the Western goals of sustaining security and stability in the region but also transforming and restructuring of state-society relations and the social institutions that were embedded in the state socialist structures. It reflects the deliberate use of coercion on the part of international organisations by linking certain incentives and offers to reform processes.[111] This, in itself, reflects a framework for action. Despite being ad-hoc in implementation of policy, the nature of conditionality implied a specific form of state. The role of conditionality has been vital, in particular, in referring to the constituents and attributes of a production system, i.e. the EU *acquis* on the internal market which provides for a superstructure advocating neo-liberal forms of state.

This was a development that was also desired by the newly emerging 'democratic' rulers in the region that aimed to legitimise and sustain their transformation project. The new rulers in the region very much embraced the neo-liberal strategy of transformation that was entangled in a web of conditionality mainly because of the legacy of the communist party rule. The long struggle against the communist party rule and its authoritarian/totalitarian policies led to disillusionment in attempts to reform the state socialist systems. The tendency of the states of the region to look beyond their borders for solutions to their problems was an important part of their social struggle. Thus, the level of international interactions of various social actors within the states of the region in the 1970s and 1980s was influential in the emerging perceptions of the role of the state after the collapse of the communist party rules. In this respect, the emphasis on the 'return to Europe' as the closest thing to an overriding ideology within the states in the region serves to unite the closely associated processes of democratisation,

[111] Phillippe E. Schmitter, "The Influence of International Context upon the Choice of National Institutions and Policies", in *The International Dimensions of Democratization*, edited by Lawrence Whitehead, (Oxford: Oxford University Press, 1996), p. 30.

marketisation and European integration.[112] This enforced political credibility and thus popular support among the electorate by presenting transformation as a break with the past and the 'evils' of communism.

The relationship between the new rulers and international organisations cannot be described as an adversarial bargaining relationship. The states of the region worked in tandem with transnational agents and organisations integrating their countries in a network that placed them within broader systemic changes. This transnational alliance was also influential in successfully lobbying and legitimising the radical neo-liberal transformation strategy and neo-liberal forms of development in the eyes of the public in general with reference to a free and prosperous future.

Various international organisations such as the IMF, World Bank - or the WTO -and the EU have been effective agents of dissemination and internalisation of the neo-liberal ideal in Central and Eastern Europe. However, it must also be noted that they have provided important platforms and structures within which the struggle to consolidate neo-liberal principles have taken place. In effect, these supranational organisations have provided an arena where the political work of transnational forces could be furthered at a global level, in a way reminiscent to the role the state plays at the national level.[113]

In particular, the European integration process assumes utmost importance, with respect to both integration among the members (deepening) and integration through accession (widening). The EU has been the most important international actor and, in collaboration and cooperation with other Western organisations, has been involved materially, ideationally and discursively through a variety of mechanisms as a constitutive actor in an asymmetrical relationship with the states of Central and Eastern Europe from the very beginning of the transformation processes. The transformative character of the EU has to be brought forward here. The EU is an important actor in promoting globalisation

[112] Antoaneta L. Dimitrova, "Enlargement-driven Change and Post-Communist Transformations: A new Perspective", in *Driven to Change: the European Union's Enlargement Viewed from the East*, edited by Antoaneta L. Dimitrova, (Manchester: Manchester University Press, 2004), p. 4.

[113] See Ellen Meiksins Wood, *Empire of Capital,* (London and New York: Verso, 2003), p. 137.

contrary to the general consideration that it is not. Then, one might argue that integration and incorporation of the countries in the region cannot be dissociated from material, political and ideological changes that have been taking place at the global level since the 1970s. Such an attitude also challenges the viability of separation of Europeanisation and globalisation or deepening and widening as distinct processes.

International organisations and the EU became involved in the policy-making of the states in the region through the changing techniques of monitoring, reporting and the process of negotiations. The consequent result was the ability to shape the terms of transformation processes in Central and Eastern European states from the inside. The changing forms of conditionality, in this respect, have been important tools of surveillance and control of policy-making within states to promote the transnationalisation process. The important issue in the following sections will be to point out to the characteristics of surveillance and control linked with conditionality that coerce the states to respect global markets and institutions, transform their economies and comply with international legal and political developments that facilitate the continuing expansion of capitalism. International organisations, in a way, have come to do the political work of the emerging transnational social forces forcing states, shielded by forms of consent, to internalise policies that are in line with the transnationalised system of production.

2.5 Conclusions

This chapter started with a critical analysis of the main premises and limits of the radical neo-liberal approach to transformation and the evolutionary/institutionalist approaches to transformation in Central and Eastern Europe. It tried to show that mainstream approaches mainly focus on immediate events and processes and less on historical and international backgrounds that shape these. Though they differ on their general arguments their main aim is the establishment of liberal democracy and free market economy in the region. Both approaches problematise transformation as a matter of internal, that is, as a matter of political, economic and social transformation within the national context where the external plays only a constraining role but it is the internal that matters for the direction transformations take. For the radical neo-liberal approach this requires

adaptation and adjustment to institutions of globalisation that has proven successful for other states. The burden of failure falls on the national rulers who fail to follow the necessary policies consistently. The tendency of the institutionalist approaches to provide an explanation through use of concepts such as 'path dependency' and 'initial starting conditions' focus more on the predetermining effects of decisions taken rather than exploring the influence of historical experiences.[114] What is more, the liberal tendency prevalent in both the radical and institutionalist approaches to transformation treats the international somewhat external to transformation processes. Thus, in a problem solving nature, these approaches take the existing global/national order for granted and asks how they can be made to function more smoothly.

The alternative critical political economy perspective this study presents, contends that neo-liberal approach is not a simple strategy of transformation. Neo-liberalism is to be understood as a socio-political regime reflecting a set of institutionalised relationships between social organisation of production on the one hand, and social self-understandings and political organisation on the other. It provides a political strategy, a radical strategy indeed, where its ideology performs a practical-social function, a "social function [that] is not to give agents a *true knowledge* of the social structure but simply to insert them as it were into their practical activities supporting this structure".[115] This was done by providing an important practical-social function of establishing an imagery of prosperity and security, which, as argued by the neo-liberal forces would be attained, in the wider sense, through the establishment of neo-liberal social relation.

The critical political economy perspective argued for the constitutive role of the global/international. Thus it maintains that social purpose of the power relations surrounding the state have to be taken into consideration more closely in order to understand individual trajectories of transformation. The Gramscian

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[114] James Hughes, Gwendolyn Sasse and Claire Gordon, *Europeanization and Regionalization in the EU's Enlargement to Central and Eastern Europe: The Myth of Conditionality,* (Hampshire, UK: Palgrave Macmillan, 2004), p. 30.

[115] Nicos Poulantzas, *Political Power and Social* Classes, Translation editor Timothy O'Hagan, (Norfolk, Great Britain: Lowe & Brydone Printers Limited, 1973), p. 207.

approach of totality and social relations of production as the main unit of analysis provide an understanding of the nature of hegemony and structure which presents a framework of transformation for the states of the region. Gramscian analysis of the global political economy points to an increasingly transnationalised system of production, with changing material capabilities, ideas and institutions. The dialectical relationship of these elements since the 1970s presented by the neo-liberal process of restructuring led to a changing configuration of social forces in the capitalist global economy reflecting the changing forms of state and social organisation in the global order. All these point to the overriding social purpose of conditionality employed by the international organisations in promoting a new form of development framework, also reflected upon reform, transformation and restructuring processes in Central and Eastern Europe.

The Gramscian dialectical understanding of structure and agency overcomes the internal-external dichotomy that the mainstream approaches are based on. The concept of the internationalisation of the state contributes to this dialectical understanding. The concept captures the dynamic of dialectical relationship within the transnationalisation process by referring to the role states play in transmitting transnational consensus formation through the agency of the state. This reveals the role states play in internalising various historical forms reflecting changing social and power relations in the global political economy. Thus, the concept helps in perceiving transformation and integration as dialectical processes within the unity of totality of the broader historical and social processes. Conditionality is again helpful here to provide a link between these processes that take place in a dialectical nature. As such, conditionality on the one hand indicates what needs to be done to sustain security and stability in Europe, on the other provides a connection between coercion and consent inherent in the Western approach in integrating as well as transforming and restructuring the states of the region.

All these point to struggle as the nexus of change and transformation. Thus, this study is not only interested in identifying and analysing agents and structures that has been argued to have a constitutive role in the transformation processes of the states in the region but revealing their historical transformations and complicity with various forms of domination and exclusion in social and power relations for a

better understanding of the transformation processes. In addition, looking into the forms of state, defined in terms of configuration of social forces (or historic bloc as described by Gramsci), and the interaction and struggle of social forces in their endeavour to define in practice the parameters of state purposes or action, will provide a better understanding of the content of historical processes in different states of the region.

CHAPTER 3

AN OVERVIEW OF THE INTERNATIONAL CONTEXT: UNITY OF TRANSFORMATION AND INTEGRATION PROCESSES

3.1 Introduction

This chapter puts forward that the coincidence of the transformation trajectories in Central and Eastern Europe with a long search for new ways of restoring productivity and economic growth in the capitalist global economy is an important aspect of the processes of change in the region.[1] The long search at the capitalist global political economy led to the ultimate emergence of a new mode of development which is constructed around a radically different pattern of relations between private economic activity and the role of the state with important implications for the capitalist global order. The changes provide for an historical structure that shapes the transformation processes in the states of the region. Thus, this chapter intends to build on the theoretical understanding provided in chapter two and argues for the unity of transformation and integration processes within the totality of global political economy. As such, this chapter analyses the struggle for a new capitalist order conducted at the global and the European levels which resulted in the consolidation and broadening of neo-liberal practices. Elaborating on structural change, that has been taking place at the global and the European levels since the 1970s, is important to understand the nature of conditionality and how the neo-liberal project is reflected upon the transformations in Central and Eastern Europe through the use of conditionality inherent within various

[1] For a similar argument see Dorothee Böhle, "Internationalisation: An Issue Neglected in the Path-Dependency Approach to Post-Communist Transformation", in *Democratic and Capitalist Transitions in Eastern Europe: Lessons for the Social Sciences*, edited by Michel Dobry, (Dordrecht, Boston, and London: Kluwer Academis Publishers, 2000), p. 242.

mechanisms of integration. The framework is also important for the fact that states in Central and Eastern Europe prioritised integration into the capitalist global economy and the European Communities/Union (EC/EU) from the very beginning of the transformation processes as their major foreign policy objectives.

This study put forward that change in the capitalist global economy is signified in the globalisation of production and finance, and the increasing acceptance of free trade and foreign direct investment as important instruments of development along with the neo-liberal rationality. This shift towards a neo-liberal perspective is reflected, first, in the role that international financial institutions assume from early 1980s onwards. The International Monetary Fund (IMF) and the World Bank, in this respect, are the two most important agents that promote the neo-liberal project as a radical strategy of transformation in the states of Central and Eastern Europe in the 1990s. They also provide a platform for struggle among social forces that advocate different world views and development frameworks. Along with the systemic changes at the global level, the struggle over the European integration process since the mid-1980s also presented a platform for struggle among various social forces who aimed to promote their world views over the socioeconomic order in the European Communities/Union. The EU approach towards Central and Eastern Europe developed under such a conjuncture of change at the global and the European level. Thus, the intention will be to analyse how struggle was extended over to the policy of the international financial institutions and the EC/EU towards Central and Eastern Europe with the aim of historically evaluating the developing nature of conditionality in promoting neo-liberal restructuring.

This chapter is organised as follows. The first part provides an analysis of global restructuring searching for the roots of structural change. It presents an historical analysis of struggle and structural change since the Second World War trying to account for changing conceptions of the role of the state and development. Then, it will elaborate on the role that international financial institutions assume and evaluates the purpose of conditionality within that role by also looking at the radical political strategy of transformation within the general framework of the evolution of neo-liberal globalisation. The second part dwells into questioning how to relate restructuring at the European level to the general

framework of globalisation. It briefly evaluates the integration process from the mid-1980s onwards and elaborates on changing social relations of production with the integration process. Then, it provides an analysis of EU policy towards Central and Eastern Europe and conditionality inherent therein. The main concern in this part is to understand how conditionality employed by both the international financial institutions and the European Union, as important agents in promoting neo-liberal transformation, is related to each other in association with the changing social relations of production.

Now, the study turns to provide a brief analysis of the post-war order and the subsequent globalisation drive before looking into aspects of European restructuring.

3.2 Global Restructuring

The post-WWII order was based on US hegemony and the formation, extension and evolution of institutional and social arrangements of US hegemony. US hegemony was embedded in the 'New Deal' arrangement that emerged in the US after the 'Great Depression' of the 1930s. The 'New Deal' arrangement was a synthesis of economic liberalism and social protection that meant a compromise between the money and productive capital as well as between the capital and labour.[2] US had managed to realise one of the greatest system-wide expansions of capitalism by expanding the arrangements on to Western Europe with the Marshall Plan and spreading the US warfare-welfare state. This move forged the internationalisation of US capital, establishing links between the American and European capital. This was a development that was in the interest of American industry, which sought to maintain wartime economic activity, as well as states of Europe and Far East that "needed capital goods for reconstruction to regenerate their domestic economies".[3] The system was largely to be sustained through international arrangements that were decided at the Bretton Woods.

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[2] See Robert W. Cox, *Production, Power and World Order: Social Forces in the Making of History,* (New York: Columbia University Press, 1987), p. 74-6.

[3] Geoffrey R. D. Underhill, "Global Issues in Historical Perspective", in *Political Economy and the Changing Global Order, Second Edition*, edited by Richard Stubbs and Geoffrey R. D. Underhill, (Oxford and New York: Oxford University Press, 2000), p. 108.

The establishment of the links at the transatlantic level led to the extension of Fordism on to Europe and the social relations of production inherent therein.[4] Fordism was characterised by standardised mass production of consumer goods that would be the main source of economic dynamism and productivity based on economies of scale, and linkage between rising productivity and rising wages. The Fordist production system was supported by the Keynesian welfare state that was characterised by mixed economy and intervention to ensure stability and social protection at the national level.[5] The aspect of social protection arose from the demands of social forces in the wake of the depression of the 1930s. The Keynesian macro-economic demand management "helped to sustain an alliance of corporate management and organized labor with the state based on full employment and welfare"[6] by creating the conditions for mass production and mass consumption. This approach ensured a balance between productivity growth and wage increases through corporate coordination of wage bargaining and increasing Fordist output through increased welfare expenditure.[7] Keynesian welfare states had relatively effective capital controls, and controlled and protectionist trade policies. At the international level, the system was institutionalised within the framework of the Bretton Woods monetary regime and the General Agreement on Tariffs and Trade (GATT) trade regime that allowed for the expansion of trade and capital albeit providing the national welfare states the space for protection from external shocks by enabling them to sustain the tripartite corporatist frameworks. International arrangements were also important in sustaining the operations of the multinational/transnational corporations that were

[4] See Bob Jessop, *The Future of the Capitalist State*, (Cambridge: Polity Press, 2002), pp. 56-8; Mark Rupert, *Ideologies of Globalization: Contending Visions of a New World Order*, (London and New York: Routledge, 2000), pp. 23-8.

[5] Jessop, *op. cit.*, pp. 58-80.

[6] Robert W. Cox, "Production and Security (1993)" in *Approaches to World Order*, Robert W. Cox with T. J. Sinclair, (Cambridge: Cambridge University Press, 1996), p. 277.

[7] Bastiaan van Apeldoorn, *Transnational Capitalism and the Struggle over European Integration,* (London and New York: Routledge, 2002), p. 52; Henk Overbeek and Kees van der Pijl, "Restructuring Capital and Restructuring Hegemony: Neo-liberalism and the unmaking of the post-war order" in *Restructuring Hegemony in the Global Political Economy*, edited by Henk Overbeek, (London: Routledge, 1993), p. 12.

an expression of international Fordism and functioned beyond monopoly of the state, especially in car manufacturing and electrical engineering.[8]

Corporate liberalism or embedded liberalism of the post-WWII period was undermined and began to disintegrate with the crisis of global political economy by the early 1970s. The difficulty to overcome the structural crisis of embedded liberalism and the crisis of hegemony inherent therein triggered attempts to "realign social forces around alternative accumulation strategies, state projects and hegemonic visions".[9] The turning point that gave way to global restructuring and hegemonic re-production could be traced back to the period 1967/73.[10] A series of interrelated developments at the political, economic and social dimensions that took place during this period exacerbated the deepening crisis of hegemonic structures leading to a change in the hegemonic structures of social power relations. The expansion of the welfare state undermined the Fordist production system which led to falls in productivity and profitability, thus, in turn, to a search for achieving further economies of scale, especially through work intensification and by expanding on to foreign markets.[11] In this context, the social empowerment, and thus, the strike power of organised labour increased through policies of full employment and high mass consumption began to be considered as an important squeeze on profitability.[12] Increased militancy of labour in the second half of the 1960s led to a period of rise in wages higher than the rise in productivity increasing welfare expenditures as well as wage costs. This, in the long run, led to problems between capital and labour by undermining the compromise. What is more, the intensifying inter capitalist competition and thus, the increase in world manufacturing output and world trade in manufactures -

[8] Overbeek and van der Pijl, *op. cit.*, p. 13.

[9] Jessop, *op. cit.*, p. 81.

[10] See Giovanni Arrighi, "The Social and Political Economy of Global Turbulence", *New Left Review,* 20, March-April 2003, pp. 60-7; Cox, *Production, Power and World Order*, pp. 273-85.

[11] Jessop, *op. cit.,* pp. 81-2.

[12] *Ibid.,* pp. 81-2; Arrighi, *op. cit.*, p. 60.

which was doubled and trebled respectively between 1960 and early 1970s[13] - combined with the challenge of import competition rendered it difficult for the US to address the issues of profitability and productivity. These developments also created inflationary pressures. However, as Arrighi argues, these problems were not substantially influential themselves, although important, in the broader crisis of hegemony.[14]

The crisis of profitability, and the stagnation and inflation (termed as the stagflation) of the 1970s were deeply affected by a crisis of US hegemony that helped to sustain the post-WWII system. For Harvey, this is a result of the US imperial overreach, which is a consequence of the cost of attaining social and political objectives at the global level, especially for the containment of communism.[15] The crisis of US hegemony was a consequence of escalation and the eventual defeat of the US in Vietnam, where the vast cost of war directly affected the crisis of profitability and was the fundamental cause of the collapse of the fixed exchange rate system.[16] The vast cost of military expenditure combined with the expansionary welfare policies led to a fiscal crisis within the US, along with a loss of credibility at the international level. The increased volume and volatility of financial flows, and speculation over the dollar undermined the stability of the fixed exchange rate system that was sustained and controlled by the US. As the crisis proved unsustainable, the US reverted to unilateralism under the Nixon administration and abandoned the fixed dollar-gold standard to free itself of the constraints of the exchange rate mechanism. The US was no longer willing to "sustain the multilateral framework that had thus far contained and regulated the internationalising forces of the world economy".[17] Indeed, the breakdown of the Bretton Woods fixed exchange rate system removed the protection that the

[13] Overbeek and van der Pijl, *op. cit.*, p. 13.

[14] Arrighi, *op. cit.*, pp. 61-2.

[15] David Harvey, *The New Imperialism*, (Oxford and New York: Oxford University Press, 2003), p. 60.

[16] Arrighi, *op. cit.*, pp. 41-2.

[17] Apeldoorn, *op. cit.*, p. 53.

Keynesian welfare states had enjoyed rendering it difficult for the individual national states to pursue an independent macroeconomic policy.[18] It was the increasing internationalisation of capitalist production and finance, the oil shock of 1973, and the increasing interdependence of industrialist states that gave way to a search in sustaining the Keynesian welfare state and eventually, restructuring at the global level to reproduce the capitalist hegemonic structures.

The first oil shock of 1973 deepened the problems of profitability and fiscal crisis in the capitalist core. Oil was an important input of the Fordist production system. The fourfold increase in the price of crude oil increased the production costs, thus, strengthening inflationary pressures. In the beginning, as the crisis was considered as a crisis in Fordism, there was a tendency to increase state expenditures relative to tax revenues received. In the 1970s and the 1980s, this was the case in many of the OECD countries.[19] Even in the US, expansionary monetary policies were followed throughout the 1970s in order to sustain the compromise of the golden age and keep world trade and production expanding. As Jessop indicates tax costs and inflationary consequences of borrowing to sustain the welfare state "was a major factor behind the neo-liberal regime shift in the anglophone Fordist economies and neo-liberal policy adjustment in other Fordist economies".[20] As costs began to threaten the economic and political interest of the core social groups, such as the forces that controlled the industrial and the ever increasing finance capital, a new system began to emerge.

Another important impact of the oil shock was the surplus of petrodollars privately controlled that could be mobilised for financial speculation. Commercial banks, mainly US banks, assumed a monopoly role in circulating the petrodollars in the world economy, mainly lending to Third World and socialist countries that intended to sustain their developmental effort. The US defeat in Vietnam led to a loss of political credibility, as has been noted above, encouraging "the nationalist

[18] Underhill, *op. cit.,* p. 111.

[19] Jessop, *op. cit.,* p. 85.

[20] *Ibid.*

and social revolutionary forces that Cold War policies were meant to contain"[21] besides formation of programmes like the New International Economic Order (NIEO) that was formulated in 1973 by the non-aligned countries. Borrowing from commercial banks proved to be an important source in financing the developmental projects in the Third World and socialist countries. Countries usually borrowed heavily with the belief that the crisis was a temporary one and the debt would be for short-term.[22] Many of these countries applied extensive welfare strategies, as was the case with Poland under the Gierek regime in mid 1970s, in some cases with an attempt to legitimise their rule which drove them into a debt spiral. The accumulated debt of states in the Third World and state socialist countries proved to be an important factor that enabled international organisations to partially shape transformation processes.

For some countries the crises of the 1970s were a crisis in Fordism - the emphasis on the belief that it was a temporary one - and for some a crisis of Fordism.[23] The initial responses were different, reflecting the political and social organisation of the country in question. This initial phase faced the mounting debate between neo-liberalism and neo-mercantilism, two rival ideologies of capital, which also dominated the European integration process in the 1980s and the 1990s.[24] The neo-liberal argument put forward a monetarist policy that favoured control of inflation through austere spending measures, thus allowing profits, the main deriving force in capitalism, to rise along with the liberalisation of economies. This was to counter the Keynesian demand management which argued for an expansionary policy that would provide subsidies to industries hit by crisis and protectionist measures.[25] However, there was an international dimension

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[21] Arrighi, *op. cit.*, p. 61.

[22] Eric Hobsbawm, *The Age of Extremes: The Short Twentieth Century, 1914-1991,* (London: Abacus, 1995), p. 408.

[23] Jessop, *op. cit.*, p. 74.

[24] For a detailed analysis of the two approaches within the context of European Integration, see Apeldoorn, *op. cit.*, pp. 78-82; with respect to European Roundtable of Industrialists see especially Chapter 4.

[25] Hobsbawm, *op. cit.*, p. 409; Jessop, *op. cit.*, p. 91.

to the developments, the globalisation of the world economy with its uncontrollable movements and unpredictable fluctuations, even constraining a country like France.[26] However, structural changes were not confined to the world economy. Systemic change since the 1970s meant a change in the socio-political regime with changes in the social organisation of production on the one hand and social self-understandings and political organisation on the other.

The process of globalisation, consequently, led to the restructuring of social power relations. The Reagan-Thatcher neo-liberal drive accompanying the process of globalisation was indeed a response to the deepening crisis of hegemony. The US turn to the demand side of international financial flows by increasing interest rates, introducing tax breaks, and increasing freedom of action for capital, led to rerouting of capital flows towards the US.[27] For Harvey, the turn to finance was a move on the part of the US, who was troubled in the realm of production, to assert its hegemonic position.[28] For Arrighi, it was a success of the monetarist counterrevolution to transform "the financial expansion of the 1970s into the driving force of the reflation of US wealth and power of the 1980s and 1990s".[29] This was being increasingly reflected in the emerging social power relations as well as in the changing pattern of intervention that rested on the form of state and international arrangements. The emerging transnational formation intended not only to reconfigure the Keynesian welfare state but also to restructure the global economy, especially the developing world to accommodate production and finance capital. This was a process where capital increasingly became used as an instrument of power.

Neo-liberal globalisation, paralleled by a tendency in search of a new form of state, amounted to a restructuring of state's regulatory, supervisory as well as its constitutive roles in the domestic and international realms. After the mid-1970s, the emerging form of state has been acting in support "to the opening of the world

[26] Hobsbawm, *op. cit.*, p. 411.

[27] Arrighi, *op. cit.*, p. 66.

[28] Harvey, *op. cit.*, p. 62.

[29] Arrighi, *op. cit.*, p. 69.

to global finance and global production"[30] actively involved in the disintegration of the state structures and integration of the new structures of relations. An interesting example is the case of Britain, as early as 1976, where the British Labour government of the time was conditioned in such a way through an IMF loan to follow price stability and private investment as the major goals of economic policy, policies that were favoured by finance capital.[31] This process of 'internationalisation of the state' is even more evident, as will be analysed, in the case of transformation in Central and Eastern Europe where the state is used as the main agent of transformation.

The increasing globalisation of production and finance was important in providing the neo-liberal ideology with the tools necessary for disciplining the working class movements as well as the governments of developing and socialist countries through establishing neo-liberal myths as the instruments of development. During the 1970s and 1980s, the working class was weakened by economic crisis and hostile neo-liberal governments.[32] The wave of labour protests in the 1970s and 1980s aiming to preserve their rights and conditions gained during the golden age were defeated through technological and organisational developments and increasing geographical mobility of production and finance. The increasing technological automation was important in allowing for new flexible production techniques which resulted in increasing number of unemployment. The decline in trade unions was consolidated by high unemployment, fragmentation and weakening of social democratic and labour parties. The emerging political structure also contributed to this set up.[33] The emerging pattern of capital-labour relations in the capitalist core was exacerbated by the exploitation of low-wage labour in the developing countries.

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[30] Robert W. Cox, "Multilateralism and world order (1992)" in *Approaches to World Order*, Robert W. Cox with Timothy J. Sinclair, (Cambridge: Cambridge University Press, 1996), p. 516.

[31] Leo Panitch, "The New Imperial State", *New Left Review 2*, March-April 2000, pp. 12-3.

[32] Hobsbawm provides a very good analysis on the developments leading to the weakening, decline, and fragmentation of working classes. See Hobsbawm, *op. cit.*, pp. 302-10.

[33] *Ibid.*, pp. 416-8.

Globalisation of production and finance in relation to the rise of transnational corporation has been important in the restructuring of social relations. However, globalisation could not have been possible or could not have created the impact that it has without technological and organisational developments emphasised above. One has to emphasise that it was the military thrust of the late 1970s and early 1980s, through high tech revolution, that was an important incentive for technological developments in production and finance. Globalisation of production has had important consequences for societal organisation in the capitalist world, but before looking into that the study will analyse important dimensions of globalisation of production and finance.

There were considerable increases in the volume of trade at the global level; however, increases in trade do not explain structural changes in production and the societal relations. The most important indicator of the globalisation of production is the increasing levels of foreign direct investment (FDI) at a global level. Direct investments provide important clues on concentration and centralisation of capital, and on the changing forms of international division of labour. What is more, it has to be emphasised that globalisation of finance capital, productive capital and trade are complementary not contradictory in reproducing, reforming and transforming social relations of production.

It is possible to point to a change in tendency with regards to FDI flows since the 1970s: Majority of FDI flows until the 1970s was resource or market seeking while in the 1980s and the 1990s the orientation was efficiency by taking advantage of cost differences in different locations.[34] In this context, corporations sought to build up global production networks by investing in locations that promised higher profits where they could produce, promote/market and sell for regional as well as global markets.[35] Indeed, the growth of FDI outward stock by the world's growing number of transnational corporations since the 1980s is remarkable: FDI outward stock has increased from a total of US$ 601 billion in

[34] UNCTAD, *World Investment Report 2005: Transnational Corporations and the Internationalization of R&D*, (New York and Geneva: United Nations, 2005), pp. 88-9.

[35] *Ibid.*; Apeldoorn, *op. cit.*, p. 57.

1982, to US$ 1,785 billion in 1990, US$ 2,811 billion in 1995, US$ 6,148 billion in 2000 amounting to a total of US$ 9,732 billion in 2004.[36] There have also been substantial increases in growth rates of FDI outward stock especially in the second half of the 1980s and in the second half of the 1990s. These periods are significant for two reasons. First, both are indicative of the increasing tendencies of integration within the EU itself. Second, the latter half of the 1990s presents an important period of increasing FDI flows into the countries of Central and Eastern Europe. The importance of FDI flows becomes more evident when it is considered that FDI flows formed the largest share in total capital flows into the developing countries between 1990 and 2003 outpacing other capital flows as presented in Table 1 below.[37]

The neo-liberal perspective promoted FDI as an important component of development. Thus, since the 1970s and contrary to previous perceptions FDI began to be considered as an important source for financing development, a view that is supported by the United Nations as well.[38] As indicated by UNCTAD, FDI and international production has grown faster than domestic investment and production with varying trends across different regions.[39] There has been a rising trend, especially in the second half of the 1990s,[40] with a declining trend in the early 2000s.[41]

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[36] Figures for 1982, 1990, 2000 and 2004 are from UNCTAD, *World Investment Report 2005,* p. 14 and p. 308; figure for 1995 is from UNCTAD, *World Investment Report 1997: Transnational Corporations, Market Structure and Competition Policy,* (New York and Geneva: United Nations, 1997), p. 4.

[37] UNCTAD, *World Investment Report 2005,* p. 7.

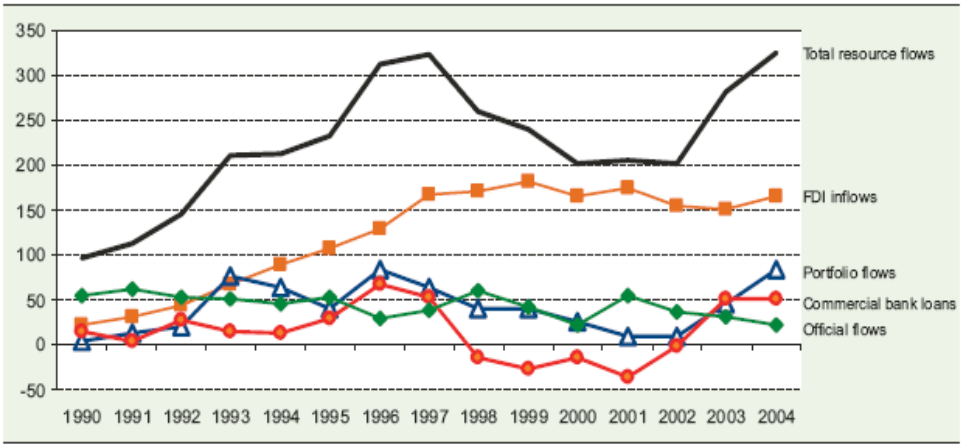
[38] UNCTAD, *World Investment Report 2004: The Shift towards Services*, (New York and Geneva: United Nations, 2004), p. 5.

[39] UNCTAD, *World Investment Report 2001: Promoting Linkages*, (New York and Geneva: United Nations, 2001), p. 38.

[40] See Annex table B.6, UNCTAD, *World Investment Report 2002: Transnational Corporations and Export Competitiveness,* (New York and Geneva: United Nations, 2002), p. 328.

[41] UNCTAD, *World Investment Report 2004,* p. 387.

Table 3.1
Total resource flows to developing countries*, by type of flow, 1990-2003, in billions of dollars.



Source: UNCTAD, *World Investment Report 2005*, p. 7.
*The World Bank classification, which includes Central and Eastern European countries under developing countries.

The role of states, acting within the precepts of the neo-liberal approach, has to be stressed here. States have largely been welcoming and encouraging the growth of FDI within the framework of the neo-liberal model of development. Governments and in the case of the EU, the Commission as the supranational authority of the Union have greatly been facilitating the growing importance of FDI in the world economy by encouraging liberalisation and incentives in order to promote FDI.[42] On the other hand developing countries, as well as transition countries have effectively pursued policies reducing restrictions on FDI, established competition laws, and concluded bilateral treaties for the promotion and protection of FDI as well as for the avoidance of double taxation.[43] According to UNCTAD, out of the 2,156 national regulatory changes from 1991 to 2004 only 150 were less favourable to FDI, which include changes aimed at increasing

[42] Apeldoorn, *op. cit.*, p. 58.

[43] See UNCTAD, *World Investment Report 1999: Foreign Direct Investment and the Challenge of Development*, (New York and Geneva: United Nations, 1999), pp. 174-6.

control as well as reducing incentives.[44] States have also been facilitating the growth of FDI and complex networks of international production through the privatisation policies, a trend that has been supported by not only the privatisation policies of states in Eastern Europe with the end of the Cold War, but by the sell off of public enterprises in Western European countries as well.[45] The deepening of globalisation through increasing FDI and internationalisation of production and its post-Fordist nature as reflected with the increasing number of transnational corporations is a development beyond the internationalisation of US capital, which was largely the case until the 1980s.

In relation to the growth of FDI, the number and activity of transnational corporations have also been increasing. By the early 2000s, the number of transnational corporations has increased to 70,000 with at least 690,000 affiliates, up from 37,000 with at least 170,000 foreign affiliates in the early 1990s.[46] The number of parent corporations in the developed countries also increased from 33,500 in the early 1990s to 50,520 in the early 2000s.[47] It has to be noted that the number of transnational corporations was only around 7,000 in 1969.[48] The strength of transnational corporations may further be illustrated by pointing to the increasing sales, value added (gross product), assets, employment and exports of their foreign affiliates since 1982 as presented in Table 2. In 2004, the figures in value added represented around 10 per cent of world GDP and the value of exports represented about a third of world exports.[49]

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[44] UNCTAD, *World Investment Report 2005,* p. 26.

[45] Apeldoorn, *op. cit.*, p. 57.

[46] UNCTAD, *World Investment Report 2005,* p. 13. UNCTAD defines a *foreign affiliate* as an incorporated or unincorporated enterprise in which an investor, who is resident in another economy, owns a stake that permits a lasting interest in the management of that enterprise (an equity stake of 10 per cent for an incorporated enterprise or its equivalent for an unincorporated enterprise).

[47] *Ibid.,* p. 264.

[48] UNCTAD, *World Investment Report 1999*, p. 153.

[49] UNCTAD, *World Investment Report 2005,* p. 14. The world gross domestic product, in current prices was estimated at US$ 41,253.156 billion in 2004 and US$ 44,433.002 billion in 2005. See International Monetary Fund, World Economic Outlook Database, April 2006, at http://www.imf.org/external /pubs/ft/weo/2006/01/data/dbaoutm.cfm?SD=2000&ED= 2007&R1=1

Table 3.2
Selected indicators of foreign affiliates of transnational corporations, 1982-2004 in billions of dollars.

	1982	1990	2004
Sales of foreign affiliates	2,765	5,727	18,677
Gross product of foreign affiliates	647	1,476	3,911
Total assets of foreign affiliates	2,113	5,937	36,008
Exports of foreign affiliates	730	1,498	3,690
Employment of foreign affiliates (thousands)	19,579	24,471	57,394

Source: UNCTAD, *World Investment Report 2005*, p. 14.

It should be emphasised that, despite a proliferation, the world of transnational corporations is dominated by a small number of corporations. The largest 100 transnational corporations, in 2003, accounted for 12 per cent of foreign assets, 18 per cent of sales and 14 per cent of employment of all transnational corporations in the world. What is more, transnational corporations from the developed countries - 25 from the US and 50 from the EU with only 4 corporations from the developing world - dominated the first 100 largest corporations of 2004. Besides, these corporations are highly transnationalised and account for an increasing share of world GDP - 4.3 per cent of in 2000 in comparison to 3.5 per cent in 1990 with a calculated increase of US$600 billion.[50]

The globalisation of finance was the other important feature of the developments since the 1970s that precipitated the liberalisation of financial markets and abolition of capital controls.[51] Liberalisation of financial markets and capital controls has proceeded with the changes taking place especially from the

&R2=1&CS=5&SS= 2&OS=C&DD=0&OUT=1&C= 001&S=NGDPD&RequestTimeout=120&CMP=0&x=95&y=9 (accessed on 16 June 2006).

[50] The figure for share of world GDP from UNCTAD, *World Investment Report 2002*, *op. cit.,* p. 91.

[51] Apeldoorn, *op. cit.*, p. 60.

1980s onwards parallel to the globalisation of production. In a short period of time, a complex network comprising financial markets from both developed and developing countries has sprung up "across the world, focusing on a hierarchically ordered set of financial centres and a transnational elite of bankers, stockbrokers and financiers" which in itself is closely associated with the transnational corporations.[52] Although financial capital flows across national borders far exceed the flows of industrial capital the two cannot really be considered divergent. Transnational corporations involved in industrial production often operate in financial markets as well to lessen risks associated with volatility. The increase in volume and speed with which financial capital can move across national borders has risen to levels that have created concerns for governments in the light of financial crisis exacerbated by capital outflows leaving enormous social and economic problems.

Globalising production and finance networks reflects a very significant qualitative change in the nature of world economy. The geographical expansion of capital provided large corporations with a solution to the crisis of profitability and productivity, through investment in markets with lower cost and increasing demand, as well as the flexibility and bargaining power vis-à-vis labour disintegrating the compromise of the golden age. Besides, these developments provided the chance for the dominant social forces to pursue a restructuring of relations at the global level, a project that was largely carried out through either consent or coercion.

The neo-liberal hegemonic project was paralleled by a reconfiguration of international financial institutions' involvement in the global political economy that enabled them to back the opening of markets for both production and finance capital at a global level. This was a process that was increasingly promoted through the use of conditionality. The drive created certain myths that formed the basis of the neo-liberal ideology in restructuring, reforming and transforming the developing countries including a thorough restructuring of the countries of Eastern

[52] Harvey, *op. cit.,* p. 67.

Bloc with the end of the Cold War.[53] The international context provided an important conjuncture for the involvement of international financial institutions in the restructuring of relations in the developing countries. In this respect, the world debt crisis triggered by the Mexican default following the global economic stagnation after the second oil shock of 1979-80 provided the main opportunity encouraging the thrust of neo-liberalism and state disillusionment of the intellectuals associated with the approach. As described by President Reagan of the US, for the neo-liberals, "government was not the solution but the problem".[54] Thus, the role of the state had been defined as an essential part of the problem behind the failure of developmental policies of the developing countries. This strengthened the thrust which claimed that state directed models of development stagnated whereas neo-liberalism had been successful; especially Chile had been presented as a successful case for economic reform which had been applying the neo-liberal approach since the 1970s. The myth that globalisation promises economic security and prosperity if governments learn to cope with globalisation by implementing neo-liberal policies - in this sense, an ideal-type Anglo-Saxon neo-liberal model which was considered as universally applicable in comparison to other models - has provided an important ground for an intellectual swing in the developing countries. The intellectual swing towards neo-liberalism and the opportunities opened by finance capital prioritised profits as against developing production, thus "subordinating the industrialization plans of the Third World to the discipline of capital".[55] This swing undermined the perception of an independent course of industrialisation that was supposedly followed by the states of the Third World. The discipline of capital was matched with the needed discipline provided by international institutions and by politically independent domestic policy making institutions ensuring a technocratic approach to economic development as politicians and governments were seen untrustworthy. This

[53] See Ha-Joon Chang and Ilene Grabel, *Reclaiming Development: An Alternative Economic Policy Manual*, (London and New York: Zed Books, 2004).

[54] Cited in Hobsbawm, *op. cit.,* p. 412.

[55] Overbeek and van der Pijl, *op. cit.*, p. 19.

structure, from a neo-liberal perspective, was to provide the necessary checks and balances that would ensure government accountability.

What is more, the debt crisis, which led to destabilising consequences in the 1980s on the countries that were peripheral to the capitalist core, in a way created a sense of potential threat to the international financial system that was dominated by banks from developed countries.[56] This was a concern that needed to be addressed by the developed countries and the answer was thorough restructuring. As the crisis gave way to the fall of military regimes in countries like Brazil and Argentina, the international financial institutions, especially the IMF and the World Bank became ever more involved guiding the process of 'restructuring'. As such, they have increasingly become agents doing the political work of the global capital, a point that was also noted in the previous chapter. In this process, conditionality increasingly began to be used to demand structural adjustment with regards to restructuring in production, trade, and finance structures in meeting the demands of the rising social relations of production.[57]

3.2.1 The Role of International Financial Institutions in Promoting Neo-liberal Restructuring

As Cox indicates "[i]nstitutions are the broadly understood and accepted ways of organising particular spheres of social action".[58] The changing role of the Bretton Woods institutions, the IMF and the World Bank and their broadening of involvement from shaping policies of development to policies of transformation through the advice and credit they have provided since the mid-1980s require more in depth analysis in order to understand their role in promoting neo-liberalism as a project of radical system transformation. Such an analysis would also reveal how

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[56] Susan Strange, "The New World of Debt", *New Left Review,* Issue 230, July-August 1998, p. 92.

[57] In this respect, the Strange's approach to structures provides valuable insights. See, among others, Susan Strange, *States and Markets: An Introduction to International Political Economy,* (London: Pinter Publishers, 1988); and Susan Strange, *The Retreat of the State: the Diffusion of Power in the World Economy*, (Cambridge: Cambridge University Press, 1996).

[58] Robert W. Cox, "Towards a Post Hegemonic Conceptualization of World Order: Reflections on the Relevancy of Ibn Khaldun (1992)" *Approaches to World Order*, Robert W. Cox with Timothy J. Sinclair, (Cambridge: Cambridge University Press, 1996), p. 149.

embedded they were within the social forces aiming to restructure the relations at the global level.

Originally, the International Monetary Fund and the World Bank (the International Bank for Reconstruction and Development - IBRD) were created at the Bretton Woods Conference in the US in July 1944 to govern international economic relations. The two institutions were to restore economic activity and currency convertibility, while encouraging expansion of multilateral trade within an active and institutionalised cooperation framework. Bretton Woods system of fixed exchange rates - based on the gold standard - formed the basis of the new international economic relations. In this respect, the IMF and the World Bank had been assigned important roles in maintaining this order. The IMF would provide short-term credit and the World Bank long-term credit to their members to help them to adjust balance-of-payments and development problems. The changing international circumstances and the primacy of commercial bank lending in the 1970s undermined the position of the IMF and the World Bank until the early 1980s.[59] Although the IMF and the World Bank were still substantially involved in international financial assistance, commercial banks assumed a primary role and took the responsibility to circulate the petrodollars after the oil shock of 1973.[60] However, with the debt crisis of the 1980s that followed the second oil shock of 1979-80, and especially after the Mexican crisis of 1982, international financial institutions came to control the available capital rather than the private commercial banks.[61] Another major development during the late 1970s and early 1980s was the narrowing down of IMF and World Bank clients to the developing countries.

The developing use of conditionality - although not the only instrument of influence - within the historical evolution of neo-liberal dominance helps in understanding the attempts in shaping policies in the developing and the transition

[59] For figures on financial inflows into the Third World countries between 1970-82, see Barbara Stallings, "International Influence on Economic Policy: Debt, Stabilization, and Structural Reform", in *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and The State*, edited by Stephan Haggard and Robert R. Kaufman, (Princeton: Princeton University Press, 1992), pp. 58-9.

[60] See Table 1.2 in Stallings, *op. cit.,* p. 57.

[61] *Ibid.,* p. 47.

countries. Although, the concept conditionality was part of the IMF deals with the member states since the acceptance of the IMF Stand-by Arrangements in 1952, it was not formally incorporated into the IMF Articles of Agreement until the establishment of the *1979 Guidelines on Conditionality*.[62] The developments in the 1980s proved an important turning point in broadening the use of conditionality by the international financial institutions in their relations with their clients. The fact that there occurred no significant economic development in the developing countries until the mid-1980s, led the developed countries, the main source of capital, to believe that lending needed to be associated with tighter conditionality.

The repercussions of the crisis of the 1970s, the subsequent debt crisis in the 1980s and the following changes in international financial and credit structures gave way to a redefinition of the role of the international financial institutions. Consequently, the IMF and the World Bank began to assume new roles and became important instruments in organising and gatekeeping for the developed countries in their endeavour to shape policy choices in the developing countries. In this respect, the IMF played a very important role in the rescheduling of commercial and public debt in the early 1980s,[63] a role that placed the Fund in a strategic position to define the reform agenda of the debtor countries.[64]

Without a doubt, the most important development was the changing ideological setting that led to the changing conceptualisation of the role of the state with the increasing support of the neo-liberal tendency in the US and the UK, in particular with the rise to power of the Reagan and Thatcher governments in the respective countries. While the state was recognised to have a developmental role until the late 1970s, it was then on begun to be considered as an obstacle hindering development. In this context, the 1985 Baker and 1989 Brady Plans initiated by the

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[62] International Monetary Fund, *Guidelines on Conditionality,* prepared by the Legal and Policy Development and Review Departments of the IMF and approved by Timothy F. Geithner and Francois Gianviti, 25 September 2002, (obtained from www.imf.org on 19 December 2005).

[63] See Table 1.4 in Stallings, *op. cit.,* p. 70; the increasing amount of IMF assistance is remarkable in the early 1980s.

[64] Stephan Haggard and Robert R. Kaufman, "Institutions and Economic Adjustment", in *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and The State*, edited by Stephan Haggard and Robert R. Kaufman, (Princeton: Princeton University Press, 1992), p. 11.

US, assigned new roles to the IMF and the World Bank establishing them as instruments of hegemonic forces in neo-liberal restructuring by strengthening their role vis-à-vis the developing countries. The Baker Plan[65] announced by the US Treasury Secretary James Baker at the September 1985 IMF meeting, "recognized that the problems facing the debtors were of a longer-term nature and promised that international financial institutions would increase their lending in return for which the developing countries would adopt a wide-ranging structural adjustment programs".[66] In other words, incompetence and poor governance were outlined as the main reasons of failure of development and accumulating external debt. Consequently, the Plan broadened the role of the international financial institutions and their use of conditionality to include structural adjustment requirements concerning liberalisation and later privatisation with the second half of the 1980s. The increase in the World Bank structural adjustment loans (SALs) and sectoral adjustment loans (SECALs) in the second half of the 1980s indicates this shift in creditor policy orientation towards adjustment in the developing world besides stabilisation.[67] A similar shift towards policy lending occurred on the part of the IMF as well with the introduction of the Structural Adjustment Facility (SAF) from 1986 onwards and the Enhanced Structural Adjustment Facility (ESAF) from 1988 onwards reflecting the IMF belief that stabilisation by itself was not enough for establishing the necessary stable macroeconomic basis for economic growth.[68]

In the words of Stallings, "[t]he loans were the embodiment of the new ideological consensus that had been building for some time among the economists

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[65] Stallings indicates that French and Japanese government plans that were presented as alternatives were publicly rejected by the US; see Stallings, *op. cit.,* p. 61.

[66] Haggard and Kaufman, *op. cit.*, p. 11.

[67] Stallings, *op. cit.,* pp. 78-9; see also James R. Vreeland, *The IMF and Economic Development*, (Cambridge: Cambridge University Press, 2003), pp. 8-11.

[68] International Monetary Fund, "Conditionality in Fund-Supported Programs - Overview", Policy Development and Review Department, 2001. Available at http://www.imf.org/external/np/pdr/cond/2001/eng/overview/, (accessed on 4 October 2003). Especially see figures on pages 25, 26 and 28 for the increase on the number of structural conditions over the years; see also Jacques J. Polak, "The Changing Nature of IMF Conditionality," *Princeton Essays in International Finance,* 184, 1991, pp. 19-21.

and governments in industrial countries, together with the financial institutions".[69] Haggard and Kaufman emphasised the same point by indicating that academics and technocrats - would be labelled *organic intellectuals* in neo-Gramscian approach - who served for the IMF and the World Bank were mainly trained at the US universities and thus had an understanding of neo-liberal orthodoxy.[70] The Brady Plan of 1989 was important in further elaboration of the neo-liberal approach and its desire to promote the efficiency of the market by eliminating the state role in economy. In this respect, the use of the international financial institutions, especially the IMF and the World Bank, and the politics of conditionality in shaping reform processes, especially in the developing countries of Latin America, assumed a new dimension with what came to be called the 'Washington consensus'.[71] The approach shaped the framework of the policy based loans employed by the IMF and World Bank. It came to list a set of policy recommendations specifying ten points for the introduction of market reforms which emphasised fiscal discipline, public expenditure priorities, tax reform, interest rates, exchange rates, trade liberalisation, foreign direct investment, privatisation, deregulation and property rights. What became important was the simultaneous use of IMF and World Bank programs and increasingly strict use of conditionality to achieve structural adjustment with limited financing.[72] Given the fact that commercial lending almost disappeared in the 1980s, the increase in the support activities of the IMF[73] and the World Bank and the range of credit arrangements they provided and the fact that agreement with the IMF became a

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[69] Stallings, *op. cit.,* p. 83.

[70] S. Haggard and R. R. Kaufman, *op. cit.*, p. 13.

[71] The term was first coined by economist John Williamson; see John Williamson, "What Washington Means by Policy Reform?" in *Latin American Adjustment: How Much has Happened?,* (Washington: Institute for International Economics, 1990). Naim indicates that John Williamson expresses disappointment that his proposals were misinterpreted, see Moisés Naim, "Washington Consensus or Washington Confusion?", *Foreign Policy*, Spring 2000, p. 102; see also John Williamson, "What Should the World Bank Think about the Washington Consensus?" *The World Bank Research Observer*, Vol. 15, No. 2, August 2000.

[72] Haggard and Kaufman, *op. cit.*, p. 12.

[73] See Stallings, *op. cit.*, pp. 69-70 and 78-9.

precondition for obtaining further assistance show that they had become significant agents themselves in the international financial structure.

This tendency was reinforced in the 1990s with the end of the Cold War. The swift collapse of the communist party rules in Eastern Europe in 1989 provided a further boost for the minimal state advocacy of the neo-liberal approach. With the changing contextual circumstances the IMF role grew profoundly, drawing criticisms from within the mainstream. The Fund was criticised for presenting a set of ideas on how to organise economic and political life which took on an ideological and fundamental approach to reform.[74] In this respect, the requirement of IMF seal of approval for the economic transformation programmes and strategies for additional bilateral and private financial assistance as well as investment further enhanced the IMF position.

The traditional approach of the international financial institutions was enriched with their involvement in the transition processes of Eastern European countries broadening their conditions to include more comprehensively the core issues of what came to be referred to as 'good governance' including conditions in relation to social safety net, health reform and so forth which were not traditional areas of conditionality.[75] The broadening structural aspects of conditionality were also strengthened with the increasing frequency of program reviews, prior actions and structural benchmarks with regards to the conditionality on program monitoring[76] as well as with cross-conditionality between the international financial institutions. Hence, political concerns gained an important ground as

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[74] See Naim, *op. cit.*, p. 88; and especially Joseph E. Stiglitz, "Whither Reform? Ten Years of the Transition", in *Annual World Bank Conference on Development Economics 1999*, edited by Boris Pleskovic and Joseph E. Stiglitz, (Washington DC: The World Bank, 2000), pp. 27-56; for a thorough analysis by Stiglitz, see Joseph E. Stiglitz, *Globalization and Its Discontents*, (London: Penguin Books, 2002).

[75] Indeed Kapur and Webb provide an interesting study on governance related conditionality of the international financial institutions; see Devesh Kapur and Richard Webb, "Governance-Related Conditionalities of the International Financial Institutions", G-24 Discussion Paper Series, No. 6, http://www.g24.org/g24-dp6.pdf (accessed on 17 June 2006); see also Vesna Bojicic-Dzelilovic, "International Aid Policies - A Review of the Main Issues", in *International Support Policies to South-East European Countries: Lessons (Not) Learned in B-H.,* Vesna Bojicic-Dzelilovic et al., (Sarajevo: Müller, 2001).

[76] See International Monetary Fund, "Conditionality in Fund-Supported Programs", pp. 14-8.

acceptance of the issues of democratisation and free market economy became the general framework behind the drive of conditionality based assistance.

3.2.2 Transformation and the Radical Neo-liberal Political Strategy

The international financial institutions have assumed a role that far exceeded the amount of financial support they provided for the states of Central and Eastern Europe. As indicated in Chapter 1 of the study, the Balcerowicz programme, named after Leszek Balcerowicz - architect of the programme and Deputy Prime Minister and Finance Minister of the first Polish Solidarity government from September 1989 to August 1991 - was the first of the 'shock therapy' transition programmes to be implemented in Eastern Europe, which later was imposed on other countries of the region with minor differences. What formed the basis of a standard package of rapid and comprehensive reforms - whose implementation determined access to international loans - was a report presented by the IMF, World Bank, OECD and the European Bank for Reconstruction and Development (EBRD) to the Group of Seven.[77] The political influence of the international financial institutions and radical system transformation, especially in shaping the policy choices in the early years of the transformation processes, can be illustrated by the fact that between January 1990 and April 1995, twenty-four countries in Eastern Europe followed a programme along the principles of shock therapy.[78] Indeed, there was continuity in the international financial institutions' approach from the 1980s which demanded stringent adjustment with minimal financial support.[79] The importance of the international financial institutions

[77] The report, presented in 1991 advocating radical system transformation, was commissioned to the above mentioned international financial institutions by the Group of Seven in the summer of 1990. In fact, the report was published after the inauguration of the Balcerowicz Programme and preceded Yeltsin's economic reform programme in Russia. See Bönker et al., *op. cit*., p. 8; and also IMF et al., *The Economy of the USSR: Summary and Recommendations*, (Washington D.C.: World Bank, 1991).

[78] Bönker et al., *op. cit.*, p. 8.

[79] De Boer-Ashworth points out that between 1991 and 1993 69 per cent of the capital provided to the area was through the IMF and the World Bank. Although a very short period of time, this period and channels through which assistance is provided represent a very important time frame highlighting the political influence of the international financial institutions in laying down the basis of structural change; see Elizabeth De Boer-Ashworth, *The Global Political Economy and*

stretched beyond the importance of financial assistance they provided as they catalysed additional financial assistance, provided expertise in analysing economic policy issues, and designing and implementing reforms.[80] Besides, the increasing number of issues on the agenda of the international financial institutions, their demand for institutional changes in addition to changes in economic policies as a condition to financial assistance gave them a leverage rendering their involvement even more important.[81] Thus, involvement of international financial institutions emerged as an important element of political and socioeconomic restructuring in the countries of Central and Eastern Europe. However, the process was selective showing the varying interest and differentiation of the West.

Another important factor in the ascendance of the neo-liberal approach to dominance in Central and Eastern Europe was the disillusionment with the attempts to reform the state-socialist systems and the fact that capitalism was very much embraced by those who came to govern the states of the region, no matter whether they were left or right.[82] Nowhere was there a project that was officially declared to follow a path leading to something different than capitalism.[83] Indeed, there was a unity on transition to capitalism in the states of the region as against a search for a third way.[84] As Shields points out, the neo-liberal choice was

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Post-1989 Change: The Place of the Central European Transition, (London: Macmillan Press Ltd., 2000), p. 48.

[80] Salvatore Zecchini, "The Role of International Financial Institutions in the Transition Process", *Journal of Comparative Economics*, 20, 1995, pp. 116-7.

[81] Susan Senior Nello, "The Impact of External Economic Factors: The Role of the IMF", in *Democratic Consolidation in Eastern Europe Volume 2: International and Transnational Factors,* edited by Jan Zielonka and Alex Pravda, (Oxford: Oxford University Press, 2001), p. 79.

[82] Emphasising disillusionment with the attempts to reform state socialist systems, Wlodzimierz Brus and Kazimierz Laski put forward that "in the course of anti-communist revolution in Eastern Europe public opinion turned against any form of socialism, market socialism included". See Wlodzimierz Brus and Kazimierz Laski, *From Marx to the Market: Socialism in Search of an Economic System*, (Oxford: Clarendon Press, 1991), p. ii.

[83] Claus Offe, *Varieties of Transition, The East European and East German Experience*, (Oxford: Polity Press, 1996), p. 107.

[84] John Williamson, "The Eastern Transition To A Market Economy: A Global Perspective", *Occasional Paper No. 2*, Centre For Economic Performance, London School of Economics and Political Science, March 1992, pp. 9-10.

conditioned by the connections established between the intelligentsia and intellectuals before the collapse of the communist party rules, connections that were present within the communist party cadres as well.[85] Thus, it should be stressed that the left's advocacy of a third way, especially in the early 1990s, did not amount to an ideological challenge but rather remained within the confines of neo-liberal approach to transition, especially in practice.

In practice, the dialectical relationship between the rulers of the states in the region and international institutions and organisations was crucial in establishing the neo-liberal approach as the radical strategy of transformation.[86] International support, in this case, overlapped with the interest of the states in the region that looked for international support to overcome the unsuccessful attempts of the communist party rules to reform the state socialist systems. The Balcerowicz programme is of significance here. It was the first programme of radical system transformation in the region holding an important position within the evolution of the neo-liberal policy framework from the mid-1980s to the mid-1990s. Its significance also stands for the fact that international financial institutions, experts and academics from the US and Western Europe had important roles in influencing the design and formation of the programme. Indeed, Sachs and other advisers[87] were important in developing the reform ideas, instrumental in the adoption of the 'shock therapy' approach by the West as the main policy of transformation in the region and also in preparing the international atmosphere for support to the Balcerowicz programme.[88]

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[85] Stuart Shields, "The 'Charge of the Right Brigade': Transnational Social Forces and the Neoliberal Configuration of Poland's Transition", *New Political Economy*, Vol. 8, No. 2, July 2003, pp. 228-31.

[86] For a similar argument see also James Björk, "The Uses of Conditionality: Poland and the IMF", *East European Quarterly,* XXIX, No. 1, p. 89.

[87] Jeffrey Sachs emerged as the most known international contributor. Indeed, the Polish shock therapy programme is product of a commission of experts that was formed in September of 1989 under the presidency of Leszek Balcerowicz, Poland's leading economist, Finance Minister and Deputy Prime Minister at the time. Jeffrey Sachs was among the members of this commission. Other members of this commission include Stanisław Gomułka a Polish economist based in the UK, Stefan Kawalec and Wojciech Misiąg, Polish economists based in Poland.

[88] See Peter Gowan, "Neo-Liberal Theory and Practice for Eastern Europe," *New Left Review*, Iss. 213, 1995, pp. 3-8. Indeed, Sachs promoted the radical neo-liberal strategy of transformation on

The issue of debt was also instrumental in this process of legitimising the neo-liberal framework. All the countries of Central and Eastern Europe - except Romania - were marred with problems of debt, having difficulties in meeting their obligations. Balcerowicz acknowledged the importance of the IMF role, especially in giving credibility to the economic program - in this case the Balcerowicz programme - paralleling it to the arguments since the mid-1980s that the Fund role had been vital in cases where the level of foreign debt forms a constraint on macroeconomic stabilisation.[89] All these factors eased the process of legitimising the Eastern European reformers and the neo-liberal approach in the eyes of the Eastern European societies in addition to strengthening the desire in the West for withdrawal of state from the economy.

The main practitioners of radical neo-liberal strategy in Eastern Europe were the former Deputy Prime Minister and Minister of Finance in Poland, Leszek Balcerowicz, the former Minister of Finance and Prime Minister in Czechoslovakia, Vaclav Klaus[90] and the former Minister of Finance in Russia, Yegor Gaidar, who argued that the key to achieving a market economy was rapid, comprehensive and simultaneous reforms along the lines of IMF structural adjustment programmes stressing stabilisation, liberalisation and privatisation. Establishing private property rights, labour, capital and financial markets in the domestic economy and integration in the world economy through abolishing barriers to free trade and investments from abroad would form the basis of the approach. In this respect, the main objectives, according to Balcerowicz, would be to address "the macroeconomic catastrophe and ... the structural problem of low and declining efficiency".[91] Thus, integration into the world economy or inclusion

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various platforms; for example, see Jeffrey Sachs, "Eastern European Economies: What is to be Done?", *The Economist*, 13-19 January 1990, pp. 23-8; Jeffrey Sachs and David Lipton, "Poland's Economic Reform", *Foreign Affairs*, 69 (3), 1990, pp. 47-66; David Lipton and Jeffrey Sachs, "Creating a Market Economy in Eastern Europe: The Case of Poland", *Brookings Papers on Economic Activity*, Vol. 1990, No. 1, 1990, pp. 75-145.

[89] Mario I. Blejer and Fabrizio Coricelli, *The Making of Economic Reform in Eastern Europe: Conversations with Leading Reformers in Poland, Hungary and the Czech Republic*, (Hants, England: Edward Elgar, 1995), p. 75.

[90] Vaclav Klaus later became President of the Czech Republic in February 2003.

[91] Blejer and Coricelli, *op. cit*., p. 41.

in the globalised institutional and economic structures would allow the free movement of capital, and private foreign investment to be the main source of the transfer of technology, enhancing productivity, generating economic growth, creating new markets and jobs and raising the standard of living. If these reforms were to succeed, they had to be introduced rapidly at the initial stage of 'honeymoon' or what Balcerowicz defines as 'the time of extraordinary politics', which clearly represents a break with the past. Hence, the strategy, according to Balcerowicz, should be defined "by the vision of the target system to be reached as a result of transformation process".[92]

The shock therapy approach aimed to radically change the entire system by simply dismantling the instruments of state control over the economy. It envisaged a minimal state participation in the economy through the withdrawal of the state that would allow the spontaneous emergence of a proper functioning market economy. As Kolodko indicates, it was assumed that dismantling the state socialist system by shifting property rights from state to private hands and the allocation mechanism from state to free market would enhance efficiency in capital formation, resource allocation and restructuring, thus providing the necessary incentive for growth.[93] Within such a perspective, liberalisation of prices and foreign trade, which would eliminate shortages, would introduce competition in the domestic market and prevent state enterprises from sharply increasing their prices by taking advantage of their monopoly position. Price and trade liberalisation and currency convertibility were important in obtaining relative prices. Liberalisation of capital flows, on the other hand, would provide the ground to attract foreign investments and know-how. Moreover, liberalisation followed by spontaneous privatisation and "by government efforts to restructure industry through the elimination of subsidies, anti-monopoly-policies, and the creation of

[92] Leszek Balcerowicz, "Eastern Europe: Economic, Social and Political Dynamics", *The Sixth M. B. Grabowski Memorial Lecture,* School of Slavonic and East European Studies, University of London, 1993, p. 5.

[93] Grzegorz W. Kolodko, "Ten Years of Postsocialist Transition: The Lessons for Policy Reforms," *The World Bank Development Economics Research Group*, Washington D.C., 1998, p. 2.

agencies to penalise those who persist in the old practices"[94], aimed to separate politics from economy and enforce the market vis-à-vis the state. All these were assumed to provide new impetus for the reorganisation of enterprises. The separation of politics from economics was essential as, in accordance with the neo-liberal belief, this would hinder rent-seeking social actors and politicians, who need to distribute particular resources in exchange for political support, from resisting the establishment of minimal state and rule-based political behaviour. Thus, in reality, withdrawal of state did not mean erosion of state power but a change in form; it assumes the main role as the catalyst for 'market making' restricting itself to limited tasks aiming to consolidate the budget, to depoliticise the monetary policy and to establish a legal order for the protection of private property.

The approach provided a set of fundamental principles and policy issues that aimed to shift the centrally planned economies onto a new path of development which saw the market as the basis of social change. The assertion of the market as the self-organising principle of the society within such a political context meant a break with the past, the specific histories, the state of economies in the countries of Eastern Europe and the structure of their political systems. This took on a deterministic and functionalist setting which did not anticipate a response where social group interests would be defended - in many cases considered to be blocking the reform processes. Neo-liberals argued that individual rationality would reappear as soon as people were freed from the cosmopolitan universalistic ideology of communism. The neo-liberal strategy then intended "to replace particularistic nationalist ideologies as a blueprint for economic modernization".[95] Any level of planning, from this perspective was seen to lead to unanticipated and unintended consequences of social action, which will always frustrate, and often overwhelm, the anticipated and intended.[96] Attributing

[94] Beverly Crawford, "Post-Communist Political Economy: A Framework for the Analysis of Reform", in *Markets, States, and Democracy: The Political Economy of Post-Communist Transformation,* edited by Beverly Crawford, (Boulder; Oxford: Westview Press, 1995), pp. 25-6.

[95] *Ibid.*, p. 13.

[96] Bryant and Mokrzycki, *op. cit.,* pp. 8-9.

sameness and claiming that radical reforms can be applied universally, radical neo-liberal strategy draws attention to continuity, the continuity of transforming the systems and societies through grand design. Therefore, one can draw parallels between the economic modernisation processes of socialist planning by the Soviet Union in Central and Eastern Europe that took place after the Second World War and the radical approach of the 1990s. This issue will be brought up in the following chapter.

While arguing for a technocratic level of change within the separation of politics and economics, it was also emphasised that economic liberalism and political liberalism was the two sides of the same coin.[97] What was important was presented to be the adjustment and adoption of the institutions that globalisation required. Therefore, differences in outcomes were seen as reflecting not the mere differences in social and structural differences but differences in implementation of the advised policies. Such a linkage allowed the radical strategists to bypass communist conservatives as well as the statists and populists in the region, and made it possible to present every election as a choice between the old and the new, reformers and non-reformers in their endeavour to sustain the neo-liberal strategy.

Persistence of economic and social crises in many of the countries in the region, the 1997 Asian crisis, the Russian crisis of August 1998, and the outcomes of privatisations called into question the core assumptions and policy choices of the international financial institutions and the radical neo-liberal approach. What came to be referred to as the 'post-Washington consensus' was based on strong criticism of the inconsistency and sequencing of policy recommendations put forward by the international financial institutions.[98] The debate on the post-Washington consensus was to take the debate about good governance and second-generation reforms of the mid-1990s a step further to define the problematic of

[97] Bönker et al., *op. cit.,* p. 10.

[98] For more detailed understanding of the 'post-Washington Consensus' see Stiglitz, "Whither Reform?"; Joseph E. Stiglitz, "More Instruments and Broader Goals: Moving Towards the Post-Washington Consensus", *WIDER Annual Lecture 2*, (Helsinki: The United Nations University - World Institute for Development Economics Research, 1998) available at http://www.wider.unu.edu/publications/publications.htm, (accessed on 1 June 2006); and Grzegorz W. Kolodko, "Transition to a Market Economy and Sustained Growth: Implications for the Post-Washington Consensus", *Communist and Post-Communist Studies,* 27, 1999.

transformation within a broader conception. Accordingly, transformation came to be seen "as a problem of social change encompassing the administrative capacity of the state, processes of democratization, market reforms, and the evolution of new norms of social justice".[99] In other words, democracy began to be perceived as the main framework for resolving social conflicts and civil society is attributed a very important role as the main factor in development.[100] It was possible to define the role of the European Union and to emphasise multidimensional and institutional aspects of the accession strategy within the confines of the new strategy of neo-liberal development framework.[101]

Yet, proposed alternative visions that came to dominate transformation debates from the second half of the 1990s onwards still remain within the neo-liberal strategy despite reference to historical experiences and societal actors. In this respect, the perception that the IMF and the World Bank present two contradictory approaches is quite misleading. Rather, their approaches were complementary, reinforced through cross-conditionality. This, in turn, complemented the EU accession strategy through enhanced coordination and collaboration in disciplining and shaping the policy making process within the candidates. Thus, the contextual framework of the transformation processes will be incomplete without providing a general picture of the restructuring at the European level against a background of global change and the EU approach towards Central and Eastern Europe in relation to that ongoing restructuring process.

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[99] Bönker et al., *op. cit.,* p. 22.

[100] *Ibid.*; see also EBRD, *Transition Report 1999: Ten Years of Transition,* (London: European Bank for Reconstruction and Development, 1999), especially chapters 5 and 6.

[101] It is within such a perspective that the World Bank describes the EU *acquis* as an important component of a large and comprehensive development framework, of course complementary to *essential* reforms in education, health, social services and social protection in addition to issues such as minorities. See World Bank, "Framework for World Bank Group Support to EU Accession Candidate Countries of Central and Eastern Europe", prepared by the Europe and Central Asia Region, World Bank, revised January 17, 2002, p. 6, http://siteresources.worldbank.org/INTEUEINP/Resources/StrategytoSupportEUAccessionCandidates.pdf (accessed on 28 May 2006).

3.3 Restructuring at the European Level and the Integration of Central and Eastern European Countries

The relation between the process of European integration (*Europeanisation*)[102] and global change (*globalisation*) has been of concern for different perspectives in the study of European integration.[103] The increasingly overlapping nature of conditionality suggests that these two processes of change complement each others' development. What is more, the development of the integration process with the internal market and the enlargement process as the two main - and intertwined - hegemonic projects within the European Union in the 1990s is indicative of the interrelationship between these two processes. Two important aspects need to be emphasised here that requires further elaboration. First, the approach of the European Union has mainly put emphasis on neo-liberal restructuring as neo-liberal logic asserted its dominance through the hegemonic projects over the alternative visions of the European integration process. The second point is practically related to the first; that is, the EU as a structure and a crucial actor has come to promote globalisation, especially through its approach towards Central and Eastern Europe.

Before looking into the EU approach towards the region, the study will first look into aspects of integration and restructuring within Western Europe.

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[102] It will be useful to provide what is meant by the conception of Europeanization following Featherstone's explanations. Featherstone argues that Europeanization - like globalisation - can be a useful starting point for understanding changes in politics and society. However, he puts forward that the term is not a simple synonym for European regional integration or even convergence, though it does overlap with aspects of both. For him, Europeanization "is a process of structural change, variously affecting actors and institutions, ideas and interests. In a maximalist sense, the structural change that it entails must fundamentally be of a phenomenon exhibiting similar attributes to those that predominate, or are closely identified with, 'Europe'. Minimally, 'Europeanization' involves a response to the policies of the European Union". See Kevin Featherstone, "Introduction: In the Name of 'Europe'", in *The Politics of Europeanization*, edited by Kevin Featherstone and Claudio M. Radaelli (Oxford, New York: Oxford University Press, 2003), p. 3.

[103] See Helen Wallace, "Europeanisation and Globalisation: Complementary or Contradictory Trends?", *New Political Economy*, Vol. 5, No. 3, 2000; Ben Rosamond, "Discourses of Globalisation and the Social Construction of European Identities" *Journal of European Public Policy,* 6 (4), 1999; Colin Hay and Ben Rosamond, "Globalisation, European Integration and the Discursive Construction of Economic Imperative: A Question of Convergence?" Queen's Papers on Europeanisation, No. 1/2001, http://www.qub.ac.uk/schools/SchoolofPoliticsInternational StudiesandPhilosophy/FileStore/EuropeanisationFiles/Filetoupload,5295,en.pdf, (accessed in December 2005).

3.3.1 Restructuring of Relations within the European Union

In order to gain a more complete picture of the political and ideological aspects of the struggle over the integration process, the study will first turn to see how important a global actor the Union is within the global political economy by looking into developments and changes at the material level. In line with what has been presented above, the study shall briefly provide an account of the European Union position with respect to the structures of trade and FDI which have been specified as essential elements of the globalisation of production and finance.

The figures presented in Table 3 below substantiate the claim that the EU is an important global actor. The Union accounts for around 40 per cent of world trade in merchandise and commercial services, an important share which indicates that the Union is a very important producer as well as a market within the global political economy. Nonetheless, it must be noted that most of the trade is being carried out between members of the EU. The United States comes forward as the major trading partner in merchandise trade followed by the states in Central and Eastern Europe as a group with regard to extra-EU (15) trade.[104]

The figures, however, partially explain increasing levels of interconnectedness and interdependence of the EU countries at the European as well as the global level. It may be stated that it is not possible to discern transnationalisation of production and the changing relations of production that has been taking place at the global level and the EU involvement in that process since mid-1980s.

[104] For example, as largest partners in 2003, the US absorbed about a quarter and the countries in Central and Eastern Europe about fourteen per cent of extra-EU (15) exports. See World Trade Organization, *International Trade Statistics 2004,* (Geneva, Switzerland: WTO, 2004), p. 61.

Table 3.3
European Union (15) shares in world merchandise and commercial services trade, 1990-2003, in billions of dollars.

	1990	1995	2000	2003
Merchandise trade				
European Union (15) exports	1,509	2,084	2,316	2,926
Extra EU (15) exports	529	750	870	1,108
World Total	3,442	5,162	6,449	7,551
European Union (15) imports	1,558	2,051	2,405	2,946
Extra EU (15) imports	577	713	954	1,123
World Total	3,542	5,279	6,715	7,832
Commercial Services trade				
European Union (15) exports	369	504	611	822
Extra EU (15) exports	-	221	277	364
World Total	782	1,182	1,485	1,805
European Union (15) imports	349	499	600	793
Extra EU (15) imports	-	208	270	336
World Total	818	1,198	1,474	1,784

Source: World Trade Organization, *International Trade Statistics 2005,* pp. 197-210; and for figures in 1990 see World Trade Organization, *International Trade Statistics 2000,* pp.170-183.

The foreign direct investment figures presented in Table 4 below are more representative of the general trend of transnationalisation of production with respect to the European Union. FDI inward and outward stocks in the EU (15) has increased substantially in real terms and as a percentage of world total confirming the position and role of the European Union within the globalisation process as the most important source of foreign direct investment.[105] The data presented below also include inter-EU FDI where, Went estimates, 55 per cent of the inward FDI stock and 60 per cent of FDI outward stock of the EU is from and to the EU

[105] See UNCTAD, *World Investment Report 2004: The Shift Towards Services*, (New York and Geneva: United Nations, 2004).

member states.[106] From the early 1980s onwards, an increasing number of European corporations have been investing in different countries to produce locally and/or benefit from cross-country comparative advantages. This increase in FDI was also reflected in the increasing number of parent and affiliate corporations. In the early 2000s, there were 30709 transnational parent corporations and 64464 foreign affiliates located in the economy of the EU-15.[107] Besides, 50 of the largest 100 transnational corporations are from the European Union with affiliates in an average of 71 host economies.[108] Thus, one may suggest, by looking at the data provided, that transnationalisation of production both within and outside the EU is a process that paralleled the globalisation process.

The figures suggest that expansion of operations through foreign direct investments has assumed a new phase from mid-1980s onwards, and in this sense, has been an important component of the policy to increase sales among other aspects. An important example of this is sales by US affiliates of transnational corporations that are based in the EU in comparison to EU exports: According to Quinlan, sales of European corporations' affiliates in the US, which remains to be the main destination for EU FDI, was over four times larger than EU exports to the US.[109] It may thus be stated that FDI became much more important in assertion of

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[106] Robert Went, "Globalization: can Europe make a difference?" *Review of International Political Economy,* 11:5, December 2004, p. 985.

[107] Year of available data varies from country to country; thus it is more correct to indicate that figures indicate a relative number for the early 2000s. See UNCTAD, *World Investment Report 2004: The Shift Towards Services*, (New York and Geneva: United Nations, 2004), p. 273. The number of parent corporations in the early 1990s was around 22000 and 54000 foreign affiliates located in the economy of EU (15). The number of parent corporations located in the economy of the EU-25, after the accession of the 10 new member states, was reported to be 36003 and the number of foreign affiliates, 199,303. The drastic increase in the number of foreign affiliates located in the economy is an indication of high number of foreign affiliates located in the countries of Central and Eastern Europe. See UNCTAD, *World Investment Report 2005*, p. 264.

[108] UNCTAD, *World Investment Report 2005,* p. 18.

[109] The US also dominates total extra-EU foreign direct investments. Joseph P. Quinlan, Drifting Apart or Growing Together? The Primacy of the Transatlantic Economy, (Washington, D.C.: Center for Transatlantic Relations, 2003), p. 6. Available at http://www.atlanticcommunity.org/Quinlan%20Text%20FINAL%20March%202003.pdf, (accessed on 18 June 2006).

the EU position at the global level as well as improving the global competitiveness of the European economies.

Table 3.4
FDI stock in the EU (15) and world totals, 1980-2004, in billions of dollars.

	1980	1985	1990	1995	2000	2004
FDI inward stock (EU15)	216	267	751	1,136	2,077	3,794
FDI inward stock (world total)	692	972	1,768	2,992	5,780	8,895
FDI outward stock (EU15)	215	304	797	1,298	3,040	5,171
FDI outward stock (world total)	559	738	1,758	2,897	6,148	9,732

Source: UNCTAD, *World Investment Report 2004, pp. 376-86 and World Investment Report 2005*, pp. 308-12.

Transnationalisation within the EU can also be manifested by pointing to the increasing number of cross-border mergers and acquisitions and the privatisation of formerly state owned enterprises, a process that was partly encouraged through the institutionalisation of the internal market program. The total volume of mergers and acquisitions in the European Union increased from US$ 62.1 billion in 1990 to a mere US$ 344.5 billion in 1999 whereas the total amount raised from privatisation increased from US$ 15 billion in 1990 to US$ 61 billion in 1999.[110] This was a process that has increased the significance of European transnational corporations within the global political economy. It can be

[110] The period between the years 1998-2001 represents the boom in mergers and acquisitions with major increases in FDI flows during this period as well. 2000 is the peak year. For figures on cross-border mergers and acquisitions see UNCTAD, *World Investment Report 2000: Cross-border Mergers and Acquisitions and Development* (New York and Geneva United Nations, 2000), p. 108; for figures on privatisation see Bieling, *op. cit.,* p. 221 footnote 30.

observed that the transnationalisation of production and finance in the European Union corresponds to the re-launching of the European integration process. The increasing FDI levels, especially assuming a growing pace in the second half of the 1990s, indicates how intertwined and transnationalised the EU has become parallel to a newly emerging interrelationship among social forces/actors in the European Union. The figures are only indicative and in no way represent a linear increasing trend. However, the significance of changes at the material level is their importance in signalling qualitative processes of change at the European level.

With such a background of changes at the material level, it should be emphasized that increasing volumes of trade provided an important evidence of acceptance of the free trade movement, and increasingly, the ideology of globalisation within the EU. Equally important is the fact that FDI has become much more important for the European Union in asserting its role as an actor in the global political economy. The process of transnationalisation that these figures point to is indicative of developments at the material levels which also denote change in the political and ideological prioritisation of social forces within the European Union as well.

The changes in the political economic priorities of the European Community took place in a dialectical relationship with the reconfiguration of the social relations of production after the crisis of the 1970s. This also meant transformation in the social purpose underpinning the foundation of the Union. When it was founded with the Treaty of Rome, the European Community "primarily aimed at supporting national socioeconomic models and their development by providing an advantageous, growth and employment-friendly economic environment".[111] The EC aimed at the social cohesion of its citizens through the various policies that it had established since its foundation, but the national governments held the responsibility for the model of socioeconomic modernisation in line with the national boundedness of Keynesian welfare states. Nowadays, the neo-liberal inclination of the European Union is openly stated both

[111] Hans-Jürgen Bieling, "Social Forces in the Making of the New European Economy: The Case of Financial Market Integration", *New Political Economy,* Vol. 8, No. 2, July 2003, p. 205.

within the context of internal market arrangements and as an aspect of its foreign policy towards the candidates and other partners.

Although the integration process assumed a new phase from mid-1980s onwards, the struggle between different social forces over the European socioeconomic order within the perspective of European integration materialized with the earlier national level struggles against a background of globalisation. In Europe, the crisis of the Keynesian welfare state was countered by an intellectual offensive led by neo-classical economists from the Austrian School as early as the 1970s.[112] However, until the early 1980s, the crisis was handled at the national level with differing policy responses reflecting different models of capitalism. Although the failure of individual member states to handle the crisis of the 1970s at the national level gave way to the dominance of governmental policies with issues such as the fight with inflation, a profound neo-liberal restructuring process in Europe - in the sense of cutting down welfare states, deregulating labour markets and so forth - did not start to take place until the 1990s.[113] Then, the re-launching of the European integration process from the mid-1980s onwards was a response to the ensuing crisis of the post-World War II order of 'embedded liberalism'. Structural changes and developments at the material level led to the disintegration of the post-WWII order, subsequently leading to transnationalisation of European socioeconomic order.

The failure of individual country responses to the crisis, lack of an attractive integration project and the increased political salience of neo-liberal ideas at the global level created an environment conducive to launching a neo-liberal project at the European level from mid-1980s onwards.[114] In this context,

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[112] Mont Pelerin Society, a think tank founded by Friedrich von Hayek, one of the leading philosophers of the New Right and a Nobel Prize winner in 1974, is attributed an important role as a source of neo-liberal propaganda from the 1970s onwards. Milton Friedman, the US economist, is another ultra-liberal who is awarded the Prize in 1976. Hobsbawm informs us that the prize that was instituted in 1969 "had been awarded to men *not* associated with *laissez-faire* economics" before 1974; see footnote, Eric Hobsbawm, *The Age of Extremes: The Short Twentieth Century, 1914-1991,* (London: Abacus, 1995), p. 409.

[113] Apeldoorn, *Transnational Capitalism*, p. 67

[114] Hans-Jürgen Bieling and Jochen Steinhilber, "Hegemonic Projects in the process of European Integration", in *Dimensions of a Critical Theory of European Integration,* edited by Hans-Jürgen

restructuring at the material level in Europe was a process that paralleled the global level restructuring leading to a reconfiguration of social relations giving way to the emergence of transnational social forces, while weakening the political power of labour within the same period. The European Round Table of Industrialists (ERT),[115] in this respect, emerged as an important structure within which intra-class struggle was conducted to give way to the emergence of new transnational forces of capital.[116] From the early 1980s onwards, the ERT has become an influential social actor/agent and a political power that has effectively advocated an integrated European market and along this line sought to shape and influence the industrial and economic policy initiatives of the European Community/Union. Accordingly, it has played a crucial role in the re-launching of European integration and restructuring at the European level through discourse formation and direct lobbying of the Commission and individual governments.[117] What is more, as Apeldoorn points out, the ERT has been influential in shaping the evolving socioeconomic setting of the European Union through its focus on the

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Bieling and Jochen Steinhilber, (Marburg: Forschungsgruppe Europaische Gemeinschaften (FEG), 2000), p. 40.

[115] The ERT is a forum of around 45 chief executives and chairmen of major transnational corporations that are based in Europe that was founded in 1983. Forum members, not only transnational corporations based in the European Union but Europe at large, account for a combined turnover of €1,500 billion employing around 4.5 million people worldwide. As a policy institution with several working groups such as competitiveness, enlargement and neighbourhood policy, industrial relations and social policy, taxation, foreign economic relations and so forth providing a platform of organic intellectuals, which has been promoting the neo-liberal hegemonic project as the means of restructuring at the European level. See the European Round Table of Industrialists web site http://www.ert.be for the list of members.

[116] The ERT was a major platform of struggle between 'neo-mercantilist' who were dominant within the ERT in the early and mid-1980s, and the 'neo-liberal' globalist forces who gained the upper hand from late-1980s onwards. For a brief note on these perspectives see footnotes 118 below. For a detailed analysis of these visions and their struggle within the ERT see Apeldoorn, *Transnational Capitalism,* pp. 115-57.

[117] Besides Apeldoorn see Andreas Bieler, "European integration and eastward enlargement: the widening and deepening of neo-liberal restructuring in Europe", Queen's Papers on Europeanisation No 8/2003, pp. 6-7. Available at http://www.qub.ac.uk/schools/SchoolofPolitics InternationalStudiesandPhilosophy/FileStore/EuropeanisationFiles/Filetoupload,5264,en.pdf (accesses in December 2005); and Maria Green Cowles, "Setting the Agenda for a New Europe: The European Round Table of Industrialists and EC 1992", *Journal of Common Market Studies,* 33, no.4, December 1995, pp. 501-26.

concept of competitiveness[118], which he argues "has become the linchpin of a process of hegemonic articulation in which an essentially neo-liberal ideology is articulated with elements of contending orientations, such that their 'potential antagonism is neutralised'".[119] It has to be emphasised that the political and ideological power of the ERT has been increasing with the increasing structural power of the transnational capital. Besides, its agency has played a significant role as against other social forces giving a more neo-liberal outlook to various processes of integration including the enlargement process.

Indeed, integration was a process that was perceived as an opportunity by different social forces who aimed to further their own world views, within a wider perspective, at the European level. The contending social forces, who reflected their rival projects on to the European integration process, constructed their discourses and strategies in relation to the broader political context of global change. In this respect, Apeldoorn's analysis outlines three major contending approaches, 'neo-liberalism', 'neo-mercantilism' and 'supranational social democracy', whose struggle over the course of European integration since the early 1980s facilitated - as specified above - the emergence of new social relations of production in Europe.[120] Thus, the integration process took on a new phase

[118] Apeldoorn indicates that "competitiveness is still about not losing in the global competition race...about the survival of the fittest in a fully open environment of a global free market, in which no 'artificial', that is non-market based, means to enhance one's position are allowed". See Apeldoorn, *Transnational Capitalism,* p. 172.

[119] Apeldoorn, *Transnational Capitalism,* p. 173.

[120] A brief account of alternative visions should be given here: The neo-liberal perspective that is associated with transnational forces of global financial capital and industrial transnational corporations - both European and the US that function in Europe - intended to subordinate European socioeconomic order and industrial space to the forces of globalisation that were deemed beneficial to competitiveness at the European level. The neo-mercantilist project, associated with transnational industrial European but not global firms/players, provides for a defensive regionalisation strategy intending to build up a strong regional economy through industrial policy, promotion of 'European champions' and protective measures, if necessary, against the forces of globalisation and the completion of the internal market. From this perspective, loss of competitiveness and other problems were related more with insufficient economies of scale and lack of technological development vis-à-vis the US and Japan. Thus, the internal market project is "interpreted as the creation of a strong 'home market' that could serve as a launching pad to conquer the world market and at the same time as a protective shield against outside competition". On the other hand, the supranational social democratic project, supported by Jacques Delors, social democrats and the European trade union movement, perceived the integration process as an opportunity to embed the single market in a regulatory framework at the supranational level. In a Delorist vision, the integration process offered the possibility to combine "individual freedom with

partly as a response to the changes in the global political economy and partly as a project of restructuring at the European level, turning into a process that is both shaped by and constitutive of the wider structural changes.[121]

The neo-liberal project successfully propagated around the concept of 'Eurosclerosis'[122] associating the crisis of the 1970s with excessive government intervention, which resulted in expansionary welfare state systems, and labour market rigidity, and argued that these issues created market distortions.[123] By the globalist forces, the neo-liberal integration project was presented to be in the general interest of the European society. Thus, the project emphasised disciplinary neo-liberalism and spread of market civilisation which formed the framework elements primarily aiming to improve the global competitiveness of the European economies. In this respect, the generalisation and reproduction of the neo-liberal dominance within the European Union was mediated through the establishment of the internal market with the European Monetary System (EMS), the Single Market Program (SMP) and the European Monetary Union (EMU) serving as important milestones for the institutionalisation of the single market.[124] However, the orthodox neo-liberal approach of the globalist forces had to incorporate elements of other projects at a subordinate level - to form what Apeldoorn calls 'embedded neo-liberalism'[125] - with an aim to consolidate and normalise the neo-liberal ideology. Thus, neo-liberal dominance was attained through a series of 'negotiated

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the virtues of collective action, the competitive market with a system of social solidarity, all in a long-term perspective of sustainable growth and welfare". Thus, strong supranational institutions offered the possibility to preserve the traditions of mixed economy and social protection against the destructive forces of globalisation and neo-liberalism. For a detailed analysis of these visions see Apeldoorn, *Transnational Capitalism,* pp. 78-82.

[121] Bastiaan van Apeldoorn, "Transnationalization and the Restructuring of Europe's Socioeconomic Order", *International Journal of Political Economy*, Vol. 28, No. 1, Spring 1998, pp. 12-3.

[122] 'Eurosclerosis' denotes the stagnation, inflation and unemployment that followed the oil shock of 1973 and lasted until the early 1980s as well as little or no progress on European integration. See Desmond Dinan, *Encyclopaedia of the European Union,* (New York and Hampshire: Palgrave Macmillan, 2000), p. 228.

[123] Apeldoorn, "Transnationalization and the Restructuring", p. 18.

[124] Bieling and Steinhilber, *op. cit.*, p. 39.

[125] Apeldoorn, *Transnational Capitalism,* p. 115.

settlements' receiving consent and approval of the neo-mercantilist and social democratic forces.

Embedded neo-liberalism reflected the dynamics of historical structures in the European Community, especially the strong industrial capital and traditions of corporatist labour arrangements in continental Europe. Thus, while encouraging policies of neo-liberal economic rationality along with the completion of the single market, the Community also created built-in mechanisms of external trade protection - such as anti-dumping measures and safeguards - along with European level industrial policy, social policy and a comprehensive regulatory framework. The SMP, the EMU, and the Lisbon Strategy formed important instruments of this series of negotiated settlements strengthening and institutionalising elements of embedded neo-liberal approach within the Union.

The SMP, in this respect, emerged as a technical and administrative setting. The Single European Act of 1987 institutionalised the Single Market Program to address problems of European economy against the more competitive economies of the US and Japan by abolishing non-tariff barriers to integration and establishing the four freedoms - freedom of goods, services, capital and people - among the members of the Community. The SMP was facilitated by the EMS[126], and together with the EMS, it was instrumental in taking the neo-liberal rationale on to the European agenda. The issues of deregulation, flexibilisation, and privatisation were advanced by economists, corporate actors as well as the governments of the EC to appeal to social restructuring in the long-run by gradually disintegrating the welfare state.[127]

The market oriented approach within the European Union was later strengthened by the Treaty of Maastricht[128] with its components on the European Monetary Union and industrial policy, which later was endorsed by the Lisbon

[126] EMS was founded in 1979 as a reaction to extreme currency fluctuations encountered after the collapse of the Bretton Woods system.

[127] Bieling, *op. cit.,* p. 207.

[128] The Treaty of Maastricht was signed on 7 February 1992 and came into force on 1 November 1993.

Strategy. The configuration the EMU[129] provided an important impetus for the hegemonic articulation of interests with its underlying rationale by locking the member states in what Gill calls 'new constitutionalism', the politico-legal dimension of the wider discourse of disciplinary neo-liberalism.[130] In this context, the Maastricht Treaty and EMU provide an international governance framework that mandate state policies to maintain confidence and credibility in the eyes of private investors by 'locking in' political commitments.[131] The neo-liberal design of the EMU, reflected within the embodied convergence criteria - concerning the inflation rate, public finances, interest rates and exchange rate stability, was strengthened by the establishment of an independent European Central Bank (ECB) and later by the Stability and Growth Pact which was signed in June 1997. The main aim, as such, has been to further ensure budgetary and monetary discipline with the intent to enhance adaptation and harmonisation of economic policies of the member states within the confines of neo-liberal principles. In fact, the agreement on the EMU went through a process that reflected a combination of national and European level struggle. It was the result of a complex process of negotiations and was supported by different actors for different reasons: The Commission considered the EMU as a solution to the instability of the EMS that was instigated by the liberalised capital markets; for some governments, especially the governments of France and Italy, it was an opportunity to overcome German Bundesbank dominance in monetary and economic polices; for Germany, it was an opportunity, after unification, to confirm Germany's firm attachment to the integration process; and for corporate industrial and financial interests, it represented a fundamental milestone for the creation of a truly integrated internal

[129] The European Monetary Union was launched with the Maastricht Treaty and was attained on 1 January 1999, when 11 member states irrevocably fixed their exchange rates. It is interesting to note that the most neo-liberal state within the EU, the UK, is not among the members of the EMU. The UK used its right to opt-out of the EMU, a right which is not to be granted to the Central and Eastern European countries once they become members.

[130] Stephen Gill, "Constitutionalising Capital: EMU and Disciplinary Neo-Liberalism", in *Social Forces in the Making of New Europe: The Restructuring of European Social Relations in the Global Political Economy,* edited by Andreas Bieler and Adam David Morton, (Hampshire, UK: Palgrave, 2001), p. 47.

[131] *Ibid.,* p. 47 and 57.

market, intensifying regulatory competition among member states and expanding the opportunities for cross-border trade and investment.[132]

Though the process has increasingly been taking a neo-liberal course pointing to the dominance of the transnational forces, the struggle is far from complete as exemplified by the constitutional debate of 2005-6 and the debate budget for the period 2007-13. As the study has been trying to point out, the neo-liberal project had to be modified to incorporate elements of neo-mercantilist and social democratic projects so as to be able to consolidate its dominance. The above outlined notion of struggle is also evident in the struggle around the new development framework of the European Union, depicted as the Lisbon Strategy, in dealing with low productivity and stagnation of the European economies. The new strategic goal of the EU that the Strategy states out, agreed at the European Council meeting in Lisbon, emphasises that the EU intends

> *to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.*[133]

It may be stated that although the Lisbon Strategy incorporates neo-mercantilist and social democratic concerns as well, it looks as if it subordinates these concerns to the overriding objectives of competitiveness and growth. The notion of reform emphasises innovation and the role of entrepreneurs, in a Schumpeterian evolutionary fashion, as important aspects of development. While emphasising the role of market, and market forces as the driving force of development, the Strategy also defines important roles for the institutions of the Union and the member states. Indeed, the deadlocks with respect to the implementation of the Strategy have provided further precedence for convergence of economic policies in line with neo-liberal principles. One may suggest that

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[132] Bieling, *op. cit.,* p. 208; Apeldoorn, *Transnational Capitalism,* pp. 167-9.

[133] European Council, *Presidency Conclusions,* Lisbon European Council 23 and 24 March 2000. Available at http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/00100-r1.en0.htm, (accessed on 1 June 2006).

reform, in this respect, is more often used to denote transformation towards neo-liberal economic policy priorities rather than policies that aim social cohesion.[134]

The above analysis has attempted to elaborate, only very briefly, on how the neo-liberal forces have sought to consolidate and normalise their power at the European level vis-à-vis other projects of integration in the European Union. It may be stated that there was a parallel process of restructuring within Europe to that of globalisation and the move towards a more neo-liberal stance was the main feature of the political economy of integration, especially increasingly so since the early 1990s. In this respect, by looking at the Commission's analysis on challenges of globalisation it may be argued that the European Commission has a firm stance in support of the globalist approach.[135] However, repercussions with respect to adjustment to global change are different in each and every member state and between the Commission and the member states.[136] As such, the outcomes of the struggles and the concrete socioeconomic content of the outcomes - be they treaties, strategies or so forth - reflect the rigidities, dynamics of structures and the political possibilities of the time. Thus, the European Union as a structure providing a platform for struggle and as an agent through its involvement as an actor has both been constituted by and constitutive of the globalisation process.

It is against such a background at the global and the European level that the EC/EU approach towards Central and Eastern Europe was developed. It is now the European Union approach towards the region that the study turns to.

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[134] A similar criticism is also specified by the European Trade Union Confederation. See European Trade Union Confederation, *The Way Forward for Europe: Getting the Lisbon Strategy Right,* (Brussels: ETUC, 2006), p. 10. Available at http://www.etuc.org/IMG/pdf/BrochLisbonEN.pdf, (accessed on 15 June 2006).

[135] Commission of the European Communities, *Responses to the Challenges of Globalisation: A Study on the International Monetary and Financial System and on Financing for Development*, Working Document of the Commission Services, Brussels, SEC(2002) 185 final, 14 February 2002.

[136] The controversy over the Italian firm Enel's interest in French energy firm Suez, and the involvement of Italian and French governments as well as the European Commission is a case in point. See BBC News, "EU Presses Paris on Energy Merger", 3 March 2006. Available at http://news.bbc.co.uk/2/hi/business/4771920.stm (accessed on 21 June 2006); and BBC News, "Suez-GDF Merger Faces EU Scrutiny", 19 June 2006. Available at http://news.bbc.co.uk/2/hi/business/5095746.stm, (accessed on 21 June 2006).

3.3.2 The European Union Approach towards Central and Eastern Europe

This section develops its approach on two main questions: How the EU approach reflects the agency of EU? And how the approach and conditionality inherent therein reflect the struggle within the EU?

The EC response to the collapse of the communist party rules and attempts at transformation built on the coordinated response of the West that came in July 1989 at the Group of Seven (G7)[137] Summit. It assumed a coordinating role for the Group of Twenty Four (G24)[138] in July 1989. Over the course of time, the EC played a central role in developing the 'Western project' towards the countries of Central and Eastern Europe. It presented the countries of Central and Eastern Europe with an evolving set of conditionality which pushed the states of the region towards greater convergence with a neo-liberal path to a free market economy than has occurred within the existing member states. The EC conditionality has consistently reinforced conditionality of the international financial institutions and has progressively been expanded implying a role for the EU in the internalisation of forms of power and domination within the states of Central and Eastern Europe effectively shaping the state-society relations.

Though without any well-developed coherent strategy to tackle the processes resulting from the collapse of communist party rules, the EC soon formulated, at least in rhetoric, that its aim would be "to accomplish the 'unity of the continent' by supporting the former communist countries' 'return to Europe'".[139] The priority in trying to encourage or shape the processes of transformation was given to promoting the transition to market economy as exemplified by the statement of the G7 governments: "each of us is developing concrete initiatives designed to encourage economic reforms, to promote more

[137] The Group of Seven consists of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States. The G7 later became the G8 with the participation of the Russian Federation.

[138] The Group of Twenty Four (G24) comprised of the EU-12, Autralia, Austria, Canada, Finland, Iceland, Japan, New Zealand, Norway, Sweeden, Switzerland, Turkey, and the United States.

[139] Heinz Kramer, "The European Community's Response to the 'New Eastern Europe'", *Journal of Common Market Studies*, Vol. 31, No. 2, June 1993, p. 214.

competitive economies and to provide new opportunities to trade".[140] Thus, the initial elements of the EC-Central and Eastern European relations were dominated by economic rather than the political dimension of transformation. This policy was first supported by financial assistance and establishment of trade and association agreements, than the enlargement strategy bringing these aspects together with conditionality in promoting internalisation of neo-liberal forms of development.

In fact, the EC had very limited relations with the Council for Mutual Economic Assistance (Comecon), which was the kind of equivalent for the European Economic Community in the Eastern Bloc, or the countries of the region during the Cold War period. The Community first approached the countries of the region in 1974 offering to establish bilateral relations in accordance with its common commercial policy.[141] Although this was an important time of development of bilateral relations between the member states of the Community and the states of the region, Romania was the only country to accept the offer and to conclude a trade agreement in 1980.[142] The lack of established relations was a consequence of the USSR stance under Brezhnev who refused to recognise the EC officially. First diplomatic contacts between the EC and Comecon began only in 1986 after Gorbachev came to power in the USSR and initiated his policy of 'perestroika'.[143] Official relations between the two organisations were only established with the conclusion of The Joint Declaration on 25 June 1988. With the establishment of official relations between the EC and the Comecon, the Community negotiated a series of trade and cooperation agreements with individual Comecon member states leading to agreements with Hungary in September 1988, Poland in September 1989, Czechoslovakia and Bulgaria in May

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[140] Cited in Alan Mayhew, *Recreating Europe: The European Union's Policy towards Central and Eastern Europe*, (Cambridge: Cambridge University Press, 1998), p. 14.

[141] Commission of the European Communities, *EC-Eastern Europe Relations,* Directorate-General External Information, DGX Background Brief (1), 5 March 1991, p. 1.

[142] In this respect, Yugoslavia was an exception as it had signed a non-preferential agreement with the European Community, followed by a five year agreement in 1973 and a cooperation agreement in 1980.

[143] Perestroika refers to economic restructuring.

1990 and Romania in October 1990. The commercial and economic cooperation agreements were no longer applicable with the collapse of the communist party rules and necessitated a more advanced approach in relations with the states of the region.

After it assumed the coordinating role for Western assistance[144] to Central and Eastern Europe, the EC developed two key instruments, the PHARE[145] aid programme and the Association (Europe) Agreements (EAs) with an attempt to further cooperation in various areas. From the very beginning, the EC Commission stated that assistance was conditional on clear commitments regarding the rule of law, respect for human rights, the introduction of multiparty democracy, the holding of free and fair elections and economic liberalisation towards the development of market oriented economies.[146] The PHARE programme was the largest single source of grant aid towards Central and Eastern Europe and provided the main framework for the EU aid. The programme was originally set up to support the reform programs and transition to a market economy in Poland and Hungary, by financing or participating in the financing of projects aimed at economic restructuring. As such, it was allocated a total budget of ECU 300 million in 1990, which later was increased to ECU (European Currency Unit) 500 million after it was extended to cover other countries of the region. During the earlier phases of transformation, the Commission deliberately confined its conditionality to market developing measures through the advice it provided on economic transformation.[147] Though, the use of conditionality was not strict and remained attached to very general terms in the early 1990s.

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[144] For a detailed analysis of the G24 assistance in the early 1990s, see Mayhew, *op. cit.,* pp. 132-7; and Karen E. Smith, *The Making of EU Foreign Policy: The Case of Eastern Europe,* (London: Macmillan Press Ltd., 1999), pp. 66-82. Assistance was mainly provided through debt restructuring, emergency aid, and export credits. Poland, Hungary, Czech Republic and Slovakia were the main beneficiaries.

[145] PHARE is the French acronym for Poland and Hungary Assistance to Economic Restructuring.

[146] Commission of the European Communities, *EC Assistance to Central and Eastern Europe: Progress Report*, Brussels, July 1991, p. 1.

[147] Heather Grabbe, "A Partnership for Accession? The Implications of EU Conditionality for the Central and East European Applicants", *EUI Working Papers,* RSC No. 99/12, 1999, p. 11.

The volume of PHARE amounted to a total of ECU 775 million in 1991, to around ECU 1 billion between 1992-1994, ECU 1.2 billion between 1995-1999 and ECU 1.7 billion between 2000-2004.[148] Although the amount of aid remained rather symbolic - see Table 5 for total funding by country - especially when compared to the fund transfers made to southern members of the Community under the structural funds, it gave the EU an extraordinary position of influence.[149]

Table 3.5
Total PHARE funding by country, commitments, contracts and payments, 1990-2004, in million Euros.

Partner country	Commitments	Contracts	Payments
Bulgaria	1,792.15	1,313.36	1,120.22
Czech Republic	898.24	730.86	674.87
Estonia	337.44	268,96	254.42
Hungary	1,462.59	1,341.13	1,174.57
Latvia	410.84	330.82	313.30
Lithuania	797.00	750.53	654.92
Poland	3,930.96	3,292.59	2,856.95
Romania	2,723.40	1,860.11	1,559.37
Slovakia	702.39	585.70	491.40
Slovenia	351.64	278.49	255.64
Czechoslovakia	230.49	231.82	228.88
East Germany	34.49	28.86	28.86
Multi-country programmes	3,005.90	2,382.52	1,959.91
Total	**16,677.50**	**13,395.73**	**11,573.29**

Source: Commission of the European Communities, *Annexes to 2004 Report on Phare,* p. 90.

[148] See, Commission of the European Communities, *Annexes to 2004 Report on Phare*: *Country Sections & Additional Information*, SEC(2005)1773, {COM(2005)701 final}, Brussels, 23 December 2005, p. 89.

[149] See Smith, *op. cit.,* p. 70; and Mayhew, *op. cit.,* p. 142.

The limited nature of financial aid was related to a shortage of global capital due to the recession in the capitalist global economy in the early 1990s as much as it was related to a changing perspective of development. In the early 1990s, the EU financial aid to Central and Eastern Europe targeted priorities of the economic - private sector development, infrastructure, education and training and so forth - rather than the political dimension.[150] From the very beginning foreign trade and foreign investments were prioritised as the major sources of economic growth and development. In this respect, economic relations and appropriate macroeconomic policies were given a special role to attract investment; "By thus improving the investment climate it is also hoped to attract the significant volumes of external commercial and private investment on which the fate of the economic reform process so much depends".[151] In the course of time, PHARE emerged as an important instrument that supported the accession preparations through the Accession Partnerships.

With the start of the transformation processes the need for a more broadly based political and economic response came with the Europe Agreements - offered by the EC in early 1990 - that were to form the basic legal instruments of relations between the states of the region and the European Communities/European Union until their membership. The first EAs were signed with Czechoslovakia, Hungary and Poland in December 1991[152] and extended to other Central and Eastern European countries.[153] The EAs aimed to create a free trade area for industrial goods within a period of ten years from their entry into force. Trade barriers were to be removed on an asymmetrical basis with the EC removing tariffs, quotas and other restrictions much faster than the countries of the region. However,

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[150] Commission of the European Communities, *The Phare Programme: Annual Report 1999*, Nov. 2001, p. 107. Available at http://ec.europa.eu/comm/enlargement/pas/phare/pdf/phare1999.pdf.

[151] Commission of the European Communities, *EC Assistance to Central and Eastern Europe*, p. 22; see also Commission of the European Communities, *Towards a Closer Association with the Countries of Central and Eastern Europe*, SEC(93) 648 final, Brussels, 18 May 1993, p. 9.

[152] The Association Agreement with Czechoslovakia was never ratified as a result of velvet divorce of the Czech Republic and Slovakia. The Agreements were later re-negotiated with the two countries to be signed in October 1993 and to be ratified by February 1995.

[153] The EAs with Romania and Bulgaria were concluded in 1993 and with the Baltic States in 1995.

agricultural trade was excluded from the Agreements and several reservations and restrictions were imposed on the 'sensitive' goods such as steel, chemicals and textiles which formed an important share of Central and Eastern European exports to the Community in the early 1990s.[154] The Agreements were mixed agreements with provisions that went beyond traditional association agreements and envisaged political, economic and cultural cooperation as well.[155] The political dialogue established by the Agreements allowed the states in Central and Eastern Europe to discuss and act in line with the Union in areas of foreign policy, security, international crime and environment. The general principles of the Agreements noted that respect for democratic principles and human rights and the principles of the market economy are essential elements of the agreements. The fact that conditionality was vaguely defined and linked with reforms in very general terms did actually give the EU a leverage in interpreting the reform attempts more in political terms.

The main aspects of the Agreements had important implications for liberalisation and market reform in the countries of Central and Eastern Europe. With the articles on the competition policy, the control of state aids, the protection of intellectual property and the establishment of the four freedoms - movement of goods, services, capital and labour - the Union provided the states of the region with a framework of rules necessary for the functioning of a market economy, main elements of a 'business environment' similar to that within the internal market of the Union and implications for the role of the state in economy. In fact, the Agreements reflected a changing trend which prioritised competition policy

[154] The following brief information should give an indication about the importance of these items for the Central and Eastern European states' exports. the Holman puts forward that exports in sensitive products accounted for 35 per cent of total Central and Eastern European exports in the early 1990s; see Otto Holman, "Integrating Eastern Europe: EU Expansion and the Double Transformation in Poland, the Czech Republic, and Hungary", *International Journal of Political Economy,* Vol. 28. No. 2, Summer 1998, p. 31. Winiecki indicates that in 1993 the share of sensitive products in exports to the EU was 36.3 per cent for the Czech Republic, 42.7 per cent for Poland, 47.8 per cent for Slovakia and 51 per cent for Hungary; see Jan Winiecki, *Transition Economies and Foreign Trade,* (London and New York: Routledge, 2002), p. 122.

[155] As they were mixed agreements they had to be ratified by all member states and the European Parliament. Therefore, Agreements with Hungary and Poland came into force in 1994, with Czech Republic, Slovakia, Romania and Bulgaria in 1995, with the Baltic States in 1998. However, interim agreements on trade came into force soon after the Agreements were signed.

over commercial policy which began to be perceived as the crucial element of efforts to liberalise global trade.[156] They were also representative of the drive to create a greater free trade zone within Europe. In this respect, establishment of the EC Single Market Program, the Central European Free Trade Agreement (CEFTA)[157] that was signed in December 1992 and the formation of the European Economic Area (EEA)[158] that was concluded in March 1993 form an important conjuncture representing different levels of trade openness at the regional European level.

The main priorities of the EU in the early 1990s was to ensure integration of the states in Central and Eastern Europe into the capitalist global systems of production and finance through supporting the processes of liberalisation and regulatory harmonisation with its instruments. It is possible to suggest here that the developing approach of the EU to development increasingly through trade liberalisation and investments highlights its role as an agent in transmitting the neo-liberal principles and practices in the promotion of the globalisation process. This suggestion was strengthened by a recent European Commission study on globalisation which argues that the Europe Agreements provided an important impetus furthering integration in the global economy.[159] The Agreements played an important role in reinforcing cooperation and initiating convergence on regulatory policies, especially with respect to extending the single market rules to EC-Central and Eastern European relations. Accordingly, they effectively locked-in necessary political and economic reforms which were considered to enhance the credibility and transparency of the states in Central and Eastern Europe, principally in the eyes of the private investors. As such, they were instrumental in

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[156] Mayhew, *op. cit*., p. 108.

[157] CEFTA was established by the Visegrád states; Poland, Hungary and Czechoslovakia.

[158] Comprising European Free Trade Area members minus Lichtenstein and Switzerland, and the EU.

[159] Commission of the European Communities, *Responses to the Challenges of Globalisation: A Study on the International Monetary and Financial System and on Financing for Development*, Working Document of the Commission Services, Brussels, SEC(2002) 185 final, 14 February 2002, p. 86.

defeating national mercantilist protectionist forces in the region effectively preventing any protectionist measures to be taken. Therefore, the Agreements played a very important role in maintaining a liberal perspective to trade within the states of Central and Eastern Europe as they were signed "at a time where changes in the system were forcing many economic interests to search for government protection".[160] In addition, they successfully reinforced the neo-liberal policies and practises advocated by the international financial institutions. An important point to note here was the fact that the Europe Agreements subordinated the granting of all loans to the prior existence of an agreement with the IMF which highlighted the coordination within the context of the G24 assistance as well as reinforcing IMF conditionality. In addition, by "trying to apply purist rules to the associated countries which are not applied in the Union itself", not only with respect to trade but also the associated country's internal market, the Union was encouraging the states to hand over authority to the Union in various areas and acting in the interest of its business actors.[161]

Yet, the Union's advocacy of economic liberalisation at the European Union level was realised parallel to a process of maintaining a protective market. Although this may seem contrary to its claim with respect to economic liberalisation as a necessary element of development, it reflected the outcome of struggle within the Community. In this context, reservations and restrictions, in relation to not fully opening its own market, were significant reflections of mercantilist principles and practices inherent within the emerging social relations of production in the European Union.[162]

Changes in the international circumstances in the early 1990s - not only political but security concerns as well - made a clear stance on enlargement inevitable. The war in former Yugoslavia, the turmoil in the Soviet Union in 1991-2, and the consequent rise of nationalist movements in Eastern Europe in addition to a deep and prolonged downturn in Eastern Europe - despite the realisation of

[160] Mayhew, *op. cit.,* p. 43.

[161] *Ibid.,* pp. 120-1.

[162] Holman, *op. cit.*, p. 31.

trade diversion - forced the EC/EU to give a perspective of enlargement and set the basic conditions to be met for membership. The states in the region, especially the Visegrád four, also brought up demands with respect to better market access and pressurised the Community with the Copenhagen Declaration of April 1993 expressing their desire to be full members in order to be able to avoid any setbacks during the transformation processes.

In this respect, the June 1993 Copenhagen European Council was a turning point where the EC/EU opened the way for the eastern enlargement by declaring that "the associated countries in Central and Eastern Europe that so desire shall become members of the European Union" as soon as they are "able to assume the obligations of membership by satisfying the economic and political conditions required."[163] The Council put forward specific political and economic criteria whereby the associated countries had to meet for accession:

> Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union. Membership presupposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.[164]

Indeed, Copenhagen criteria were an official expression of principles, norms and practices that came to dominate the nature of the EU external policy for some time. The criteria were devised so as to guide the states in Central and Eastern Europe, to ensure security and stability in the region through sustaining the interest and expectations towards the EU integration and thus, reducing any security threats that might stem from internal security tensions and inter-ethnic disputes. In addition the criteria aimed to reassure the reluctant member states and social forces within the European Union by providing a fourth condition:

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[163] Council of the European Union, *Presidency Conclusions: Copenhagen European Council*, Brussels, 21-22 June 1993, p. 13. Available at http://www.consilium.europa.eu/ueDocs/cms_Data / docs/pressData/en/ec/72921.pdf.

[164] *Ibid.*

> The Union's capacity to absorb new members, while maintaining the momentum of the European integration, is also an important consideration in the general interest of both the Union and the candidate countries.[165]

The Copenhagen Council was important in acknowledging a shift in the EU policy towards Central and Eastern Europe. While improving market access, the EU reaffirmed that the burden of adjustment was mainly on the states of Central and Eastern Europe.[166] After the European Copenhagen Council the EU devised an innovative and extensive pre-accession strategy which aimed, first, to extend the SMP to and then to shape most policy areas in the states of Central and Eastern Europe. Several key steps in this respect embraced the totality of political and economic elements of reform that were expressed by the 'Washington consensus' approach, and the 'second generation' of political and economic conditionality where the attempt of the EU "to operationalize them simultaneously across a whole region of states…makes EU conditionality exceptional in its scope and intent".[167]

With the formulation of the pre-accession strategy for the associated countries at the Essen European Council in December 1994, the EU-Central and Eastern European relations focused on the preparation for integration, particularly completion of the preparations for integration into the single market of the Union.[168] Four instruments were to form the basis of the 'pre-accession strategy': the already established Europe Agreements and the PHARE programme, and two new elements, the 'structured relations' and the White Paper[169] on integration into the internal market. In fact, the readjustment of PHARE assistance to support

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[165] *Ibid.*

[166] Preston describes this as the classical method of enlargement. See Christopher Preston, *Enlargement and Integration in the European Union*, (London: Routledge, 1997), p. 198.

[167] James Hughes, Gwendolyn Sasse and Claire Gordon, *Europeanization and Regionalization in the EU's Enlargement to Central and Eastern Europe: The Myth of Conditionality*, (New York: Palgrave Macmillan, 2004), p. 18.

[168] Smith, *op. cit.*, pp. 122-3.

[169] Commission of the European Communities, *White Paper: Preparation of the Associated Countries of Central and Eastern Europe for Integration into the Internal Market of the Union*, COM (95) 163 final, 1995.

investment infrastructure, i.e. to co-finance Trans-European Networks in Central and Eastern Europe, was in line with the development within the EU itself. The readjustment and the demands on the approximation of legal and regulatory framework with regard to the internal market, as specified in the European Agreements, put more emphasis on economic merits of the associates rather than political ones.[170] On the other hand, the structured relationship - also called the structured dialogue - represented a move from bilateralism to multilateralism in EU-Central and Eastern Europe relations, acknowledging the inefficiency of the bilateral political dialogue. It aimed to provide a form for discussion of issues of common concern such as agriculture, transport, economics, justice and home affairs, and so forth and to involve the states of Central and Eastern Europe in various activities of the EU by holding regular multilateral meetings at heads of government and ministerial levels. Multilateral dialogue, though ineffective because of the diverse views and needs of the associates, had an important symbolic and psychological significance.[171] Dialogue was useful in the socialisation of the states of Central and Eastern Europe effectively legitimising the EU policies and interests.

The pre-accession strategy mainly centred on the White Paper that was endorsed in June 1995. It comprised the key guidelines for the associated countries to facilitate their adaptation of the internal market *acquis.* The fact that the Commission's opinions, that were to be published in 1997, were to take harmonisation as a key element of assessment on the ability of associates to take on the obligations of membership made the Paper a much more important instrument than a mere guidance for approximation, as it was presented. Thus, it was an important step in developing the EU's juridical and political framework for

[170] Andras Inotai, "The CEECs: From the Association Agreements to Full Membership?" in *The Expanding European Union – Past, Present, Future*, edited by John Redmond and Glenda G. Rosenthal, (Boulder, London: Lynne Rienner Publisher, 1998), p. 159.

[171] Marc Maresceau (ed.), *Enlarging the European Union: Relations between the EU and Central and Eastern Europe*, (London: Longman, 1997), p. 10.

regulatory harmonisation in the states of the region although it left it to the associated countries to work out a timetable for approximation.[172]

The publication of the European Commission's 'Agenda 2000' report,[173] on the future development of the EU in July 1997 formed a major step in reorienting its instruments as well as reconfiguring its involvement in policy making in the states of Central and Eastern Europe. The report included opinions on the applicants prepared by the Commission on the request of the Council. The opinions provided a review of applicant's progress in meeting the political and economic criteria and an assessment of the applicant's ability to take on the obligations of membership. Thus, they judged an applicant's suitability to start the negotiations process. On the basis of the opinions provided by the Commission, the December 1997 Luxembourg European Council issued invitations to start the negotiations process with Poland, Hungary, Czech Republic, Estonia and Slovenia, plus Cyprus on 31 March 1998. In fact it may be suggested that the invitations amounted to a differentiation on the part of the EU in this respect, excluding Slovakia for not meeting the political criteria, and Romania, Bulgaria, Latvia and Lithuania for not meeting the economic criteria. The differentiation was also representative of the fact that Poland, the Czech Republic and Hungary were more willing to adjust their political and economic structures in line with the requirements and developments within the European Union as well as the changing social relations of production at the global level.

The opinions and later the regular reports[174] formed the basis of Accession Partnerships with the candidates. The Partnerships made the EU demands explicit and reinforced the pre-accession strategy by mobilising various forms of EU assistance to help the applicant countries meet the accession requirements.[175] They changed the demand-driven nature of the PHARE programme that required

[172] See Grabbe, *op. cit.,* p. 14.

[173] Commission of the European Communities, *Agenda 2000: For a Stronger and Wider Union*, COM (97) 2000 final, Brussels, 15 July 1997.

[174] With the start of the negotiation processes for membership the Commission began to prepare regular reports annually on all the candidates' progress on the Copenhagen criteria.

[175] See also Grabbe, *op. cit*., p. 17.

meeting general conditions with respect to political and economic objectives. Two more aid instruments were introduced in 2000 to complement PHARE: the Instrument for Structural Policies for Pre-Accession (ISPA) and Special Accession Programme for Agricultural and Rural Development (SAPARD). The Partnerships reoriented the PHARE and used these new instruments to finance priorities set out by the Commission linking conditionality explicitly with Commission priorities, thus making them a strong instrument of influence on the policy making process of the states in Central and Eastern Europe. The developments were to make conditionality stricter towards the preparation for membership.

The Partnerships became the main instruments in EU-Central and Eastern European relations providing a framework that put forward the priority areas for further work identified in the Commission's opinions and regular reports, with the applicants setting up national programmes and timetables to adopt the *acquis*. Indeed, the regular reports and the accession partnerships enabled the EU to shape a wider set of policy issues, as can be observed from Box 1. and Box 2. below, in the policy making processes of the states in the region during the negotiations processes. The scope of the criteria provided in the Accession Partnerships do also suggest that the influence of the EU Commission was a lot more than it wielded in the EU-15.

Two important aspects which can be observed with respect to the content of the Accession Partnerships should be emphasised here. The summaries below clearly suggest, especially in the case of Romania, that EU approach and conditionality towards the transformation processes in the countries of Central and Eastern Europe reveals a complementary and overlapping nature with the agenda of the international financial institutions. In fact, one may conclude that the EU and the international financial institutions reinforce each others approach through cross-conditionality. This reflects the developing nature of coordination and cooperation between the European Union and the international financial institutions. In this respect, the 'Agenda 2000' which called on the international financial institutions to assist in the enlargement process has been a crucial turning point. The result was a memorandum of understanding aiming to enhance

coordination and cooperation between the European Union and the international financial institutions.[176] In fact, the contents of the Accession Partnerships and memorandum of understanding strengthen the suggestion that the EU is an important actor and agent in the globalisation processes.

The other important aspect is related to the role of transnational forces in the formation of the enlargement strategy, in particular the European Roundtable of Industrialists within the EU. As in the case of restructuring within the European Union since the early 1980s, the ERT has actively been pursuing a policy of integration. In a message published just before the Luxembourg European Council in 1997, the ERT argued that enlargement "offers a golden opportunity to raise the competitiveness and prosperity of the whole European economy provided that it is done on the basis of sound economic principles, free competition and open markets."[177] The ERT supported its views on enlargement with two important reports that specifically dealt with enlargement. The report *The East-West Win-Win Business Experience* published in 1998 argues that enlargement is beneficial for both the EU and Central and Eastern European economies.[178] The report suggests that the EU approach can make use of the obstacles encountered by Western companies investing in the states of Central and Eastern Europe in order to improve its approach towards the region. The obstacles are specified as: ineffective public administration and an inadequate regulatory framework, poor staff skills and attitudes to work, uncompetitive local suppliers and poor infrastructure, and out-dated social attitudes.

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[176] See for example the memorandum of understanding available on the World Bank web page at http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EUEINPEXTN/0,,contentMDK:20408902~menuPK:590774~pagePK:141137~piPK:141127~theSitePK:590766,00.html#MOU, (accessed in June 2006).

[177] ERT views on enlargement from "Message to all 15 EU Heads of State and Government" cited in Otto Holman, "The Enlargement of the European Union Towards Central and Eastern Europe: The Role of Supranational and Transnational Actors", in *Social Forces in the Making of New Europe: The Restructuring of European Social Relations in the Global Political Economy,* edited by Andreas Bieler and Adam David Morton, (Hampshire, UK: Palgrave, 2001), p. 174.

[178] European Roundtable of Industrialists, *The East-West Win-Win Business Experience,* (Brussels: ERT, November 1998), pp. 24-5. Available at http://www.ert.be, (accessed on 23 February 2006).

Box 3.1

Poland: Selected short-term economic and internal market priorities specified in Poland's Accession Partnerships with the European Union, 1998-2001.

1998 Accession Partnership:

- Accelerate privatisation/restructuring of state enterprises, including telecoms.
- Develop the financial sector, including banking privatisation.
- Improve bankruptcy proceedings.
- Adopt viable steel sector restructuring programme by 30 June 1998 and start implementation.
- Pursue restructuring in the coal sector.
- Pursue further alignment in the liberalisation of capital movements.

1999 Accession Partnership:

- Maintain progress achieved in ensuring macroeconomic and budgetary stability.
- Make real progress in restructuring the steel sector.
- Continue restructuring of the coal sector.
- Continue of privatisation of state-owned enterprises.
- Improve functioning of land market and accelerate development of property register.
- Improve bankruptcy procedures and streamline implementation.
- Adopt by June 2000 a programme for the elimination of outstanding tariff and non-tariff market access barriers (linked to Europe Agreement obligations).
- Adopt and implement telecommunications law; establish national regulatory authority by June 2000.
- Adopt by June 2000 a programme for the elimination of outstanding tariff and non-tariff market access barriers (linked to Europe Agreement obligations).

2001 Accession Partnership:

- Maintain macroeconomic and budgetary stability.
- Make further progress on the institutional framework for the market economy and sound economic policy management (in particular on issues relating to public expenditure management and further fiscal decentralisation).
- Continue improving the competitiveness of the Polish economy and upgrading of skills in particular in rural and eastern border regions, in particular through SME development and human resources development measures.
- Make further progress on structural reforms, including improving the functioning of labour markets and continuing the process of privatisation of State-owned firms, in particular in the energy sector and the remaining State-owned financial institutions.
- Continue restructuring of the steel sector.
- Complete restructuring of the coal sector.
- Restructure the Polish railways aiming at financial sustainability.
- Continue improving the functioning of the land market and complete development of property register.
- In need of particularly urgent action: amend the sectoral legislation restricting foreign direct investments, abolish remaining restrictions.
- Liberalise progressively short-term capital movements.

Source: Author's summary drawn from relevant years' Accession Partnerships

Box 3.2
Romania: Selected short-term economic and internal market priorities specified in Romania's Accession Partnerships with the European Union, 1998-2001.

1998 Accession Partnership:

- Privatise two banks.
- Transform *régies autonomes* into commercial companies.
- Implement the foreign investment regime.
- Restructure/privatise a number of large state owned industrial (e.g. coal and steel) and agricultural companies (notably by reducing their losses and financial arrears).
- Continue the implementation of the agreements with the international financial institutions.

1999 Accession Partnership:

- Restore macro-economic stability through the implementation of structural reform and establish a medium term strategy; agree on a joint assessment with the European Commission.
- Sustain implementation of the agreements concluded with the International Monetary Fund, the World Bank and the European Union.
- Continue restructuring of public finances.
- Take measures to ensure the functioning of a land market and establishment of a nationwide land and property register.
- Promote competitiveness through market-driven enterprise restructuring (including for small and medium-sized enterprises).
- Take measures to stimulate domestic and foreign investment, in particular through simplification of legal and administrative procedures and stabilisation of the rules governing privatisation and business operation.
- Implement new bankruptcy procedures.
- Adopt a plan for restructuring the steel sector in line with EU requirements.

2001 Accession Partnership:

- Establish macroeconomic stability through the implementation of structural reforms.
- Continue the privatisation process with a view to completing the Government's programme.
- Take measures to stimulate domestic and foreign investment.
- Simplify legal and administrative procedures.
- Implement new bankruptcy procedures.
- Stabilise and increase the transparency of the rules governing privatisation and business operation.
- Implement a plan for restructuring the steel sector in line with EC requirements Implement a restructuring plan for the national air carrier aimed at reducing financial losses.
- Develop a policy framework for rural credit and rural financial infrastructure compatible with IFI and EC financial support.
- Create an SME-friendly economic and legal environment, and in particular continue simplification of registration and licensing procedures.

Source: Author's summary drawn from relevant years' Accession Partnerships

Policy suggestions in overcoming these obstacles reflect the developing globalist advocacy within the EU and are indicative of some aspects touched upon by the Accession Partnerships, such as the need for continued macro-economic stability, the promotion of entrepreneurship and innovation and increasing the flexibility of capital, labour and product markets. Besides, their recommendations, such as benchmarking and monitoring, are overlapping with respect to ensuring policy transformation.[179] Indeed, this is not to argue that the ERT was overwhelmingly influential on the final outcomes of the EU decisions but to suggest that the material base was essentially important in advocating and legitimising the benefits and opportunities stemming from enlargement.[180] Thus, the approach implicitly emphasises the unity of widening and deepening.

3.4 Conclusions

This chapter intended to provide an analysis of the framework within which the transformation processes in Central and Eastern Europe takes place. It first started with an historical analysis trying to account for structural change at the global level. The crisis of productivity and profitability of the 1970s was specified as a turning point for the changes. In this respect, the study emphasised that failure of Keynesian attempts in the 1970s and 1980s at the national level, intending to overcome the structural problems, facilitated struggle between the competing neo-liberal and neo-mercantilist forces. The developments undermined and later disintegrated the Keynesian strategy.

Accordingly, the study suggested that changes had important consequences for the capitalist global political and socioeconomic structures leading to changes in the social organisation of production, social self-understandings and political organisations. Thus, change since the 1970s altered the social bases across many forms of social organisation as the logic of capitalist market relations created a

[179] For details on obstacles, remedies and recommendations see *ibid.,* p. 25.

[180] European Roundtable of Industrialists, *Opening up the Business Opportunities of EU Enlargement,* (Brussels: ERT, June 2001). Available at http://www.ert.be, (accessed on 23 February 2006).

crisis of authority in established institutions and modes of governance.[181] Consequently, change at the material, political and ideological levels in the capitalist global economy led to a restructuring of power relations. In this respect, the Reagan-Thatcher neo-liberal drive in the 1980s is an important instance in the restructuring of power relations at the global level. The drive created an important impetus disintegrating the compromise between capital and labour, and leading to the emergence of a transnational formation. Globalisation of production and finance was other important aspects of the changing social relations of production as signified in the increasing volumes of trade and capital flows. These were presented by the study as important indicators of globalisation of production relations. Thus, analysis of the global political economy, from a Gramscian perspective, points to an increasingly transnationalised system of production, with changing material capabilities, ideas and institutions, which is the outcome of struggle.

It was also pointed out that the globalisation drive was accompanied by changing conceptions of the role of state and international organisations. With the rise of transnational corporations as important actors in the global political economy, the role of states have largely been subordinated to the needs of emerging transnational forces by welcoming and encouraging the growth of FDI and trade as essential components of development. However, it was pointed out that the power of transnational forces is not over and above that of states. It is through and within the states that struggle for restructuring and transformation are conducted. As such, the analysis of the international context brings forward Panitch's suggestion that globalisation does not erode the power of the state but changes its nature.[182]

Another parallel process that was examined was the involvement of international financial institutions in the global political economy. It was indicated that the institutions served two purposes; first as structures within which the neo-liberal project was legitimised and secured, and second as agents that backed up

[181] Bieler and Morton, "A Critical Theory Route", p. 95.

[182] Leo Panitch, "Rethinking the Role of the State", in Globalization: Critical Reflections, edited by James H. Mittelman, (London: Lynne Rienner Publishers, 1996), pp. 83-113.

opening of markets for global finance. Their role was reconfigured in the 1980s and enriched with conditionality, especially after the debt crisis in Mexico, to promote first structural adjustment in economic policy and then thorough restructuring of state-society relations in the capitalist global economy. Thus, they became significant actors in promoting the primacy of private economic activity and disseminating the neo-liberal strategy of restructuring. Their role was further enhanced in the 1990s with the collapse of the communist party rules in Central and Eastern Europe through presenting the neo-liberal approach as the only alternative for radical system transformation. The increase in the number and content of conditionality used by the international financial institutions in the 1990s was remarkable which helped the institutions promote a thorough systemic transformation and assert the market as the self-organising principle of the society in Central and Eastern Europe.

The other aim of this chapter was to relate restructuring at the European level to the general framework of globalisation. The analysis of the European integration process since the mid-1980s with reference to the establishment of the single market and currency were useful in outlining the increasing neo-liberal tendency within the Union. In this section, the study substantiated the role of the Union as a global actor in the global political economy by providing a brief portray of how embedded it was in the global networks of production and finance. Then, it outlined major forces, neo-liberal, neo-mercantilist and social democratic forces, which were supportive of the integration process trying to assert their own world views in a wider perspective. However, what emerged was the dominance of 'embedded neo-liberalism', only through incorporation of essential elements of the other two approaches in order to consolidate the neo-liberal hegemony. Thus, rigidities and dynamics of the circumstances were considered as important elements leading to a reconfiguration of neo-liberalism with the aim to sustain the neo-liberal dominance. The developments at the EU level also reflect the changing nature of attempts at constitutionalising neo-liberalism in the light of domestic and international concerns. As such, interstate treaties such as the Maastricht treaty designed as they are, "legally enforce upon future governments general adherence

to the discipline of the capital market".[183] Therefore, interstate treaties play an essential role in the absence of ideological consensus or capacity of neo-liberal forces to bring about transnational regulation of capital markets, as in the case of EU.

The European Union approach towards Central and Eastern Europe was presented as a significant instrument that strengthened the role of the EU in the promotion of globalisation process. Competitiveness, as within the Union, formed an important part of the rhetoric towards the region which increasingly put emphasis on neo-liberal restructuring through market oriented development and gave primacy to economic liberalisation over social cohesion. However, it should be pointed out that there is a qualitative difference between transformation with respect to EU enlargement and conditionality inherent therein and integration through policies and conditionality of the international financial institutions. The EU approach interlinked trade, aid and accession through conditionality and enriched the approach through mechanism such as bench-marking and gatekeeping. In this respect, the EU approach embraced the totality of political and economic elements of reform that were advocated by the West in the early 1990s as well as the second generation of political and economic conditionality with respect to reforms. The approach thus proved crucial in disciplining, shaping and maintaining the neo-liberal policies of the governments in the region. It should also be emphasised that policies such as the Maastricht criteria with respect to the EMU had important implications for the states in Central and Eastern Europe that endeavoured to be members. Thus, the study concludes that the EU has proved to be a crucial structure and an actor that promoted the globalisation process via the enlargement process that it has been pursuing towards the region.

All these developments within the global political economy were important in highlighting the unity of transformation and integration processes. This unity, on the one hand, implies transformation or restructuring that takes place in conjunction with the integration process. On the other, deepening at the European level indicate disintegration as well as integration through restructuring of forms of

[183] *Ibid*., p. 96.

social organisation. As such, transformation and restructuring in Central and Eastern Europe were essential elements of integration with the global economy as well as Euro-Atlantic institutions. As the states try to transform their societies they have to take into consideration integration, with added dimensions of conditionality and accession requirements, in forming their transformative policy choices. Thus, integration and transformation processes form intertwined elements of a social totality.

CHAPTER 4

A COMPARATIVE ANALYSIS OF INTEGRATION AND TRANSFORMATION TENDENCIES IN POLAND AND ROMANIA

4.1 Introduction

The analysis of change and transformation at the global and regional-European levels points to thorough historical and structural change that also meant change in the parameters of action for the states in Central and Eastern Europe in their transformation processes. These changes also indicated new conceptions of development, the role of the state and a new pattern of relations between the state and society, and in particular, between state and private economic activity. As such, the neo-liberal form of development required "liberalisation of trade and finance, opening up to the world economy, the apparent removal of the state from economic decision-making and the privatization of state activities that impede capital accumulation"[1] accompanied by an intent to take economic policy making to a technocratic level. As states integrated transnational corporations drew in local networks and production chains into complex cross-national webs, making it difficult to box political relations among states and competition among economic groups into the old nation-state geopolitical framework.[2] Thus, transformation processes provided the states in Central and Eastern Europe with certain opportunities and constraints, though with a relative freedom of manoeuvre in defining their 'return to Europe' in the light of international dynamics.

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[1] Stuart Shields, "Global Restructuring and the Polish State: Transition, Transformation, or Transnationalization?", *Review of International Political Economy,* 11:1 February 2004, p. 136.

[2] William I. Robinson, "Gramsci and Globalisation: From Nation-State to Transnational Hegemony", *Critical Review of International Social and political Philosophy,* Vol. 8, No. 4, December 2005, p. 8.

The main aim of this chapter is to embed the transformation processes in Poland and Romania, until the mid to late 1990s, within the broader global historical structures and processes that were elaborated in Chapter 3 and as such provide an understanding of the role of the state. In Central and Eastern Europe states have been the main agents in internalising the neo-liberal re-structuring of state-society relations. This chapter maintains that it is through an understanding of the dialectical relationship between internal dynamics and the requirements of external integration processes that one can conceive the role states play in internalising neo-liberal forms that the transnational social forces prioritise. In particular, states in Central and Eastern Europe play a distinctive role as agents in handling conditionality of international actors and imperatives of global and regional processes as well as countering the demands and needs of various social forces within the states. The study uses the concept of the internationalisation of the state to provide an understanding of the role states play in the dialectical relationship between transformation and integration. However, following Panitch, "[t]he role of the state is not best conceived as something given by the capital relation once and for all, but neither is it best conceived in terms of a transmission belt from the global economy to the national economy".[3] The role of each state, to recall Poulantzas, is determined by the struggles among the social forces within each specific national form.

In this respect, the concern here will be to outline how the state materialises and concentrates class struggle as a structure of struggle for political power and as a structure through which neo-liberal hegemony functions by focusing on the cases of Poland and Romania. The state in Central and Eastern Europe emerged as the main arena of power struggle. As the social factions are weak and are in a process of formation, the study argues that state power becomes the main intention of different social factions and once attained provides an important institutional instrument where social factions can promote their own particular concerns and interests. However, struggle for dominance transcend the borders of the state as various national social factions are increasingly penetrated through processes of

[3] Leo Panitch, "Rethinking the Role of the State", in *Globalization: Critical Reflections*, edited by James H. Mittelman, (London: Lynne Rienner Publishers, 1996), p. 95.

socialisation and internationalisation which shapes their world views. After the collapse of the communist party rules, states have been the main agents disintegrating state socialist systems to integrate Poland and Romania in the transnationalised capitalist global political economy and thus, construct capitalist social relations. In this respect, foreign direct investment assumes an instrumental role that directly shapes state-society relations in the host states and plays a constitutive role in their social formation. This chapter, thus, intends to build on a dialectical understanding of structure and agency to locate attempts at constitutionalising disciplinary neo-liberalism in Poland and Romania with an aim to overcome the internal-external dichotomy.

This chapter is organised as follows. The first part elaborates on the historical experiences of Poland and Romania. It evaluates how the communist party dominances were achieved and subsequently lost. As such, it argues that understanding of neo-liberal restructuring as a sudden turn is misleading. The study intends to reveal tendencies with respect to transformation and integration processes that emerged as a result of different levels of integration of Polish and Romanian states prior to 1989. The second part focuses on the transformation processes. It deals with struggle at the political party level which is defined as the main arena of struggle in Central and Eastern Europe. Power and authority relations in Poland, especially the struggle around *Solidarity,* and in Romania as one of the most pervasive party rules in the region form important cases in understanding transformation by using the concept of the internationalisation of the state. In this respect, Poland and Romania provide one with the opportunity to evaluate how these processes differ and what roles the states seek for themselves in conjunction with the domestic as well as international concerns. The other point under focus here is the development of foreign direct investment in Poland and Romania as direct investments are argued to directly reproduce the dominant social relations of production in the receiving states.

4.2 Historical Background to Transformations

Arguing that communism was merely a product of Soviet imposition in Eastern Europe would be too simplistic. For, this ignores the internal developments and an interrelationship between the local circumstances and

international developments in understanding the establishment of communist party rules in the region. Indeed, the late 1940s and the early 1950s represent a period of transition similar, though in a reversed direction, to that of the 1990s, in that, it established the hegemony of an 'ideal'. Thus, 'legitimisation through utopia', an utopia promising a way out of backwardness, pledging to create "an ideal system of social, political and economic institutions guaranteeing all citizens equal rights and equal access to the benefits of a welfare state" was an important mechanism enabling the communist parties legitimise their control over their societies.[4]

In fact, developments in the region during the inter-war period wore out reformist attempts of the radical democrat, social democrat and peasant parties. The region during the inter-war period "was a hopelessly under-capitalized, over-populated bottom-rung of the European economy"[5] that faced the slump of liberalism in the 1930s and the destruction and devastation of fascism that became dominant in the region in the second half of 1930s.[6] Following the occupation and destruction of the World War II, the communist parties emerged as well-organised groups/parties in comparison to their opponents in many of the Eastern European countries. Though the membership of the parties was kept at pretty low levels, they were able to attract "a disproportionate number of able and dedicated leaders".[7]

The period between 1945 and 1948 was characterised by gradual construction of a 'democratic' nature of communism where the communist leaderships aimed to preserve the free and independent character of their countries. 'Popular Front' coalitions of the immediate post-World War II period, which

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[4] Krzysztof Jasiewicz, "Elections and Voting Behaviour" in *Developments in Central and East European Politics,* edited by Stephen White, Judy Batt, Paul G. Lewis (London: Macmillan, 1998), p. 166.

[5] Robin Okey, *Eastern Europe 1740-1985; Feudalism to Communism, Second Edition,* (Minneapolis, USA: University of Minnesota Press, 1991), p. 176

[6] For a detailed analysis of the inter-war period in Eastern Europe see *ibid*, pp. 157-180; Joseph Rothschild and Nancy M. Wingfield, *Return to Diversity*, *A Political History of East Central Europe Since World War II, Third Edition*, (New York, Oxford: Oxford University Press, 2000), pp. 1-21.

[7] Okey, *op. cit.*, p. 192.

established 'People's Democracies', were mainly dominated by the communist parties. During this interval, the main aim of the coalitions in the region was to reconstruct and rebuild the shattered economies of their countries. Indeed, the success of the new regimes in the task of post-war reconstruction was a factor which earned them some support and gave them a chance to legitimise their ideas.[8] During this endeavour, the communist parties successfully placed themselves in the anti-German orbit embracing the national patriotic rhetoric that aimed to defend the national freedom and security that was attained in the region during the inter-war period. The popular front coalitions were, in this sense, instrumental in helping to increase the popularity of the communist parties providing a platform for the communists to combine their patriotism with their programme of social reform.

In this period, economic restructuring in the region began to be shaped along centrally planned lines. Contextually, certain ideas, such as nationalisation, also became well embraced by the non-communists.[9] In this respect, the structural changes inherited from the German political and economic hegemony were important aspects that made a centralised economic management more conceivable.[10] Central planning was a process that involved redirecting the trade and diplomatic relations of the countries in Eastern Europe towards the Soviet Union. Despite, it is hard to suggest that Soviet-type totalitarian rule was the desired end for the ruling elite and the societies as a substantial proportion of the population in the region was historically anti-Russian, largely because of Russian imperial attitude that was also reflected in the partitions of Poland from 1795 to 1918. It was possible to see a diversity of approaches to communist type socio-economic development in the endeavour of the leaders to develop their national way of socialism. There seems to be genuine belief that internal autonomy and

[8] Eric Hobsbawm, *The Age of Extremes: The Short Twentieth Century, 1914-1991,* (London: Abacus, 1995), p. 396.

[9] Okey, *op. cit.*, p. 197.

[10] *Ibid.,* p. 191.

autonomy in foreign policy could be attainable without disturbing the Soviet security and foreign policy considerations.[11]

In 1948, following the changing international circumstances - mainly the developments with respect to the Marshall Plan, the establishment of the North Atlantic Treaty Organisation (NATO) and the division of Germany[12] - the leaders of Eastern Europe were forced to comply with Stalinism. In the Soviet Bloc, the coup in Czechoslovakia and the defiance of Tito's Yugoslavia led to the purges of the leaders and cadres that might have caused problems for the communist party rule and the Soviet hegemony. Besides, the aggravation of the Cold War between the East and the West forced a firm grip and attempt at systemic uniformization. It is hard to judge whether it is the Soviet policy in Eastern Europe or developments in the fields of defence and economic co-operation in the West as well as the presence of the USA in Europe that led to the aggravation of the Cold War. It may be argued that, eventually one fed the other. However, it should be indicated that Western interest in Eastern Europe after World War II remained negligible despite the invitation to negotiations on the Marshall Plan and the desire of some of the communist leaders in the region to establish relations with Western Europe. Though Poland and Czechoslovakia showed interest in the Plan for purely economic considerations they had to decline the offer under Soviet pressure.[13] Subsequently, the region was firmly accommodated in the Eastern Bloc.

The Stalinist transformation in Eastern European countries was reflected in the constitutions of 1948 or 1949 (1952 in Romania) that were more or less identical to the Soviet constitution.[14] Stalinist single party control, state ownership

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[11] Articles published in the Western press at that time by Oskar Jaszi of Hungary and Benes of Czechoslovakia provided important indications in that respect, as well as the acceptance of the Marshall Aid Plan by the Czech and Polish communists. See Okey, *op. cit.,* p. 194..

[12] The Plan was launched in June 1947 and signed in April 1948. It was officially known as the European Recovery Program. In 1948, signatories formed the Organisation for European Economic Co-operation (OEEC), later reformed as the Organisation for Economic Co-operation and Development (OECD), to adminsiter the Plan. NATO, on the other hand, was established in April 1949 whereas the Federal Republic of Germany in May 1949. Subsequently the German Democratic Republic was established in October 1949.

[13] Okey, *op. cit.,* p. 197; Norman Davies, *Europe: A History,* (London: Pimlico, 1997), p. 1064.

[14] See Okey, *op. cit.*, p. 204.

and centrally planned economy were constitutionally accepted establishing control over the political and economic processes deemed necessary for greater efficiency and for the 'just', 'ideal' socio-economic system that the communist utopia promised to deliver.

Single party control was instituted through the establishment of the *nomenklatura.* The *nomenklatura,* the list of government positions that required party appointment formed a hierarchy starting from the lowest levels of enterprise, collective farms, and local economic units to the highest levels within the politburo in the party. Party rule ensured that the economic and political management complied with the rules and instructions from the political leadership. The *nomenklatura* was formed by enlightened and dedicated bureaucratic intelligentsia who were supposed to be free from representation of any defined interest group or classes. In reality however, *nomenklatura* gradually appeared to be a defined bureaucratic class/strata. This political structure would in the course of time create one of the main obstacles in reforming, even from within, the communist party-rule.

Central planning, on the other hand, was "a co-ordination mechanism opposed to the market" enabling the management of economy under the party control, which the communists argued would increase coherence and efficiency of the economic system.[15] It proceeded with five-year plans - the enterprises were able to influence the target plans by providing the central authority with distorted information[16] - which envisaged growth and structural change. On the other hand, the Council for Mutual Economic Assistance (Comecon or CMEA) was created by Moscow in 1949 as a response to the Marshall Plan to co-ordinate trade and to integrate the economies of Eastern European communist states into the Soviet Bloc. The role of Comecon was later enhanced, in the 1960s, as a response to the establishment of the European Economic Community (EEC) in 1957. It may be

[15] Marie Lavigne, *The Economics of Transition: From Socialist Economy to Market Economy,* (London: Macmillan, 1995), p. 10.

[16] Martin Myant, *Transforming Socialist Economies: The Case of Poland and Czechoslovakia,* (Hants, England: Edward Elgar, 1993), p. 17.

suggested here that institutional developments in the Eastern Bloc run parallel, mainly as responses to the developments in the Western Bloc.

The Stalinist economic modernisation was based on investment in heavy industry to ensure growth and the collectivisation of farms. For many of the leaders in the region industrialisation was perceived as a necessary step, a way out of the backwardness of the region. There was rapid investment in basic heavy industries in the 1950s, especially in the mining, energy and metallurgy sectors. This process of rapid build up continued longer in some of the countries in the region including Poland and Romania at the expense of light industries and agriculture. Collectivisation, on the other hand, was not welcome by some countries in the region. For example, it was completely abandoned by the Polish communist party during the process of de-Stalinisation and was only partially completed in 1962 by the utterly Stalinist Romanian communist party. However, low levels of investment and neglect of agriculture as well as of industrial production geared towards consumption was a trend that continued until the 1990s.

The death of Stalin in 1953 led to a questioning of Stalinism in both the Soviet Union and the Eastern European countries. The power struggle in the Soviet Union following Stalin's death consequently led to a process of de-Stalinisation. Denouncing Stalinism, Nikita Khrushchev tried to soften the over-centralisation and over-bureaucratisation of the economy with the introduction of the 'New Course' policy which aimed to create regional economic agencies instead of the powerful industrial ministries inherited from the period of Stalin.

The de-Stalinisation process triggered reform attempts in Eastern Europe in search of "strengthening 'socialist legality' without opening the way to the 'enemies of socialism'".[17] The national communist attitudes in the region provided for some 'relaxation', domestic autonomy, and autonomy in determining domestic priorities which the heirs of Stalin had been prepared to permit.[18] However, Polish and Hungarian attempts at reform and decentralisation led to serious challenges to the system providing important examples of flexibility that the Soviet leaders

[17] Okey, *op. cit.,* p. 205.

[18] Rothschild and Wingfield, *op. cit.*, p. 160.

would tolerate. While Poland managed to avoid a consequent intervention, Hungary faced dire consequences. The Warsaw Pact intervention in Hungary brought an end to reform attempts in Eastern Europe in the political sphere; movement toward political 'liberalisation' and the desire for neutrality was crashed with the 'Soviet tank factor'[19] allowing no challenge to the single party rule and Soviet hegemony. Indeed, the threat of the 'Soviet tank factor' was crucial in the seizure of full single party rule by the communist parties in the region and in limiting the reform attempts by suppressing the rebellious population through use of force and direct occupation allowing no alternative but the communist party rule in Eastern Europe.[20]

Nevertheless, the search for reform and political legitimacy within the system continued, but remained limited or far from a promise of 'socialism with a human face'. In this sense, national communism oscillated between nationalism and brutal communist party rule or in some cases reflected a combination of both. Late 1968 saw the most important attempts in Eastern Europe with the Czechoslovak and Hungarian reform initiatives as economic policy in the 1960s did not produce the results expected. These two cases revealed the essence of acceptance of reform by the Soviet Union. The Czechoslovak attempt was repressed by the Soviet intervention because for the Soviet leaders the Czechoslovak communist party had lost its control over the state management; therefore, the reforms came to question the leading role of the communist party in the country and the Soviet communist party in the region. On the other hand, the Hungarian 'new economic management' did not face any objections, as the party rule in Hungary was not modified.

The 1980s saw the most profound attempts at reform - though without relinquishing state control - in the Eastern Bloc after Gorbachev came to power in the Soviet Union. The change in leadership and attitude in the Soviet Union as well as the changes in the international environment led to mixed responses in the countries of Central and Eastern Europe towards strengthening liberalisation or to

[19] For details see *ibid.*, pp. 153-60.

[20] Jasiewicz, *op. cit.*, pp. 166-7.

the contrary towards strengthening party control. It was the understanding and utilization of national communism in their historical trajectories that led to individual experiences and the specific starting conditions at the beginning of the 'transition to capitalism' in 1990. The two countries that are taken as case studies for this study, Poland and Romania, provide important examples in that their policy choices, in conjunction with the international developments, reflect the existence of a 'space of manoeuvre', despite the fact that they are shaped within the constraints of the Soviet Bloc. The two cases also indicate the diverse forms of national communisms in the region, despite the fact that diversity within the Bloc has been undermined and the countries in Eastern Europe has been treated as uniform since the beginning of the 1990s.

Now the study will turn to elaborate on the individual country experiences with an aim to figure out the historical sources of social forces and tendencies at play during the transformation processes as against the general background presented above.

4.2.1 Poland under the Communist Party Rule

Struggle within Poland under the communist party rule can be accounted for within four distinct historical phases. The gradual construction of the 'People's Democracy' in Poland in which the communist party was a dominant actor represents the first phase, from 1944 to 1948. The Stalinist period from 1948 to 1956 forms the second historical phase. The third phase, from 1956 to 1979, is characterised by a 'national communist' rule, reproducing political control of the party rule through reform attempts. The fourth phase, from 1980 to 1989, is characterised by the emergence of the Solidarity trade union and the challenges it put forward that led to the final collapse of the communist party rule with the changing international environment.[21] The developments within the first three

[21] Norman Davies argues for three distinct historical phases which considers the final classification in this study within the third phase. This study contends that the period beginning with the emergence of the Solidarity trade union may be considered as another distinct phase as the Solidarity ideals affected the reform attempts of the Polish United Workers' Party during the 1980s despite the fact that Solidarity was de-legalised in 1983. See Norman Davies, *God's Playground, A History of Poland, Volume II, 1795 to Present, Revised Edition,* (Oxford; Oxford University Press, 2005), p. 413.

phases will be considered in the first part on Poland, before focusing on the challenge of Solidarity to the dominance of the communist party rule.

4.2.1.1 Promises and Failures of the Communist Party Rule

The Polish Workers' Party (PPR) was a dominant group in the Polish Government of National Unity that was formed in June 1945. Yet, it was not the only organised party or group; the Polish Peasant Party (PSL), Polish Socialist Party (PPS), and the People's (Peasant) Movement (SL)[22] had significant number of members.[23] In addition, it was not possible to speak of an ideological unity within the PPR itself.[24] The communist alliance that emerged during this period between the Polish Workers' Party, the PPS, and the SL and the Democratic Movement (SD) was to last until the end of the communist party rule in Poland. The January 1947 elections were important in strengthening the position of the communist alliance vis-à-vis the PSL and enabling them to have a majority in the government. On the other hand, the election of Boleslaw Beirut, who had been head of state under the Polish Government of National Unity, as president of Poland in February 1947 reinforced the Moscow line within the communist party. By 1948, the PSL and other opposition parties/groups were gradually dissolved and their leaders were forced to leave Poland. Later in 1948 the PPR and the PPS merged to establish the Polish United Workers' Party (PZPR).[25] On the other hand, the SL and SD remained independent of the PZPR but as integral parts of the communist party rule. Thus, despite full control of the PZPR over the policy

[22] From 1949 onwards United People's (Peasant) Movement (ZSL) as a result of the merger with the PSL.

[23] Leslie et al. indicate that by 1946 PSL membership amounted to over 600,000, whereas membership of the PPR was about 235,000, the PPS around 165,000 and SL about 280,000. See R. F. Leslie et al., "Post-war Poland" in *The History of Poland since 1863,* edited by R. F. Leslie (Cambridge: Cambridge University Press, 1983), p. 290.

[24] See Davies, *God's Playground,* p. 428.

[25] Norman Davies argues that it would be wrong to consider the merger as forced upon the PPS; for him the PPS leaders were equally active in the merger. See Davies, *God's Playground,* p. 427.

making, a single party rule, and complete control over the society was never fully attained in Poland.[26]

Industry was mostly nationalised with the Nationalisation Law of 1946 but private economic activity in trade, services, farming and handicrafts played a significant role between 1944 and 1948. The Three Year Plan of 1947-9 that was very much influenced by the pro-communist PPS seemed to be successful; especially in terms of reconstructing infrastructure and expanding basic industries. After the 1947 elections, the communists took control of the economic management by abolishing the Central Planning Office in February 1948, a process that has been called 'the birth of Polish Stalinism'.

An important feature of this period was the Soviet and Soviet trained personnel control over the security forces, which continued until the start of the de-Stalinisation process in 1956. As the Great Powers failed to reach an agreement on the Polish western frontiers at the Potsdam Conference in July 1945, Poland had to rely more on the Soviet Union for its survival. As the international environment worsened, with the Arab-Israeli conflict, the German crisis and the Berlin Blockade, Poland was forced to adopt Stalinism by the end of 1940s as with other countries in the region.

Realisation of the Stalinist control under the leadership of Beirut was a gradual process under Soviet patronage.[27] The advocates of the 'Polish road to socialism' were pacified parallel to the Stalinist purges in the region but were never put on trial or handed over to the Soviets.

The Six Year Plan for 1950-5 formed the basis of the Stalinist transformation by setting specific targets for industry, agriculture, education, culture, housing, consumption and so forth. Investment priorities of the Plan were determined by political considerations and emergencies. In the economic sphere, investment in heavy industry especially in iron, steel and industrial machinery

[26] For a detailed analysis of the political developments between 1944-8 see Leslie et al., "Post-war Poland", pp. 280-98; Davies, *God's Playground,* pp. 413-31.

[27] For a detailed analysis of the Stalinist period in Poland see R. F. Leslie et al., "The Rise and Ebb of Stalinism" in *The History of Poland since 1863,* edited by R. F. Leslie, (Cambridge: Cambridge University Press, 1983), pp. 299-343; and Davies, *God's Playground,* pp. 433-40.

sectors, creation of a defence industry after 1951 and collectivisation in agriculture were given priority.

The Roman Catholic Church in Poland, as a major source of alternative authoritative values, a social force and an institution with a vast popular support and contact with various segments of the society, was an important threat to the communist party rule. Historically, the Catholic Church has been an important part of Polish national identity. It was a political force that symbolised and defended Polish national identity against Protestant Prussia, later Germany, and Orthodox Russia during the years of Partition between 1795 and 1918. Furthermore, it supported the Polish underground movement under German occupation during the World War II, and lost many of its clergy in this endeavour. Popular opposition to Soviet domination and communism combined with support for the Church, as the Catholic Church was the supreme moral authority in the country. The PZPR sought to accommodate the Church by giving it an autonomous status with an agreement in 1950 and tried to keep it out of politics. Before the agreement, Church land was nationalised, Church role in schools, hospitals, prisons were severely curtailed, and Church social organisations and publications were restricted and confined to religious matters only. The secret agreement in April 1950 formed the basis of a concordat between the state and the church where the Church acknowledged the supreme authority of the state in secular matters in exchange for a guarantee of autonomy in the religious sphere. Though the Church and its personnel were systematically harassed during the Stalinist period, the PZPR failed to undermine the traditional loyalty to it.[28]

A similar ideological offensive was carried out in the cultural and scientific realms as well. The Party assumed control over the Writers' Union and imposed socialist realism in literary and artistic work and expressions. Education in universities and schools was reorganised, textbooks were replaced, courses and publications were directed to the service of the Stalinist development practice. On the other hand, although the intellectuals were not allowed freedom of expression, they were not completely eliminated. Media and other organisations such as the

[28] Leslie et al., "The Rise and Ebb of Stalinism", pp. 327-30.

trade unions, professional bodies and so forth were involved in a process of reassessment of recent Polish history and traditions and were used as intermediate organisations of party propaganda to influence the society.

The Stalinist period in Poland was brutal yet it never matched the level of ruthlessness of other countries in the region. Soon after Stalin's death in 1953, the New Course policy led to relaxation in Poland as in other countries of the region. The PZPR slowed down the collectivisation process and completely abandoned it with the process of de-Stalinisation. This left most of the land and agriculture in the hands of private owners, which lasted until the collapse of the system; an exceptional case under communism. On the other hand, relaxation in the cultural sphere allowed for nonconformity of the intellectuals with the Party line; something that has not been possible to be reversed again.

Khrushchev's speech at the Twentieth Congress of the Communist Party of the Soviet Union in February 1956 and the death of Beirut in March resurfaced and the Poznan events of June added to the power struggle within the PZPR that has been building up since 1954. The Poznan workers' revolt - against food shortages and poor economic conditions - was put down brutally by the communist party. The revolt was instrumental in showing that the communist party lost its contact with the masses. Indeed, the over-centralised and over-bureaucratised political and economic system was conceived to be the main source of the difficulties encountered.

The communist party rule failed to establish a balance between growth and welfare. It was unable to improve services, housing, working conditions and so forth that would parallel the migration into towns. Moreover, it was unable to raise labour productivity and shift resources into new technology industries and services. In addition, under-resourcing of agriculture led to food shortages periodically. It was the inability of the PZPR to introduce reforms during the process of de-Stalinisation and in the later years that led to criticisms of the communist structure and its economic management, consequently challenging the communist party policies from time to time.

The election of Wladyslaw Gomulka following the events of the October Plenum of the PZPR was seen as a possible move towards power-sharing and delegation of authority from the Party and the state to the lower levels.[29] Gomulka was considered to be a more independent minded leader to head the PZPR.[30] He promised a more 'Polish' form of communism in line with his struggle for the 'Polish road to socialism' after the World War II- a tendency that was also analogous to the nationalist reinterpretation of socialism in the region. Furthermore, he introduced a small measure of decentralisation in the economy, abandoned the collectivisation of agriculture, eased pressure on the Roman Catholic Church and forced the Soviet general Rokossowski - Poland's Defence Minister - and his team to resign and return to the Soviet Union. These developments raised the hopes that Poland would achieve a certain level of autonomy and its survival as a sovereign state despite the fact that it had to remain within the Soviet Bloc.

The changes in the leadership restored party control as well as provide the party with the legitimacy that it required from the Polish populace. However, Gomulka was a conservative pragmatic leader who resorted to a tough line. Contrary to the aspirations of the society at large, Gomulka was against revisionism. As Okey states his "course was influenced by the special circumstances that, more than any other East European communist leader, he genuinely believed that Polish national interests required strong ties with Russian against German *revanchisme*".[31] He was able to hold anti-revisionist stance aided by the anti-revisionist stances of the Soviet and Chinese leadership. Moreover, he followed a policy in line with the Soviet foreign and security policy, as he believed his country's sovereignty could only be maintained through integration with the Soviet foreign and security policy. Poland was not part of the Soviet invasion of

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[29] See R. F. Leslie et al., "The October turning point" in *The History of Poland since 1863,* edited by R. F. Leslie, (Cambridge: Cambridge University Press, 1983), pp. 354-66.

[30] For an analysis of the early years of Gomulka rule see R. F. Leslie et al., "The little stabilization" in *The History of Poland since 1863,* edited by R. F. Leslie, (Cambridge: Cambridge University Press, 1983), pp. 367-83.

[31] Okey, *op. cit.,* p. 208.

Hungary, yet she did not condemn the invasion; was actively involved in the international disarmament initiatives and later in the drive for the détente; supported the Soviet stance in the Arab-Israeli conflict; and was part of the invasion of Czechoslovakia in 1968.

The Gomulka regime was not able to address the political and economic problems of the system - or to share its power - that led to a gradual loss of power from mid-1960s onwards. After the political crisis of the mid-1950s was overcome,[32] Gomulka continued the policy of rapid industrialisation in an aim to promote socialist development. While following a traditional line, Gomulka was expecting the Polish development to benefit from rapid expansion of foreign trade with the West and further specialisation within the Soviet Bloc that was being debated at the time. Although, the party rule paid special attention to agriculture, yet an unbalanced approach[33], it failed to take into consideration aspects of housing, services and so forth which in the later years influenced the standard of living. Hence, Gomulka's perspective of development manifested the continuation of a cyclical tendency between economic growth and stagnation and thereof political relaxation and repression leading to crisis.

The Gomulka regime took on a more repressive tone from mid-1960s onwards with the deteriorating political and economic conditions. An important confrontation in this period was with the Church in 1966 with respect to the celebrations of the millennium of Christianity in Poland and invitation of the West German bishops to the celebrations. Intellectuals' criticisms of the Polish model of socialism and the students' revolt of March 1968 that was suppressed by force further discredited Gomulka and intensified purges and harassment of clergy and intellectuals besides increasing censorship.[34] However, besides the repression, the

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[32] Leslie et al. indicate that a US loan agreed in 1957 was vital in stabilising the economy in 1958. They also point out that Poland received economic aid that totalled US$ 529 million from the US between 1957 and 1963. See Leslie et al., "The little stabilization", p. 377.

[33] Although there was development in quality and machinery in agriculture, private farmers received investment support that was well below their contribution to agricultural production. This was an important reason for the fall in production in the second half of 1960s. See R. F. Leslie et al., "The Decline of Gomulka" in *The History of Poland since 1863,* edited by R. F. Leslie, (Cambridge: Cambridge University Press, 1983), pp. 398-9.

[34] For further details see R. F. Leslie et al., "The Decline of Gomulka", pp. 385-92.

subsequent Warsaw Pact invasion of Czechoslovakia in August 1968 weakened the opposition to Gomulka.

The discontent with the system and the Gomulka rule led to a political turmoil in 1970. In December 1970, the attempt to reduce the burden of food subsidies over the budget to overcome the economic stagnation triggered another wave of demonstrations. The price increases for food, fuel and other basic goods, and cancellation of the Christmas bonus that had been announced on 12 December 1970 led to huge demonstrations by shipyard workers - who were considered as the elite of the working class - in Gdansk, Szczecin and Elblag. In Gdansk, the Lenin shipyard workers first demanded that the price increases be rescinded and then the resignation of Gomulka and other leaders. The strikes once again were brutally repressed by the government. After the bloody events, Gomulka was replaced by Edward Gierek who restored and froze "the pre-December price levels for two years, the measure being funded by a Soviet loan"[35] and courted the intelligentsia by granting more freedom.

The shipyard strikes of December 1970 were significant as some key ideas and some of the leaders of the Solidarity movement in 1980 were already in place in December 1970. Unlike at the brief Poznan demonstrations of June 1956, the workers involved in the 1970 strikes proceeded to organise and draw up lists of demands, including the establishment of free trade unions. Besides, Lech Walesa was one of the young strike leaders in the Lenin Shipyard in Gdansk. Although the nucleus of the Solidarity movement appeared in 1970 Solidarity would not come out as a significant and organised movement because of the period of *détente* between the USA and the USSR provided an opportunity to the PZPR leadership in overcoming the strikes.[36]

In the early 1970s, Gierek, after consolidating his position in the party, followed a policy of rapprochement with the Catholic Church and the intelligentsia to restore the legitimacy of the party rule. Subsequently, Gierek chose to rely on a

[35]Roger East and Jolyon Pontin, *Revolution and Change in Central and Eastern Europe, Revised Edition,* (Printer: London, 1997), p. 13.

[36] Fore details on the period of détente see Davies, *Europe: A History,* pp. 1115-6.

technocratic form of rule and on a policy of modernisation sponsored by credits and loans from the West that based the legitimacy of the party rule on economic success.[37] The desire to expand economic cooperation and foreign trade with the West was a tendency that gained ground from the 1960s onwards as Leslie et al. point out: "The need to make dynamic foreign trade an integral part of economic development had been clearly recognized by Gomulka, but only after the change of leadership did it become an essential feature of Polish economic policy".[38] The increases in trade volume led to a situation where Polish foreign trade with Western capitalist states amounted to almost half of its total creating increasing balance of payments deficits in the 1970s.[39]

The Gierek regime benefited from the developing East-West relations in the period between 1970 and 1975 at the high point of the *détente* not only for means of economic policy but also political. Poland was one of the strong supporters of the détente policy. Thus, the PZPR sought to use this opportunity to try to establish good relations with the Vatican as well, which could have provided the political ground to strengthen the party role in the eyes of the Polish society.

The opening to and economic cooperation with the West was accompanied by an ideological offensive of the PZPR which intended to reassure the ideological and political unity with the Soviet Union.[40] The wording used, in this respect, by the party to emphasise the political role of the PZPR within the society and the relationship with the Soviet Union in its rhetoric and in the constitutional revision that was finalised in 1977 led to confrontation with the intelligentsia and the Church forcing the party to tone down. Moreover, increasing economic cooperation and expansion of foreign trade with the West did not point to a diminishing relationship with the Soviet Bloc. Rather, there was an increase in

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[37] George Schöpflin, *Politics in Eastern Europe,* (Blackwell: Oxford, 1993), pp. 182-3.

[38] R. F. Leslie et al., "Poland under Gierek" in *The History of Poland since 1863,* edited by R. F. Leslie, (Cambridge: Cambridge University Press, 1983), p. 415.

[39] *Ibid.,* p. 420.

[40] *Ibid.,* p. 416.

relations with both camps and an endeavour to make the best out of technological support from both the West and the Soviet Union.[41]

In the 1970s, Poland borrowed massively from the West which was also used in the financing of franchising and licensing agreements especially in the machine and chemical industry, and upgrading of technology.[42] This opening-up marked Poland's engagement within the foreign direct investment wave of the 1970s. In this respect, the agreement with Fiat-Italy in October 1971 to produce one of its models in Poland and comprehensive cooperation in spare-parts production was an important example. Another example was licensing received by ZPT Krakow, the largest cigarettes producer in Poland, in 1973, to produce Marlboro cigarettes. This was accompanied by a series of regulatory changes as well. The most remarkable development was the change that came in 1976 which permitted investors of Polish descent to invest in small businesses.[43] This was important in pointing out the possibilities of the time as well.

Increasing trade with the West, the financial support received, the investment boom of the early 1970s and the "relaxation of controls over agriculture led to a marked improvement in the standard of living until 1978".[44] There was a substantial improvement in wages and the availability of food and imported goods. However, the oil shock of 1973, and the subsequent economic recession in the West created a serious setback for the PZPR approach. The crisis led to a decline in Polish exports thus, to a decline in hard currency gains from exports that was necessary to pay back the loans obtained, and to restraint in consumption. The end result was shortages. Besides, the expectations of specialisation among the countries of the Soviet Bloc did not materialise. In the Gierek period, credits and loans borrowed from the West were an important cause

[41] *Ibid.*, pp. 429-32.

[42] *Ibid.*, pp. 414-5.

[43] Shields, *op. cit.*, p. 144.

[44] Adam Przeworski, "Economic Reforms, Public Opinion, and Political Institutions: Poland in the Eastern European Perspective," in *Economic Reforms in New Democracies*, edited by Luiz Carlos Bresser Pereira, Jose Maria Maravall, Adam Przeworski, (Cambridge University Press: Cambridge, 1993), p. 134; see also Leslie et al., "Poland under Gierek", pp. 414-7.

of relaxation and improvement in the living standards as well as an important source of difficulties faced afterwards.

The failure of the Gierek regime to reform led the Polish communism to the same impasse that was encountered by the Gomulka regime in 1970. In June 1976, the regime's attempt to raise the prices by about 60 per cent in order to overcome the budget drain caused by large subsidies for basic products precipitated another round of protests and demonstrations by the workers. The protests were, again, brutally put down. However, the price increases were repealed, indicating a serious lack of authority on the part of the PZPR and lack of support for it in the eyes of the Polish society. The most important consequence of the 1976 strikes, and the subsequent crackdown by the government was that they brought the workers and the intelligentsia together, paving the way for a united - but by no means coherent - opposition to the communist party rule, with the support of the Catholic Church as well.

The failure of the party to address the political and economic problems led to a political crisis and subsequently to the birth of the Solidarity trade union in 1980. Before looking into the establishment of Solidarity, the roles of the Church and the intelligentsia - as the main factions of the society that were very important in preparing the ground for the birth of the Solidarity in August 1980 with their overlapping interests with the workers - need to be examined.

The intelligentsia who refused to enter the party, and even some who left it, and most of the population from the peasant farmers to the workers had been loyal to and supported the Church. The peasant loyalty was strengthened by church support for private farms in the 1950s. Besides, most of the workers came from peasant families in the early years of communism. The communist modernisation project led to the creation of a worker class who still had cultural and material links with the countryside. Although that changed in time, Polish workers still remained loyal to the Church since it was an important symbol of passive and active resistance as has been noted above.

The Church supported the intellectuals' demands for freedom of conscience in the 1960s, and adopted a strong stance after the brutal repression of the workers' strikes in December 1970, calling for 'true democracy' and speaking in defence of workers' rights. In 1976, Cardinal Wyszynski supported the intelligentsia who

criticised the draft of the new Polish Constitution by emphasising the sovereignty of the Polish nation and state. This was an implicit anti-Soviet stand. Following the 1976 strikes he demanded respect for indispensable civil rights of the Poles and proposed the establishment of free trade unions. The establishment of free trade unions was an overlapping political interest between the Church, workers and intelligentsia which would mean a direct challenge to the single party rule.

In October 1978, Cardinal Karol Wojtyla, the former archbishop of Krakow, was elected Pope taking the name John Paul II. This was an important development that was to have long-term consequences for Poland, as he was the first Polish Pope to date, and the first non-Italian Pope elected for centuries. The Polish Church, then, could receive international support and a strong power base in Poland. The Pope's first visit to Poland in 1979 had a tremendous impact on the country where he was welcomed by millions of Poles. Using nationalist overtones, he spoke openly about people's right 'to have God in their lives' and the 'right of freedom', which helped to create the conditions in which Solidarity could emerge a year later. A reciprocal relation between the Solidarity movement and the Church was materialised as well as internationalised.

The Church was in regular contact with all parts of the society; therefore, it could easily spread information about the events. Besides, it played an important role in education, thereby penetrating into society, in a sense creating pluralism in education, which helped the clergy and Catholic intelligentsia spread their ideas and ideology. This was a real challenge to the Leninist party model, which gave a leading role to the communist party.

On the other hand, intellectuals, also encouraged by the international developments, established various movements to support the workers. Committee for the Defence of Workers (KOR) was the first such organised group of intellectuals that reached out directly to the workers. KOR was formed after the 1976 strikes to provide legal and material assistance to the families of the workers imprisoned or unemployed because of the 1976 events. Its members mainly based their actions on the 1975 Helsinki Final Act in which all the European countries, including the Soviet Bloc, had guaranteed to protect a wide range of civil rights and freedoms. The Movement for the Defence of Human and Civil Rights (ROPCiO), a Polish chapter of Amnesty International and the nationalist

Confederation for an Independent Poland (KPN) were other organisations formed during this period. These organisations all had their publications, which frequently reported cases of political arrests and the regime's violations of the country's Constitution or international covenants on human rights such as the Helsinki accords.

The Polish government rarely went beyond harassing the opposition. The government could not simply abolish dissident organisations because the economic situation was bad and the Church was openly supporting dissident activities. Doing so would result in anti-government demonstrations which, as a consequence, would endanger US aid to Poland, especially since one of US President Jimmy Carter's key policies was support for human rights.

In the late 1970s, intellectuals and workers grew in confidence with the Papal visit and began to organise themselves, at first separately and later in contact and co-ordination with each other. In 1978, a small group of workers in the shipyards illegally formed a Committee of Free Trade Unions for the Baltic Coast with the support and financial assistance of the KOR. One of its founding members was the future leader of Solidarity, the shipyard electrician, Lech Walesa.

All of this contributed to the development of opposition in Poland, independent of the formal structures of power and the gradual weakening of the legitimacy and hegemony of the communist party.

4.2.1.2 The Emergence of the Solidarity Movement and the State

The escalation of a new Cold War, starting from the late-1970s, the increase in energy prices within the CMEA in 1975, combined with the failure of the Polish bureaucracy to respond to the recession in the West and to adapt to the changes in the world economy, led Poland to the crisis of 1979. The attempted modernisation brought some of the constraining factors to the fore. The continued mismanagement and lack of reform in Poland's economy contributed to massive inefficiency and waste of resources. The loans were not efficiently managed to benefit any modernisation in the industrial structure. Investments were centrally allocated reflecting mainly the interests of the bureaucracy and with an obvious bias towards Stalinist heavy industry; some industries were developed that

required foreign technology but lacked the necessary market that was needed to support them and several gigantic investments - such as the Ursus tractor factory[45] - were initiated.[46] Poland faced chronic budget deficit and shortages, economic stagnation and a declining national income where loans were spent as subsidies to maintain living standards. By 1980, Poland had accumulated a huge foreign debt of US$ 25 billion that was about 40 per cent of her GDP.[47] Kolodko indicates that major share of Polish foreign debt was owed to Western governments and Poland struggled with the payments in early and late 1980s.[48]

Gierek's attempt to raise retail food prices once more in the summer of 1980 produced another series of strikes, which set the stage for the establishment of Solidarity. The strikes, once again, centred on the Lenin Shipyards in Gdansk. By mid-August 1980, 16000 workers were on strike led by Lech Walesa, first as the leader of that strike committee and then the leader of the Interfactory Strike Committee (MKS) which represented and co-ordinated the strike activity at over two hundred enterprises.[49] Inevitably, the events led to a dramatic confrontation between the government and the strikers at the Lenin Shipyards in Gdansk as the state initially refused to give in. After two weeks of tense negotiations, the government, much to the surprise of everyone, agreed to all the workers' demands.

The Gdansk accord, which consisted of 21 points, was signed on 31 August 1980 by Walesa and the deputy premier Mieczyslaw Jagielski. Many of the 21 points dealt with traditional, economic job related gains such as wages, working conditions, health insurance and so forth, but the core of the demands included

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[45] Ursus was designed to produce 100.000 tractors each year. However, in the early 1990s the factory only produced 14.000 units a year because of the low demand. See Mitchell Orenstein, "Who is Right? Who is Left?", *Transition*, 11 August 1995, p. 29.

[46] Przeworski, *op. cit.*, p. 134.

[47] Poland's gross foreign debt by the end of 1971 was US$ 1.3 billion. The burden of debt grew much faster in the second half of the 1970s; in 1975 it was US$ 8.4 billion, in 1977 US$ 15.4 billion and in 1979 US$ 21.9 billion. See Table 1 in Grzegorz W. Kolodko, *From Shock to Therapy: The Political Economy of Postsocialist Transformation*, (Oxford: Oxford University Press, 2000), p. 15.

[48] *Ibid.*, p. 26.

[49] David S. Mason, "Poland," in *Developments in East European Politics*, edited by Stephen White, Judy Batt and Paul G. Lewis, (Macmillan: London, 1993), p. 39.

basic political issues. The first and the most important point of the Gdansk Agreement was the right to form free trade unions. Other important political issues included the right to strike, freedom of expression, the demand for the legal definition of censorship, the demand that the government free all the political prisoners and the demand for the free access to media for both the Church and the free trade unions. As a result, Solidarity, the first organised and recognised trade union in the communist world and a tangible political force in society, was established. From then on Solidarity became a recognised, legal political actor, which had a strong power base in working class.

The important role played by the intelligentsia, especially by the KOR members, during the events of 1980 was remarkable. Besides being advisors to Solidarity in its negotiations with the government, the intelligentsia shaped the workers' consciousness for the 1980 strikes - although they did not organise the strikes - mainly through the KOR publication, Robotnik (The Worker). They also effectively distributed information about the strikes not only throughout Poland but outside Poland as well. This suggests that the struggle of the opposition against the Polish communist party rule received extensive support from outside world.

The Gdansk agreement challenged the leading role of the PZPR; this meant an enormous defeat for the party. The party leaders had to accept the demands and played for time as they feared of a massive uprising. An equally important factor was the Soviet attitude. Ramet suggests that leaders of the PZPR had met the Soviet leadership to discuss a draft plan for the imposition of martial law as early as 24 August 1980, before Solidarity's registration as a legal entity in mid-November.[50] The Soviets did not want a civil war in Poland and yet did not want to take the risk of an armed intervention either. It seems the Soviets were concerned that an armed intervention could have led to further turmoil in Poland with a possibility of spillover to other Eastern European countries. The continuing power struggle within the Soviet politburo after the death of Brezhnev was another factor leading to uncertainty about the Soviet stance. As a result, the PZPR leaders

[50] Sabrina Ramet, *Social Currents in Eastern Europe*, (Duke University Press: Durham and London, 1991), p. 66.

opted for postponing confrontation with the Solidarity. The net result was Gierek's resignation.

During the sixteen months of its legal existence the Solidarity trade union reached out to some ten million workers out of a total workforce of sixteen million, including rural workers. With such support, Solidarity became more and more powerful, resulting in a dichotomy between rulers and ruled, as if the confrontation between state and society was one between good and evil.[51] The party grew weaker and more indecisive while some party members demanded that the PZPR undergo 'democratisation'. Many resigned from the communist party, generally ordinary workers and foremen, of whom about one million joined Solidarity.

Enjoying huge support, Solidarity acted less and less like a trade union and more and more as if it was a great national front preparing to assume power, perhaps first in local workers' councils and then eventually in the parliament. However, the Solidarity leadership was insistent that 'society' itself would not participate in power and that those who did exercise power - the PZPR - would be under tight control.[52] The contradiction between Solidarity's trade union organisation and its national goals, as well as the relatively moderate policies that its leader Lech Walesa pursued in order to lessen the chance of Soviet invasion, led Poles to call the movement a 'self-limiting revolution'. Solidarity failed to propose a representative democratic platform, let alone to participate in any democratic platform. Rather, it relied on the weaknesses and deficiencies of the PZPR.

The weakening of the PZPR and the perceived threat to the single party hegemony led the Soviet leadership to constantly pressurise the Polish leaders to crush Solidarity. The Soviets used their military build-up on the Polish borders as an instrument to pressurise the Polish leadership and carried out several threatening manoeuvres along the Polish borders in 1980 and 1981 with other

[51] Schöpflin, *op. cit.*, p. 184.

[52] *Ibid*.

Warsaw Pact countries. This suggests that the PZPR lost its control over the society, except the army.

The list of its national goals adopted at the Solidarity Congress in October 1981 took the challenge further, confirming the concerns of the PZPR and Soviets.[53] The programme, most importantly, called for a 'self-governing republic'; pluralism of views and social, political, and cultural pluralism to be the foundation of democracy in the self-governing republic. Other goals included the realisation of basic Polish values such as Christian ethics and toleration, social justice, civil liberties and Polish patriotism. The program also proposed various economic reforms including independence for socialised enterprises, worker self-management for the success of economic changes and various forms of ownership. For Solidarity, class concerns became secondary to national, patriotic demands. Yet, the demands remained within the search for a just socialist administration and drew their legacy from the Social democratic party of the inter-war years. The arguments that were put forward in the East European journals in late 1970s, as Okey states, "only showed how [the Polish society] had imbibed the fundamental values of socialist society".[54] Society's dissatisfaction with the shortcomings of the 'Polish socialism' - bureaucratic attitudes, inequities - implied this acceptance.[55]

The Solidarity Congress was condemned by the Kremlin as an 'anti-socialist' and 'anti-Soviet' orgy.[56] The PZPR, on the other hand, interpreted the creation of a self-governing republic as destructive to its leading role. In the meanwhile, General Wojciech Jaruzelski assumed leadership of the Polish communist party in October 1981.

The Solidarity-Church-government talks held in November 1981 had ended in a stalemate. The party attempted to regain its hegemony by proposing to create a 'national front' in which the communists would be the leading force. Solidarity

[53] For an analysis of Solidarity's First National Congress and full details of 'Solidarity's Programme for the Nation's Revival' see Peter Raina, *Poland 1981: Towards Social Renewal*, (London: George Allen & Unwin, 1985), pp. 319-90.

[54] Okey, *op. cit.,* p. 226.

[55] *Ibid.*

[56] Mason, *op. cit.*, p. 39.

and the Church demanded the establishment of a real partnership, which Jaruzelski refused to consider. As everything was seen in moral terms, with everything done by the Solidarity as positive and the actions of the party rule as negative, any chances for a possible compromise was reduced. As the Solidarity delegates prepared for protests all over Poland on 17 December[57] in support of their demands - also intending to call for a referendum on the Jaruzelski government - Jaruzelski imposed martial law on 13 December legitimising it with the possible threat of Soviet intervention under the Brezhnev doctrine. Consequently, the Solidarity leadership was arrested and the union was banned. Jaruzelski began a process of retrenchment he called 'normalisation'.

The fact that there was no repercussion of the Solidarity crisis in the Eastern Bloc reflected the failure of Polish national communism. The crisis was not considered as a crisis of the political system of the region.[58] The widespread social outburst echoed the strong national and traditional setup of the Polish society as well as the failed hopes that was encouraged by the promises of the Gomulka and the Gierek regimes in their early years in power.[59]

For the Polish intellectuals, the most important legacy of the Solidarity period was the indication of the impossibility of establishing 'socialism with a human face'. The necessity to crush the opposition, rather than to contain it, demonstrated with utmost clarity the bankruptcy of the communist party rule in Poland. The whole debate turned out to be on the question of national issues, rather than class struggle as if the PZPR represented the Soviet Union and the Solidarity represented the national demands.

The arrest of Solidarity activists, martial law and the abolition of Solidarity with the trade union law of 8 October 1982 were not entirely effective. Solidarity continued its activities as an underground organisation. It continued to organise strikes and demonstrations, yet it was not as effective as it used to be. Most Poles turned apolitical and apathetic as an important consequence of martial law,

[57] The anniversary of the December 1970 workers rising in Gdansk.

[58] R. Okey, *op. cit.*, p. 237.

[59] *Ibid.*, p. 235.

reluctant either to support the martial law regime of General Jaruzelski or the underground opposition of Solidarity.

The Jaruzelski regime was aware of the deep socio-economic crisis and the necessity to introduce reforms. Government's political strategy to legitimise its existence was again based on an appeal to economic modernisation. The Jaruzelski regime introduced a reform program on 1 January 1982 that was consistent with and committed to the ideas developed during the short Solidarity period. Economic policy aimed to stabilise the economy and to reduce foreign debt. To stabilise the economy, the Jaruzelski regime reduced real wages and per capita consumption by 15 to 20 per cent.[60] Furthermore, the central planning system was eliminated and replaced by government purchases, enterprises were given more freedom, and limited price liberalisation was introduced.

Martial law was effective in pacifying the society but by no means was able to end political opposition. In April 1982, underground Solidarity leaders established the "Temporary Co-ordinating Commission" (TKK) and spread their ideas through underground newsletters and publications. Besides, Walesa - after being released in November 1982 - was awarded the Nobel Peace Prize in December 1983 which symbolised world recognition both for Walesa as the leader of Solidarity and for the Polish people, for their peaceful struggle for freedom and human rights. Although martial law was formally lifted in July 1983 the restrictions associated with it had been past into law. The Pope's second visit in June 1983, considering he spoke both with General Jaruzelski and with Lech Walesa, must have contributed to the end of the martial law. The lifting of martial law, combined with the amnesty in July 1984, aimed to restore good relations with the West for economic reasons and to keep underground Solidarity activists and intellectuals under surveillance.

By 1984, it was clear to both the government and the opposition that Jaruselzki's program of normalisation had failed to achieve its objectives. Economic reforms failed to bring any significant changes as they were

[60] Przeworski, *op. cit.*, p. 136.

"implemented inconsistently, half-heartedly and often at a superficial level only".[61] By far the most far-reaching attempt by the communist party rule, the reform attempt intended "to change the economic and financial mechanisms extensively, but to alter state ownership and property rights only slightly".[62] Despite all the efforts, resource allocation remained highly centralised. Although some private firms were legalised, central allocation of raw materials and foreign exchange, and the discretionary powers of the government through imposition of taxes and subsidies, prevented any form of competition. Besides, autonomy given to the enterprises combined with the central allocation of resources resulted in a change from command to negotiated economy. Foreign trade continued to be centrally regulated. Trade with the West grew slower and an increase in foreign debt was recorded. The economic sanctions imposed by the West after the martial law was implemented only added to the economic difficulties faced by Poland.

Meanwhile, the Church influence and strong support for Solidarity continued throughout the 1980s. The Church played an important role as it spread a very different system of values to that of the state, with its independent network of institutions. It openly supported the ideals of Solidarity and held regular 'Solidarity' masses. Furthermore, the Pope's visit to Poland in June 1987 had a serious impact once again, when he stressed the need for the government's recognition of the 1980 agreements between the government and the workers, as well as those reached with the private farmers in 1981.

The changing international system and Gorbachev's policies of *perestroika* (restructuring of economy) and *glasnost* (political liberalisation) allowed the Jaruzelski regime to announce another effort of extensive reforms in October 1987 to stabilise the economy and increase efficiency. To this end, government made unofficial promises that the *nomenklatura* system would be dismantled in much of the economy and that technical ability would become the dominant criterion for appointment.[63] Realising that the measures would be painful, the government

[61] Martin Myant, *op. cit.*, p. 60.

[62] Kolodko, *op. cit.*, p. 15.

[63] Schöpflin, *op. cit.*, p. 213.

sought widespread public support to gain legitimacy. This was an important step as it indicated recognition of the fact that "failure to restore equilibrium stemmed at least in the past from the failure of the authorities to win popular trust".[64] With this aim, in November 1987, a referendum on economic reform and unspecified form of political democratisation was held; however, the government failed to win the support of the majority. People were disillusioned with the government and its policies and with socialism.

Nevertheless, the government proceeded with price increases in an aim to achieve equilibrium. Other reforms were introduced as well, which pointed to some kind of mixed economy under a communist government for the first time.[65] Ownership relations were questioned and steps toward the acceptance of the legal status of the state-owned, co-operative and private property were taken. Commercial bank system and enterprise autonomy were established. The internationalisation of productive system in Poland continued and further steps to encourage foreign direct investments were taken. Shields point out that Legal restrictions were further relaxed to allow for non-Polish and transnational corporations' ownership supported also by certain tax and currency incentives.[66] Thus, already in the late-1970s, Poland began to embrace the ideological belief that attracting foreign direct investment besides the expansion of trade was necessary for economic development. As such, "the equivalent of a chamber of commerce, InterPolCom, was set up in 1977 to facilitate FDI".[67] According to UNCTAD, the total amount of inward FDI stock in Poland was US$ 86 million in 1980, US$ 177 million in 1985 and US$ 320 million in 1990.[68]

The economic reforms implemented mostly consisted of administrative moves and therefore brought no improvement. Besides, there was a lack of social

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[64] Myant, *op. cit.*, p. 62.

[65] Przeworski, *op. cit.*, p. 136.

[66] Shields, *op. cit.*, p. 144.

[67] *Ibid.*

[68] UNCTAD, *World Investment Report 1996: Investment, Trade and International Policy Arrangements*, (New York and Geneva: United Nations, 1996), p. 242.

support and Solidarity did not seem willing to reduce its opposition. Consequently, lack of legitimacy of the government sparked off two rounds of protests and strikes, first in the spring of and then in August 1988. This, in turn, prevented any possibility of equilibrium, and forced the economy into a situation of "a chaotic spiral in which wage and subsidy increases fed still more price rises".[69] The strikes of 1988 were also important in showing the extent and depth of the differences between rulers and ruled.[70] Another important point was that the strikers, this time, were young workers who were mostly unconnected with the old Solidarity network and thus not intimidated by the legacy of 1981 martial law.

In the spontaneous strikes that broke out in several parts of the country in the spring of 1988 the strikers mainly put forward demands that were largely economic. But in the strikes that broke out all over the country in August, workers demanded changes in the political structure and the ownership of property as well as the legalisation of Solidarity. It should also be indicated that the strikes were not organised by underground Solidarity.

The intent of the party elite to preserve the communist party power was an important factor in the failure of reform attempts. The reforms in Poland in the 1980s were implemented by a military power that ousted and suppressed an opposition that had support of the majority of the Polish society. This questioned the credibility of the reform process both within and outside Poland. In a dialectical manner, the unwillingness of the political opposition, including economists, both domestic and international, to associate themselves with the reforms was related to their intention to restructure the political system.[71] This was also reflected in the lack of Western financial support as Poland had been a member of the International Monetary Fund and the World Bank since June 1986. According to the statement by the then Deputy Finance Minister of Poland,

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[69] Myant, *op. cit.*, p. 65.

[70] Schöpflin, *op. cit.*, p. 213.

[71] Kolodko argues that there was agreement between the state officials and the opposition on the details of reform applied in the mid-1980s. Although, economic details were similar to the ones applied after the collapse of the communist party rule - market reforms, political considerations were different. For details see Kolodko, *op. cit.,* pp. 13-4.

Andrzej Dorosz, Poland's debt to Western governments and commercial banks by 1987 was US$ 35 billion and it had problems of repayment.[72] These developments were detrimental for the fundamental and necessary changes at a time when the Polish government lacked the resources and the economic capability to raise the needed finances to support and legitimise its reform efforts. Therefore, the precondition for the success of the reform process was "a government with the trust and credibility to demand considerable sacrifices",[73] but one that was willing to yield power by way of carrying out extensive political reforms as well.

As the country was going towards a situation of ungovernability, the Jaruzelski regime decided to hold talks with the opposition. Walesa was influential in ending the strikes for perhaps he still could not figure out whether it would be viable to create a situation of total confrontation with the party and thus the Soviet Union. As a result, the Jaruzelski government launched contacts with the opposition that turned into Round Table negotiations among the representatives of the government, the Catholic Church and Solidarity in early 1989. The negotiations which began on 6 February 1989 were concluded on 5 April 1989. By reaching an agreement with the opposition, the communist party intended to share the accountability and thus responsibility for the economic management while at the same time ensuring a communist party dominance. The negotiations produced a set of arguments that was to have important effects all over Eastern Europe.

Thus, it could be suggested here that the integration process in Poland was well under way before the collapse of the communist party rule. Now the study will turn to provide an historical analysis on Romanian experiences to be able to draw comparative conclusions on the internationalisation process prior to 1989.

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[72] Reuters, "Poland's Foreign Debt", 9 November, 1987. Obtained from the *New York Times Archives* http://query.nytimes.com/gst/fullpage.html?res=9B0DEED71E3EF93AA35752C1A961948260, (accessed on 27 June 2006).

[73] Myant, *op. cit.,* p. 69.

4.2.2 Romania under the Communist Party Rule

Romania is argued to have lived through one of the most difficult communist party rules in the Eastern Bloc, especially under the authoritarian leadership of Nicolae Ceausescu. Nationalism was the main characteristic of the communist party rule in Romania closely linked to achieving national independence and socio-economic development. Nationalism along with foreign policy was used as an important tool in establishing the Stalinist rule and then pursuing its continuation that led to the dictatorship of Ceausescu. Although the Ceausescu period was more important in leaving deep political and socio-economic structural legacies, one has to go back to the Gheorghiu-Dej period to understand the basic tenets of the Ceausescu period. Nevertheless, it should be emphasised that nowhere in Central and Eastern Europe was the communist party rule so pervasive penetrating the day-to-day life of people. Despite, it can be argued that it was as much for conceptions of integration and the perception that this would sustain backwardness which encouraged isolationist tendencies as for the desire to sustain personal power that allowed for such a pervasive rule.

4.2.2.1 The Communist Takeover and the Gheorghiu-Dej Rule

After the World War II the Romanian Communist Party (RCP) emerged from a minority grouping to becoming a dominant party determining the social and political development process by the 1950s. This dominance was achieved through three parallel processes that characterised the Gheorge Gheorghiu-Dej period; elimination of alternative sources of authoritative values, elimination and prevention of any potential rivals or challenges to the leadership of the party and the Stalinist transformation of the economy.[74]

The Romanian Workers' Party (RWP) emerged as the only source of authoritative values in Romania by mid-1950s through a series of events that was pursued with the authority and legitimacy derived from the Soviets. Firstly, all the pre-1945 parties were eliminated by 1953; the RCP absorbed the Socialist Democrat Party in February 1948 to rename itself the Romanian Workers' Party

[74] Tom Gallagher, *Romania after Ceauşescu: The Politics of Intolerance*, (Edinburgh: Edinburgh University Press, 1995), p. 51.

and the Liberal, National Peasant parties and the Ploughman's Front that were part of the national front governments after the World War II were forced out of politics gradually through a process of cooptation and repression with the help of the Soviet authority. Secondly, alternative societal sources of values were either eliminated or strictly reorganised under central power of the communist party rule within the general framework of the Stalinist approach in its neighbourhood. In accordance, the Orthodox Church was co-opted and the Uniate Church (the Greek Catholic Church) was placed under the authority of the Orthodox Church or those bishops who failed to obey this policy were persecuted. It must also be pointed out that the Orthodox Church in Romania was traditionally subservient, and "in all matters not strictly spiritual, tended to support and obey the state rather than critically monitor its actions".[75] Moreover, culture, "always a source of national consciousness, was Sovietized with the establishment of state censorship and the imposition of "socialist realism" by the party-controlled artists' unions".[76] Besides, education and mass media were reorganised and centralised strictly under the communist party rule in August 1948 and in May 1949 respectively.[77] As in with other Central and Eastern European countries the role of Russia in Romanian history was attributed a positive value de-emphasising the differences between Romania and Russia. In addition, the Russian language became an integral part of teaching in schools.

Socio-economic transformation process was at the heart of the power struggle between the various factions of the communist party. Both national and international circumstances allowed Gheorghiu-Dej to manipulate the developments in an aim to purge and eliminate the Muscovites first and later, the reform oriented followers of Khrushchev to emerge strong within the RWP. The purges also became an important instrument in building popular support for the RWP in the eyes of the Romanians.

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[75] *Ibid.,* p. 52.

[76] Walter M. Bacon, "Romania" in *Communism in Eastern Europe, Second Edition*, Edited by Teresa Rakowska-Harmstone, (Oxford: Oxford University Press, 1984), p. 168.

[77] *Ibid*.

Contrary to other countries of the region the Muscovites and the home-communists were indifferent on the necessity of Stalinist collectivisation and industrialisation for the modernisation and development of Romania. Gheorghiu-Dej, as a home-communist, was a devout Stalinist himself, unlike many of the home-communists leaders in the region.

The 'verification campaign' of late 1940s was an important step in the elimination of the opportunists from the party as well as weakening the power base of the rival Muscovite Pauker group.[78] The parallel selective membership process of the RWP strengthened the position of Gheorghiu-Dej further. The purges of the Pauker group in 1952 consolidated Gheorghiu-Dej's power and prevented any potential challenges to his leadership.[79]

The purges of the Pauker group were effectively used to increase popular support of Gheorghiu-Dej and the RWP among the Romanian populace through association of the home-communists closely with the traditional Romanian values.[80] It has to be emphasised once again that the support of the Soviet Union was the main source of authority and legitimacy of the communist parties in Eastern Europe. In the early years of communism, home-communists, whose attachment to the Soviet Union was under question, were being purged all over the region. In Romania, however, the Muscovites were purged. Leaders of the Pauker group, Ana Pauker and Vasile Luca have been responsible for the collectivisation and industrialisation process in the first years of communism in Romania. Gheorghiu-Dej distanced the home-communists from the Muscovites during the period that the Muscovites were influential in policy-making. In the following years, this enabled Gheorghiu-Dej to lay the blame on the Muscovites for the failure of the Romanian economy in the first phase of establishment of Stalinist development strategy. The purge of the Muscovite Pauker group showed the nationalist tendency of the Gheorghiu-Dej regime when the process was skilfully

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[78] See Steven D. Roper, *Romania: The Unfinished Revolution*, Amsterdam, (The Netherlands: Harwood Academic Publishers, 2000), pp. 20-3.

[79] See Walter M. Bacon, *op. cit.*, pp. 169-170 and Roper, *op. cit.,* pp. 23-6.

[80] Roper, *op. cit*., p. 29.

presented as a break with the foreigners and home-communists. Pauker and Luca were Jewish and Ruthenian ethnically and their purge signalled the Romanianization of the communist party.

By mid-1950s, Stalinist policies began to yield positive outcomes in industrialisation, urbanisation and modernisation of Romania. On the other hand, the changing circumstances in the Soviet Union after the death of Stalin in 1953 led to a turn towards a process of de-Stalinisation under Khrushchev, both in the Soviet Union and in Eastern Europe. By holding the Pauker group responsible for the Stalinist policies and claiming that they were purged for their Stalinism, Gheorghiu-Dej was able to avoid the initial phase of pressure for de-Stalinisation and pursue Stalinist policies by a slight moderation.

Khrushchev's denunciation of orthodox Stalinist policies and the attempt to introduce a 'New Course' policy were not welcomed by the Romanian Workers' Party. Besides, the aim to introduce a multilateral economic specialisation and a division of labour between the Comecon countries under the new course policy of Khrushchev from late 1950s onwards was perceived in Romania as a policy that would force Romania to remain basically an underdeveloped-agrarian country. To the contrary, the communist party leadership's preference was to continue the industrialisation process extensively.

Conflicting economic priorities proved to be the main point of struggle leading to a split in Romanian-Soviet relations from mid-1950s onwards. Both internal and international developments provided the opportunity for Gheorghiu-Dej and RWP to resist the de-Stalinisation process and pursue a revisionist course within the Soviet Bloc. Although Khrushchev did not approve Gheorghiu-Dej's interpretation of de-Stalinisation, the events in Hungary and Poland in 1956 revealed the fragile nature of communist party rule in Eastern Europe. In this respect, Gheorghiu-Dej was very helpful in suppressing the events in Hungary and consequently in 1958, the Red Army was withdrawn from Romania as a sign of trust.

During this period, nationalism and independent foreign policy emerged as two important components of Romanian communism in allowing Gheorghiu-Dej follow a revisionist course and in legitimising his and RWP's authority. As Roper

indicates, it is in this period that "Romanian nationalism became inevitably linked to economics".[81]

After the World War II, Romanian nationalism with its traditional anti-Russian component was pacified in order not to create any alternatives during the communist takeover. Gheorghiu-Dej began to use nationalism after eliminating any rivals to the communist rule in building popular support. As has been noted above the purges were used in such a way. In the later years, nationalism took on an anti-Russian attitude gradually eliminating Russian elements of the cultural life, education and other aspects in Romania. Russian language was no longer a compulsory course in education. In the early 1960s, Soviet involvement in the security and intelligence services was eliminated and cooperation in these areas was either limited or brought to an end. Furthermore, ties with the Warsaw Treaty Organisation were loosened.

The nationalist approach also led to the weakening of the Hungarian autonomy in Transylvania through administrative changes and by merging Hungarian schools with Romanian schools, the Bolyai University with the Babes University in 1959 and by curtailing other cultural and minority rights to promote Romanian hegemony in cultural and educational life in Romania.[82] Nationalism and gradual promotion of national values were effective in strengthening Gheorghiu-Dej's control over the party, increasing the popular support of the communist party in Romania as well as enabling the RWP to oppose Soviet demands and follow a revisionist and autonomous policy within the Soviet Bloc.

By late 1950s and early 1960s Comecon became the main arena for economic policy disputes within the Eastern Bloc. Under mounting pressure from some Comecon members for economic specialisation and division of labour, it was the developing Sino-Soviet split that enabled Gheorghiu-Dej to further Romanian autonomy from the Soviet Union. Manoeuvring between the Chinese and the Soviets, Romania was able to build safeguards to continue its rapid industrialisation. Industrialisation for Gheorghiu-Dej became important as it

[81] Roper, *op. cit.,* p. 26.

[82] For a detailed analysis see Gallegher, *op. cit.,* pp. 48-58.

provided the necessary ground for greater political and economic independence for the leadership and the country. Accordingly, Romanian foreign and trade policy were geared towards rapid industrial development.

Romania, while following a policy of reciprocity in trade with the Comecon countries[83], established trade and credit relations with countries outside the Eastern Bloc in order to diversify and decrease its dependence on the machinery and equipment required for industrialisation imported from the Comecon members. Accordingly, Romanian trade with countries outside the Eastern Bloc increased from 20 per cent in 1955 to 33 per cent in 1964 of its total trade.[84] In this respect, establishment of relations with Western European countries was important in providing an alternative in economic and technological assistance and the necessary capital for industrial expansion. Nonetheless, cooperation with the West stayed within the Cold-War context of peaceful co-existence.

Although the Soviet officials tried to change the Romanian insistence on extensive industrialisation and defiance from the Comecon at various times, they were not successful. Nationalism and foreign policy proved to be strong instruments in rendering the Romanian Worker's Party to assert in April 1964, in what became known as the Romanian declaration of independence, the 'Statement on the Stand of the Romanian Worker's Party Concerning the Problems of the World Communist and Working-Class Movement' declaring its right to follow its own path to development within socialism. The statement stressed non-interference and equal status of communist and workers' parties in the Eastern Bloc where no party had the privilege to impose its policies on others.[85]

It should be emphasised that in the early 1960s the Soviets were more concerned with the Sino-Soviet conflict. Besides, Romanian independence from the Soviet Union and establishment of trade and credit relations with the west was not perceived as a threat to communist party rule within Romania and to the Soviet

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[83] Roper, *op. cit.*, p. 32.

[84] Cited in Ben Fowkes, *The Rise and Fall of Communism in Eastern Europe, Second Edition*, (London: Macmillan Press Ltd., 1995), p. 114.

[85] Roper, *op. cit.,* pp. 40-1; Bacon, *op. cit.,* pp. 172-3.

hegemony in Central and Eastern Europe. For the Soviet Union, Romania strategically remained a peripheral country and defiance of Romania did not seem as threatening to the Soviet hegemony as the events in Hungary or Poland.

4.2.2.2 The Ceausescu Period: 1965-1989

After the death of Gheorghiu-Dej in March 1965, Nicolae Ceausescu became the general secretary of the Romanian Communist Party - as the Romanian Workers' Party was renamed in 1965 and the head of state in 1967. Ceausescu was a member of the communist party since the 1930s. He had an important role in forcing the merger of the Bolyai and Babes universities in Cluj which proved to be a staging-post in his rise in the communist party.[86] The fact that he has been in charge of the cadres and organisation of the party since the mid-1950s made it easier for him to emerge as the leader of the party.

Ceausescu, who stayed in power from 1965 to 1989, continued and further developed 'the independent course' of Romania. Political transition had largely been completed under Gheorghiu-Dej who established the firm dominance of the party and Ceausescu sought to speed up the Stalinist development. He had the belief that Romanian modernisation was only possible through the achievement of heavy industry within a Stalinist development strategy. Even though the Stalinist strategy was replaced by a division of labour in the Soviet Bloc after the death of Stalin, Ceausescu resisted this departure and distanced Romania from the Soviet orbit. In this endeavour, he extensively used nationalism and foreign policy manoeuvres for political mobilisation and legitimisation. His nationalist rhetoric took an anti-imperialist, anti-Soviet and patriotic approach reflected both in his domestic and international policies.

In the first years of Ceausescu rule, de-Sovietisation and thus re-nationalisation in cultural life and education in Romania was stepped-up. This was followed by a period of pluralism, diversity of opinion and 'liberalisation' in Romania. Russian language was completely removed from the curricula. Russian names given to geographical regions and streets in the first years of the

[86] Gallagher, *op. cit.,* p. 56.

establishment of communism in Romania were changed. However, all these were carried out under the supervision of the party. For Ceausescu, the Stalinist ideology was also important in organising the cultural and societal life of the Romanian people. His liberal rhetoric of the mid-1960s was replaced by an authoritarian tendency; history was re-written emphasising Romanian hegemony in all aspects, and the intelligentsia, in this respect, was given a special role as the protector of cultural identity of the Romanian nation. Ceausescu achieved this by gradually eliminating those members of the party and state from the unions, faculties and other organisations who remained close to the Soviet Union.[87] This period of cultural and intellectual freedom, however, was reversed in the early 1970s as Ceausescu sought total control over the party and thus, over the society. Thus, the communist party penetrated at the lowest level of the society by establishing any "civil society" organisations, such as the artists associations, that was considered necessary for the society aiming to prevent the formation of any independent opposition movements.

In the same period, economic policies of the RCP reflected the desire of Ceausescu for Stalinist rapid multilateral development. The economy was even more centralised with the Directives of 1967 maintaining that 'any tendency to exclude any branch of the economy from planning is injurious…and introduces anarchistic market elements into production, sales and distribution'.[88] The investment policy of the RCP favoured heavy industry, particularly steel, machine tools, chemicals and refining. This policy largely ignored agricultural development; agriculture received only 16.1 per cent of total investments between 1971 and 1975 whereas industry received about 57.2 per cent.[89] Industrialisation yielded high economic growth rates and improvements in the standard of living in the first half of the 1970s. In 1974, Ceausescu declared that there was a 23 per cent

[87] Bacon, *op. cit.,* pp. 173-4.

[88] Cited in Fowkes, *op. cit.*, p. 115.

[89] Ronald H. Linden, "Socialist Patrimonialism and the Global Economy: The Case of Romania", *International Organization,* Vol. 40, No. 2, Spring 1986, p. 352.

increase in real salaries from 1970.[90] Yet, the increase in the salaries of the skilled workers was higher. While aiming modernisation through establishing heavy industry and thus encouraging population movements from the rural to the urban areas, Ceausescu's economic policies completely ignored the developments in the rural areas adding to their backwardness. On the other hand, those who moved to the urban areas as part of the industrialisation process, had difficulty in finding a base of support for themselves with the devastating changes that took place after 1989.

The desire for Stalinist development strategy necessitated dominance of the party over the state and economy. During the first decade of the Ceausescu rule, party dominance over the government and state institutions grew. The RCP went through a process of change that enabled Ceausescu to establish his predominance over all possible political rivals by eliminating close associates of Gheorghiu-Dej and by unifying the policy-making of state and party organs. By mid-1970s, this resulted in the centralisation of and party control over the national policy-making process; after the December 1967 Party Congress, regional party secretaries assumed control over the local government and in 1974 a Permanent Bureau was created, which included only the closest associates of Ceausescu, assuming the duty of national policy-making. As the Ceausescu rule turned more authoritarian, repeated rotation of the party cadres was used as a means to ensure loyalty to Ceausescu in an aim to sustain his control. In the following years, the Ceausescu regime took on different dimensions, developing into a family dictatorship in the later stages of his rule. As Gallagher indicates "[t]he Ceausescu state possessed more aspects of a totalitarian dictatorship than any of the other east European party-states."[91] In establishing his dictatorship, Ceausescu manipulated key personnel, institutions and society. This created a structure where the government and societal organisations were used by the party as a medium in the mobilisation of the society for the implementation of party decisions, especially in Ceausescu's endeavour for Stalinist socio-economic development strategy.

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[90] *Ibid.*, p. 354.

[91] Gallagher, *op. cit.*, p. 72.

In fact, while industrialisation provided for political legitimacy, foreign policy manoeuvres helped to sustain autonomy within the Bloc and the continuation of Stalinist policies that aimed self-reliance. As noted above, for Ceausescu, international circumstances provided an important instrument in attaining personal control over the party, legitimisation of his rule and safeguarding of autonomy from the Soviet Union. While furthering Romanian relations with Western European and non-Eastern Bloc countries, Ceausescu continued to distance Romania from the Soviet-Bloc, but did not opt for total break.

In 1967, even before the initiation of Ostpolitik of the Federal Republic of Germany and the Helsinki process, Romania became the first country in Eastern Europe to establish diplomatic relations with the Federal Republic of Germany. Ceausescu's response to the 1968 invasion of Czechoslovakia was the most important occasion to increase his reputation both in the internal and the international realm. Romania was the only Warsaw Pact country not to participate in the Soviet invasion of Czechoslovakia. Ceausescu criticised the invasion and once again, following the 1964 statement of the Romanian Communist Party, argued for Soviet non-interference in internal affairs and the right of every party to determine its own course of development. Ceausescu's denunciation of the Czechoslovak invasion was praised by the West and US President Nixon paid his first visit to an Eastern European country, to Romania, in the summer of 1969.

The Czechoslovak invasion precipitated further distancing of Romania from the Soviet Bloc. The relations with the Warsaw Treaty Organisation were loosened without relinquishing Romanian membership. From 1969 onwards, Romania only sent limited contingents to Warsaw Pact military exercises; it should also be noted that from 1962 onwards, no Warsaw Pact exercises were allowed to take place in Romania. In the early 1970s, this was followed by the elimination of Russian advisors, trainers and trained officers from the military and secret services and their replacement with the nationally trained officers in an aim to ensure loyalty of the armed forces and the secret police to the party. Semi-detachment

from the Warsaw Treaty Organisation also led to the search for alternative sources of armaments and establishment of the Romanian arms industry.[92]

The most important repercussion of the Czechoslovak invasion was the limits to sovereignty under the communist party rule in Eastern Europe that the Brezhnev doctrine has set. It was made clear by the Soviet Union that any policy that would danger socialism would give the Soviet Union the right to intervene. This approach placed a veto on radical reform in Eastern Europe. Any attempt to reform the economy was replaced by a cautious policy. This restored the Stalinist orthodoxy and led to a return to central-planning in the countries of the region. However, this did not really amount to a change for Romania but encouraged the Romanian desire to continue its own strategy of socio-economic development.

In the 1970s, Romanian foreign political and economic policies reflected the desire to accomplish its Stalinist style of socio-economic development. In 1972, Ceausescu defined Romania as a 'socialist developing country' in order to differentiate Romania from other more developed Eastern European countries and increasingly turned to the West to finance its development. Ceausescu's move would be furnished by membership into the international financial institutions. In 1971, Romania became a member of the General Agreement on Tariffs and Trade (GATT) and in 1972, a member of the IMF and the World Bank. In 1973, Romania received preferential trade treatment from the European Economic Community (EEC) and in 1975, the most favoured nation (MFN) trade status from the US. The licensing agreement with Renault-France in 1968 to produce Dacia-Renault was one of the most important steps pointing to the internationalisation tendencies in Romania. Yet, it was not with the same vigour that Ceausescu pursued these relations in the 1980s.

On the other hand, political contacts with China aiming to sustain political gains continued; Ceausescu visited China in 1971, 1978 and 1982 and hosted Chinese leaders in 1978 and 1983. Ceausescu also established instrumental relations with the countries in the Middle East. He was diplomatically involved in the Israeli and Egyptian rapprochement and the Lebanese crisis of 1982-3.

[92] Bacon, *op. cit.*, p. 173.

Romania was also increasingly involved in political relations with the less developed countries (LDCs). In 1976, Romania became a member of the Group of 77. In the 1970s, Romania also supported the idea of New International Economic Order and democratisation of international relations. These contacts enabled Ceausescu consolidate his power within Romania by drawing a prestigious picture of the Romanian state in the international arena as well as sustaining his image as a successful leader.

These contacts were also reflected in the foreign trade figures of Romania; by 1974, trade with the West almost tripled exceeding trade with the Comecon members despite an increase of around 50 per cent in trade with Comecon members.[93] The West was an important source of machinery and raw materials needed for industrialisation; machinery, raw materials and semi-manufactured products made up almost 95 per cent of imports from the West and around 45 per cent of total import of these goods.[94] Similarly, by mid-1970s, trade with LDCs more than doubled. The countries of the Middle East were important suppliers of crude oil to the developing Romanian refining and petrochemical industries. Besides, the LDCs provided important markets for the Romanian products at a time when the Western countries got into a period of recession because of the first oil shock of 1973; Romanian exports to LDCs grew from 12.3 per cent of its total in the early 1970s to 17.6 per cent in 1974 and 24.2 per cent in 1977 whereas its exports to the West dropped from 39 per cent of its total exports in 1974 to 28 per cent in 1977.[95]

When compared, Romania's trade deficit with the West was about one-fourth of that of Poland and its foreign debt was very reasonable at US$ 2.6 billion in 1976.[96] In addition, the fact that Romania had access to funds from the IMF and the World Bank since the early 1970s and the preferential treatment in trade with the European Economic Community moderated the effects of the first oil shock.

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[93] Linden, *op. cit*., p. 360.

[94] *Ibid.*

[95] *Ibid*., p. 361.

[96] *Ibid*., pp. 361-2.

Romania was also not affected from the first oil shock partly because of the structure of its trade. As Romania had the capacity to produce processed petroleum products the rise in the prices of petroleum and other commodity products even benefited Romania. Besides, its natural resources allowed Romania to supply its domestic energy requirement at a substantially higher level when compared to other countries of Eastern Europe, minimising the level of disruption from the first oil shock. Moreover, the strict control over the society provided Romania with high levels of investments without the necessary proliferation of the domestic market with consumer goods to prevent any social upheavals as it happened in Poland.

Two incidents in 1977 showed that Ceausescu would not allow for the rise of any threats or opposition to the communist party rule. First was the individual reaction of the writer and dissident Paul Goma to human rights abuses in Romania that was made public in Radio Free Europe between January and March 1977. In April, Goma was arrested and later was sent to exile. Second was the miners' strike in the coal intensive Jiu valley who demanded better working conditions and wages. Miners' strikes were especially important as the strikes came a year after the strikes in Poland. Ceausescu intervened personally to improve the conditions of the workers and promised more worker involvement in enterprise management. Worker self-management was introduced as part of a broader economic reform program in 1978 while the leaders of the strike were dismissed. The reforms were pursued in such a way that they increased party involvement and control at the enterprise level, rather using the reforms as a tool to increase mobilisation as the economic situation was becoming more difficult for Romania.[97]

Although Romania was the fastest growing economy of Europe from 1965 until the late 1970s, the changing international circumstances led to a change in the economic situation of Romania and the five year plans in the 1980s did not match the political and economic realities.

In the 1980s, Ceausescu began to perceive the West as a threat to the Romanian autonomy, a threat exacerbated by the increasing amount of debt and

[97] See *Ibid.*, pp. 362-4.

deficit incurred from trade with the West. For Ceausescu, Romania needed to avoid capitalist involvement and exploitation that was being experienced in Poland and later in Yugoslavia in order to be able to preserve its sovereignty. A shift in trade from West to East began to occur at the beginning of the 1980s; imports from the West dropped sharply and for the first time Romania began to import oil from the Soviet Union.

In 1981, Romania began the austerity measures in order to be able to repay its foreign debt that amounted to more than US$ 10 billion by the end of 1981. This resulted in enormous pressure by creating a heavy burden on and, therefore, limiting the welfare of the Romanian society. The measures included food and energy rationing in an aim to earn hard currency from exports of foodstuffs that was normally directed to the domestic market and reduction in energy consumption. These harsh measures enabled Romania to pay off her debt by April 1989.

Romania was probably the only Eastern European country that resisted the changes which came with the Gorbachev regime in the Soviet Union in the second half of the 1980s. For Ceausescu, *glasnost* and *perestroika* were right-wing deviations in the communist bloc that Romania needed to avoid. Ceausescu's ambitions to further increase his control over the party and the state by collecting all the party and state apparatus at a more central place - the razing of historical parts of Bucharest to build the People's Palace - entailed destroying and rebuilding parts of the capital Bucharest that gave way to a huge burden and an enormous waste of resources in the 1980s. His severe treatment of the ethnic minorities deteriorated his relations with the West and at a time when Central and Eastern European countries were signing trade agreements with the countries of the West, Ceausescu unilaterally ended Romania's MFN status with the US.

Ceausescu placed many of his family members to key positions in the party as well as in the state bureaucracy as he sought tighter control over the state and society in the 1980s. Romanian communist party rule resembled a family dictatorship detached from the society that held on to power as a result of repeated rotation of party elite and cooptation of the military and the intelligence. The same

policies that enabled Ceausescu to hold on to power were to lead, as Roper argues, to his own demise by 1989.[98]

The past, therefore, is one of the most important issues that make the transformation processes difficult in Romania. Especially, the Ceausescu period left a legacy with severe political and socio-economic structural problems. The fact that the Romanian Communist Party had four million members by 1989, by far the largest number of members, in comparison to the country's population, of any other communist party in the region[99], gives an indication of Ceausescu's ability to manipulate nationalism mobilising the Romanian people.

4.2.3 Overview

The above historical analysis of developments in Poland and Romania reveal that historically the external holds an important place in social formations within the countries of Central and Eastern Europe. Historically, as small or medium sized states, states in the region have looked to the external, in particular to regional great powers, for solutions not only for their socioeconomic problems and difficulties but also for security concerns. Association with a great power or good relations with great powers have always proved to be important for the security and survival of the Central and Eastern European states. Thus, their foreign policy as well as their internal development strategy choices has strongly been shaped in conjunction with the international events and circumstance. However, between 1945 and 1989, these tendencies were shaped within the limits of the Cold War structure. The breakdown of communist party regimes also broke down the macro structures that affected the states of Central and Easter Europe. Thus, transformation within the context of changes at the global and the European levels meant a change in the parameters of action. This also meant a change in the interrelationship of social actors leading to new state-society arrangements.

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[98] Roper, *op. cit.,* p. 57.

[99] Stoica indicates that party membership stood at approximately 3.7 million Romanians which was about 33 per cent of employed. Catalin Augustin Stoica, "Once Upon a Time There was a Big Party: The Social Bases of the Romanian Communist Party (Part I)", East European Politics and Societies, Vol. 19, No. 4, p. 687. Also see Alina Mungiu-Pippidi, "Revisiting Fatalistic Political Cultures," *Romanian Journal of Political Science,* Vol. 3, No. 1, Spring 2003, p. 101.

The above analysis also indicates that the internationalisation process, in the light of the integrative transformation processes within the capitalist global political economy as considered in Chapter 3, was evident in both Poland and Romania, though their levels of integration in international political economy were different. The internationalisation of production in Poland and Romania is a process that has been going on, yet occasionally interrupted, from the early 1970s, even earlier in the case of Romania, within which *perestroika* represents an important phase. Poland and Romania have been involved in the internationalised productive systems of capitalist global political economy though within the limits that the Cold War period has allowed for. On the other hand, the strong opposition in Poland that comprised the Church, workers and the intellectuals emerged and sustained its existence through Poland's involvement in the international realm. However, limits to its ground-breaking reach were also interlinked with the Cold War international structures. Furthermore, as much as Solidarity's emergence and loss of legitimacy by the PZPR in Poland, Ceausescu's sultanistic hold and isolationist policies of the 1980s are partly related to Romanian interpretations of global restructuring. Thus, the integrative transformation processes or the stance taken towards these processes was an important component of the political and socioeconomic structures that were present in Poland and Romania at the beginning of the transformation processes.

Now the study turns to analyse the tendencies in the 1990s with the aim of providing insights on continuity and departure.

4.3 Transformation and Internal Developments

The collapse of the communist party rules in Poland and Romania, thus, are related to domestic societal relations and the international circumstances. The ousting of these countries from global productive structures that they were integrated in the 1970s clearly had destabilising influences on their political and socioeconomic structures in the 1980s.[100] The burden of debt accumulated in the

[100] Overbeek and van der Pijl indicate that CMEA states accounted for 22.7 per cent of machinery imports into the OECD area in 1973 whereas this share had been reduced to 4.9 per cent in 1985. See H. Overbeek and K. van der Pijl, "Restructuring Capital and Restructuring Hegemony: Neo-

1970s mainly owed to the Western developed countries, in a fashion to be repaid by increasing exports mainly to the West, had important implications in defining the orientations in Poland and Romania in and beyond the 1980s and the 1990s. Indeed, the internationalisation process shaped whether the transformation processes were compatible with the hegemonic project of the West. In this respect, a clear nationalist tendency in Romania in search of relative autonomy separated her which also allowed Ceausescu to strengthen his rule. This proved to be detrimental: Romania was the last of the Eastern Bloc countries in the region that embarked on transition and violence was an important component of the events that led to the fall of the communist party rule while Poland had finalised a peaceful social pact among its social actors around a Round Table.

As Bieler argues the transnationalisation process in each country of Central and Eastern Europe differs, as does the internalisation of neo-liberal restructuring in the various forms of state.[101] Although economic restructuring could not be based on a firm alliance of social forces within the states of Central and Eastern Europe, it was achieved through establishing a unity of transformation and integration. The main determinant in this respect related to how various states in the region approached the 'return to Europe' in association with the neo-liberal project of radical transformation strategy. In this respect, Poland and Romania provide one with the opportunity to evaluate how these processes differ and what roles the states seek for themselves in conjunction with the internationalisation process. Thus, the cases help to account for different trajectories and understand continuity and departure in the internationalisation process and social relations with the similarities and differences they posses. The cross national variation, each country to an extent historically conditioned by its own national trajectory and the political and economic structures reflected therein, led to diverse but converging

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liberalism and the unmaking of the post-war order" in, *Restructuring Hegemony in the Global Political Economy*, edited by Henk Overbeek, (London: Routledge, 1993), p. 22.

[101] Andreas Bieler, "European Integration and Eastward Enlargement: The Widening and Deepening of Neo-liberal Restructuring in Europe", Queen's Papers on Europeanisation No 8/2003, p. 6. Available at http://www.qub.ac.uk/schools/SchoolofPoliticsInternationalStudies and Philosophy/FileStore/EuropeanisationFiles/Filetoupload,5264,en.pdf, (accessed in December 2005)

paths to EU membership, though in an attempt to define their positions vis-à-vis historical and structural opportunities and constraints.

Now the study turns to analyse how tendencies on transformation and integration were shaped since 1990.

4.3.1 Poland

4.3.1.1 Solidarity in Power and its Dilemmas

In early phases of transformation political struggle within Poland was conducted between two important actors of the society: the Solidarity, with the Church and the intelligentsia as important supporters, and the social democrats which emerged out of the Polish United Workers' Party. According to the Round Table Agreement between the PZPR, Solidarity and the Church that was concluded in April 1989, Solidarity would be re-legalised and would receive airtime on radio and television as well as its own national and regional newspapers. New partially-free parliamentary elections would be called, and the Solidarity-led opposition would be allowed to compete for 35 per cent of the seats in the restructured lower house of the Polish parliament, the Sejm and there would be completely free elections in the restored Senate - which had been abolished by the communists in 1946.

Both important internal and external factors made a final agreement at the negotiations possible. Poland was struggling with a huge debt of about $40 billion, mainly to the West, which she could not pay off.[102] This, in turn, blocked Poland's chances of gaining substantial new loans. Even though Poland had been a member of the IMF and the World Bank since 1986 the West did not have any interest in supporting the reform attempts of the PZPR. They openly supported Solidarity. This was evident in the French treatment of Walesa when he attended a conference in Paris to mark the 40th anniversary of the Universal Declaration of Human

[102] Kolodko attributes an important weight to the debt issue which he also argues that it was used as an instrument to engineer systemic change in the states of Central and Eastern Europe. He argues that the approaches of the PZPR and the opposition were similar, in the late 1980s, albeit a struggle for political power. The similarity may also be discerned from the neo-liberal orientation of his governments' policies while he was Deputy Premier and Minister of Finance of the social democrats between 1994-1997 and 2002-2003. See Kolodko, *op. cit.*, pp. 26-7.

Rights. Furthermore, the PZPR lacked societal support that rendered it difficult for the Polish communist party government to re-produce the old, party dominant system.

The elections on 4 June 1989 produced a shattering defeat for the Polish communist party and a stunning victory for the Solidarity led opposition. In this first partially free-election within the Soviet Bloc, Solidarity won all the contested seats in the Sejm and 99 of the 100 seats in the Senate. Lech Walesa had not run for the parliament preferring to stay 'above' politics, but many veterans of Solidarity, KOR and opposition groups were elected under the Solidarity 'umbrella.'

The success of Solidarity changed the political sphere in Poland. When Jaruzelski was in search of a Premier, the allied parties, the United Peasant and Democratic parties that operated under the communist party control since 1940s, refused to support the communist party candidates and switched sides to Solidarity. This attitude opened the way for the creation of a government dominated by Solidarity and its allies. Tadeusz Mazowiecki, a Solidarity journalist and a devout Catholic, who had been one of the leading Solidarity advisers since 1980, was appointed as Premier by Jaruzelski. Thus, on 12 September 1989, the first non-communist government in the history of the Eastern Bloc was formed. As agreed in the Round Table negotiations Jaruzelski was elected President by the parliament but with the minimum number of vote necessary. In addition, communist party members were appointed to the positions of Ministry of Foreign Affairs, Ministry of Internal Affairs and Ministry of National Defence. This was a move that implied the reluctance to carry on with a sweeping political transformation process without the approval of the Soviet Union.

With the formation of the Mazowiecki government, the communist party lost its leading role in Polish politics and was degraded to opposition. Perhaps what the communist party leaders in Poland and Gorbachev thought was that the party would gain the majority of the seats in the parliament and at the worst a coalition would be formed in which the party would hold key positions - resembling the 'national front' coalitions that existed between 1945-1947. But the Kremlin seemed to approve the developments and the new Solidarity government in Poland. This was confirmed when Prime Minister Mazowiecki visited Moscow

where he was warmly received. It became clear that the Brezhnev Doctrine was dead and Moscow was no longer an obstacle to systemic change. This marked the clear end of the 'Soviet tank factor' as a forceful legitimisation.

The Solidarity government used the positive international atmosphere and the vast social support to take the most radical economic steps to halt the inflation and prepare the ground for free market economy. The shock therapy approach was another attempt at modernising Poland, therefore, an attempt aiming prosperity and convergence with the West. The socialist ideals by now were discredited and replaced by the liberal ideals which were exacerbated by the international context. The change was confirmed by Prime Minister Mazowiecki in his inaugural speech to the Sejm; "The government will undertake steps initiating the transition to a modern market economy, tested by the experience of the developed countries".[103] The systemic change also brought with it a reorientation of Polish foreign policy priorities aiming to be integrated into the world economy and Euro-Atlantic institutions. This was a clear turning point for a new wave of transitions.

The adopted Balcerowicz programme, from 1 January 1990, - which proposed transformation through macroeconomic stabilisation, liberalisation and privatisation along the lines of a neo-liberal inclination - amounted to a deviation from Solidarity's ideals, the interests of its core and a clear break with the past. However, it was the Solidarity trade union leaders as well as the intellectuals who persuaded the society at large to support the government. The move was endorsed by the fear that the ancient regime might be restored and by the hope of a better future, a promise that has not been fulfilled by the socialist ideal. The rulers of Poland were convinced that there was no alternative, no 'third way' and the search for and an invention of a new system would be a waste of time. The change in the institutional setting and the ownership structure was seen as necessary for the redistribution of political and economic power. Similarly, integration with the EC/U began to be pursued from early 1990 onwards where Poland voluntarily began to take on adjustment and adaptation of Polish legislation with that of the EU. Membership into the EU was perceived as the main modernisation anchor

[103] Przeworski, *op. cit.*, p. 141.

where the EU had been defined as a political, economic and social model for Poland.[104]

By mid-1990, the overwhelming early support enjoyed by the Mazowiecki government began to diminish rapidly as a result of the pain caused by systemic transformation coupled with a heavy burden of the Balcerowicz programme.[105] Although the programme did succeed in reducing inflation and boosting the availability of consumer goods, it resulted in declining consumer purchasing power, a drop in production and a rapid rise in unemployment.[106] The immediate cost of 'shock therapy' was worse than expected, which helped surface policy differences, especially differing views of the Solidarity elite on economic management.

Solidarity, as noted above, was a diverse movement. Although deep differences existed within the Solidarity since its emergence in 1981, it managed to preserve its unity against the communist party rule. With the collapse of the common enemy, the collapse of the communist party rule - the PZPR dissolved itself in January 1990 - and the disappearance of the Warsaw Pact in 1991 and thus the Soviet domination, the political alliance of Solidarity began to show clear signs of internal divisions. The so-called 'war at the top' initiated the split of Solidarity and Walesa himself was the catalyst of this process.

Lech Walesa, frustrated with being left on the sidelines, began to criticise the government for not accelerating the democratisation and the marketisation processes. He forced for a presidential election. Significantly, though, his appeal for presidency met with little sympathy from the Warsaw intellectuals who had increasingly dominated Poland's political establishment since the formation of the Mazowiecki government.[107] The intellectuals questioned his fitness for the

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[104] See Sait Akşit, *Political Economy of Transition and Integration Tendencies in Poland*, unpublished MSc thesis submitted to the Department of International Relations, Middle East Technical University, December 1999.

[105] See Hubert Tworzecki, *Parties and Politics in Post-1989 Poland*, (Colorado: Westview Press, 1996), p. 71.

[106] Mason, *op. cit.,* p. 43.

[107] Paul Lewis, Bill Lomax, and Gordon Wightman, "The Emergence of Multi-Party Systems in East Central Europe: A Comparative Analysis," in *Democratization in Eastern Europe: Domestic*

position; Adam Michnik, the editor of *Gazeta Wyborcza,*[108] viewed him as "a radical populist and would be strong leader who might sacrifice democratic principles for the sake of policy making expediency" as well as "lacking the necessary education and the intellectual sophistication needed to manage power effectively".[109]

As a consequence of the 'war at the top,' the umbrella movement of the Solidarity became an organisation of competing factions organising around 'personal differences'; supporters of Walesa established the Centre Coalition whereas supporters of Mazowiecki, the Democratic Action.[110] Walesa criticised the Mazowiecki government for being elitist as it was heavily influenced by the intellectual wing of the Solidarity movement and for "setting up the political scene above people's head".[111] Different styles of government favoured, the pace and direction of economic reform, the struggle for power between executive and the legislative branches of the government and the scale of reprisals to be taken against communists accounted for important differences among Solidarity leaders. Despite the struggle for power, Poland officially began the adjustment and harmonisation of its legislation to the requirements of the European Community with the recommendation of Economic Committee of the Council of Ministers.[112]

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and International Perspectives, edited by Geoffrey Pridham and Tatu Vanhanen (London: Routledge, 1994), p. 178.

[108] *Gazeta Wyborcza* was established as the daily of the Solidarity movement as agreed at the Round Table Agreements. Following the struggle between the Solidarity leaders, the *Gazeta Wyborcza* leaders - among others Adam Michnik - sided with the globalist neo-liberal wing of Solidarity supporting the Balcerowicz reforms.

[109] Minton F. Goldman, *Revolution and Change in Central and Eastern Europe; Political, Economic and Social Challenges*, (London: M.E. Sharpe, 1997), p. 231.

[110] The Democratic Action was later renamed the Democratic Union and was established as a separate party. In the later years it became part of the Freedom Union (UW) mainly advocating a liberal approach.

[111] Tworzecki, *op. cit.*, p. 51.

[112] Eugeniusz Piontek, "Central and Eastern European Countries in Preparation for Membership in the European Union – a Polish Perspective," *Yearbook of Polish European Studies*, Warsaw University Centre for Europe, Vol. 1, 1997, p. 77.

With the mounting internal pressures Jaruzelski resigned in September 1990 clearing the way for presidential elections in December. The two major candidates for presidency were Lech Walesa, leader of Solidarity, and Mazowiecki, leader of the Solidarity government. Walesa described himself as centre right and used anti-communist, populist and nationalist arguments referring to the social teachings of the Church and calling for 'strong leadership'.[113] He played on the social discontent with economic reforms, talking of 'acceleration' and making appeals to ease the hardships of transition. He was campaigning to sweep away obstacles on the way of capitalist development.[114] Walesa's desire to remove all communist bureaucrats from managerial positions and restrict former communists' acquisition of newly privatised industries was based on his belief that defining the institutional and the ownership structure was an important step towards development. On the other hand, Walesa's call for a purge was opposed by the Mazowiecki government as it was considered disruptive for the Polish society.[115] Mazowiecki propagated around pragmatism, tolerance, separation of the church and the state, and called his camp open-minded and 'Europeanist'.[116]

In the first electoral round in November 1990, Mazowiecki (who received 18 per cent of the votes) was defeated both by Walesa (40 per cent) and the rich Polish émigré, Stanislaw Tyminski (23 per cent). Tyminski was a Canadian businessman completely unknown in Poland before 1990 who promised quick prosperity as the main element of his election campaign. The fact that people were disappointed with the warfare between the former Solidarity leaders helped him receive a surprising vote in the elections. In December 1990, Walesa was elected to the presidency by a decisive majority, gaining 74 per cent of the votes cast. Walesa once again was seen as a saviour at a time of growing unemployment and disillusionment with the political leadership and hardships caused by the

[113] *Ibid*, p. 53-4.

[114] David Ost and Marc Weinstein, "Unionist against Unions: Toward Historical Management in Post-Communist Poland", *East European Politics and Societies*, Volume 13, No. 1, Winter 1999, pp. 31-2.

[115] Minton F. Goldman, *op. cit.,* p. 231.

[116] Tworzecki, *op. cit.*, p. 54.

transformation process from communism to a free market economy. Motivation for the support of Walesa was dubious in the sense that he opted for speedy reforms, which would not necessarily be in the interest of workers. Indeed, as it became clearer in the following years, the workers were in favour of free market economy reforms despite the liberal argument that they were an obstacle in the path of reforms.[117] Workers believed that completion of institution building under the capitalist transformation was necessary to leave communism behind and were committed to the ideal put forward and thus hastily wanted to see the achievement of the promised ideal.

Clashes between the Solidarity candidates for the presidency pushed the movement (and the union) into disarray. Besides fragmentation and the split, it was realised by the unionists that the pro-Walesa Centre Coalition - later Centre Agreement - was not a true ally of Solidarity. Although political possibilities were open, no attempt was made to correct governments' social and economic policies. Instead of the promised 'government of change' and of a 'new beginning' the liberal Bielecki government that followed similar policies to the previous government was formed. In line with his aspirations, Walesa asked the Parliament to empower the cabinet to rewrite the nation's economic laws to allow the president to issue decrees with the force of law.[118] This was a mere attempt by Walesa to strengthen his personal power as the President, and was viewed as part of his authoritarian tendencies. This power, if approved by the Parliament, would allow Walesa to force through some economic 'shock therapy' measures, which in turn, as viewed by the intellectuals, could have disoriented and destabilised the Polish society. The powerful personality and many ambitions of President Walesa, as this incident indicates, were the primary causes of the struggle for post-communist power between executive and legislative branches of the state.[119]

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[117] See Ost and Weinstein, *op. cit.*, pp. 1-33.

[118] Minton F. Goldman, *op. cit.,* p. 232.

[119] Ray Taras, "Leaderships and Executives," in *Developments in East European Politics,* edited by Stephen White, Judy Batt and Paul G. Lewis (London: Macmillan, 1993), p. 178.

The election of Walesa to the presidency thus changed little in terms of government policy and the focus of political conflict shifted to the question of the date of the first free parliamentary elections and the nature of the electoral law to be adopted. Walesa proposed the elections to be held on 26 May 1991, and a draft election law designed to encourage party consolidation and to promote parliamentary stability. This resulted in the first defeat of Walesa as his proposals were interpreted by the communist successor parties and the supporters of Mazowiecki as serving the narrow interests of his supporters.

The Solidarity trade union, on the other hand, facing an identity crisis since 1989 over whether to act as a union or as a party had suffered a lot as a result of its involvement in Walesa's presidential campaign. Solidarity was looking for new ways of influencing the country's political scene. Solidarity leaders realised that the reforms involved great hardship for their members and that the political elite that had moved into politics under Solidarity's aegis could not be counted on to protect workers' interests. Therefore, the union decided to present its own candidates in the parliamentary elections and thus, be in a position to create its own parliamentary group that could directly influence the legislature and the government, a tendency that continued throughout the 1990s.

The complex proportional emphasis in the electoral system adopted resulted in a deeply fragmented parliament in the October 1991 elections. Parliamentary fragmentation also reflected the nature of an increasingly diverse society and its fragmented political culture. Voter turnout was just 43 per cent divided among 29 parties. The results also reflected political alienation and distrust among the Polish society towards political parties. The former communist party, the Democratic Left Alliance (SLD) by then, lost its guaranteed majority in the Sejm but still formed the second largest group in the parliament with 11.98 per cent of the vote. The former Solidarity camp was dominant, where the Democratic Union (UD) managed to acquire the plurality of the vote by a slight margin with 12.31 per cent. The Catholic Electoral Action (8.73), the Centre Agreement (8.71), the Polish Peasant Party (8.67), the Confederation for an Independent Poland (7.50), Liberal Democratic Congress (7.48), the Peasant Agreement (5.46) Solidarity (5.05), and the Polish Beer Lovers' Party (3.27) were other major groupings that obtained 16 or more seats within the parliament. The plethora of

parties designed to represent a variety of political, social and economic interests and the even distribution of the vote created a new stalemate.

After the elections any coalition formed among the divergent groups in the parliament would be fragile and would require compromise over issues of reform. Walesa strikingly offered to serve as his own Prime Minister, acting once again as a saviour at a time of uncertainty. This move was opposed by the parliament, however, it was not clear whether Walesa was moving toward autocracy or simply trying to force the different factions to find some common ground and produce a working alliance.[120] It took six weeks to form a new government due to Walesa's reluctance to nominate Jan Olszewski (Walesa preferred Bielecki for the sake of reforms), a critic of the free market economic reforms, as the Premier. The Solidarity trade union, which was not affiliated with any of the parties that lay claim to a Solidarity heritage, was to be represented with 26 deputies and decided to act not as a political party but as a workers' lobby and not to join any of the two governments formed after the 1991 elections. Nonetheless, they mostly supported those governments with the belief that the general direction of reforms was in the national interest and that the union still bore some responsibility for their success.[121]

The power games among the elite - former Solidarity leaders - continued after the elections as well because of personal differences on policy issues. The Olszewski minority government struggled to establish its authority as a result of conflicts over economic policies, decommunization and a settling of accounts with the past. The Olszewski government collapsed in June 1992 after a bitter debate over the government's release of the names of alleged secret police collaborators occupying high public office that included Walesa himself. After the candidacy of Waldemar Pawlak, the leader of the Polish Peasant Party, in July 1992 a seven-party coalition under Hanna Suchocka, an aggressive supporter of rapid movement

[120] Goldman, *op. cit.*, p. 233.

[121] Anna Sabbat-Swidlicka, "Solidarity Parts Company with Walesa", *RFE/RL Research Report*, 30 July 1993, p. 1.

toward a market economy, was formed. Six of the seven parties in the cabinet had a common heritage in the democratic Solidarity opposition movement.

The fundamental issue of conflict towards the end of 1992 was still economics. Although there were some signs of economic recovery, with increases in production and some decline in the rate of inflation, there was a continuing drop in living standards and a high level of unemployment - around 14 per cent.[122] As a result, the public mood became more and more militant. Strikes occurred in the summer of 1992 and Solidarity - which until the end of 1992 clung on to the principle that its activities were oriented with its interest in long-term structural reform for the good of the entire industry and not the short-term interests of individual work forces - proclaimed a general strike in December 1992. When, in May 1993, the underpaid group of state-budget paid employees in education, health service and others went on strike for higher wages, and the government kept its uncompromising attitude, Solidarity called a no-confidence vote on 27 May 1993. This meant that the 'protective umbrella' of the Solidarity trade union over the government would be withdrawn. One thing was important: had Solidarity continued with its consistent and unlimited support for neo-liberal policies of economic transformation, the result would probably have been the union's self-destruction. The union itself, by then, had continuously been losing power acknowledged with the results of the elections in 1991 and 1993. This was a trend that continued afterwards as well despite the electoral win in 1997 of the Solidarity Electoral Action (AWS) which was largely dominated by the trade union.

The Suchocka government was the fourth and the last of the "Solidarity" governments that took responsibility for introducing a democratic system based on the rule of law and a market oriented economy after the fall of communism in Poland. It seems that Solidarity trade union's intention was not to bring down the government; its members' aim was to draw attention to rising inequalities and unemployment ultimately aiming to force the government to recognise and work to eliminate these difficulties. Solidarity argued that "the living standards of the vast majority of society have not improved but instead have worsened… The number

[122] *Ibid.,* p. 2.

of people out of work has risen, real wages have dropped", and accused the Suchocka government of building "capitalism with an inhuman face" and of basing its economic policy on "irresponsible experiments and errors"; and claimed that there was a danger of social unrest if current policies continued.[123] The claims for the no-confidence vote reflected what the opinion polls suggested. Many people were tired of waiting for the economic program to have positive results and indeed, they were unconvinced that its success is what they wanted.

Indeed, all these claims implied ignorance of the government of the issues of inequalities and unemployment with respect to the application of the neo-liberal approach rather than an ideological criticism or confrontation to market oriented reform or building capitalism. Many of the workers supported market reforms; however, "workers and unionists seem to support the *ideas* of marketization far more than the *results* of marketization".[124] They found it difficult to match the real experience of the day with the belief in the capitalist ideal. This remains one of the main reasons for why the Solidarity wanted to be more involved in politics and policy making, and to be the main driving force behind the formation of the Solidarity Electoral Action.

Although Poland was showing signs of economic recovery and development during the Suchocka government - for the first time since the fall of communism in 1989 - this was not really reflected on the public general. That fact was also highlighted by Prime Minister Suchocka in her address to the representatives of the business community in Wroclaw on 29 July 1993; "GDP will be about 4 per cent higher this year than a year ago. However, this statistical improvement does not translate into a sense of any improvement in the situation of most families."[125] Three days after the coalition government lost the vote of no confidence by just one vote, President Walesa used his constitutional prerogatives

[123] Louisa Vinton, "Walesa Applies Political Shock Therapy", *RFE/RL Research Paper*, Vol. 2, No. 24, 11 June 1993, p. 3; see also Louisa Vinton, "Dissonance: Poland on the Eve of New Elections", *RFE/RL Research Paper*, Vol. 2, No. 33, 20 August 1993, p. 5.

[124] David Ost and Marc Weinstein, "Unionists Against Unions: Toward Hierarchical Management in Post-Communist Poland", *East European Politics and Societies*, Volume 13, No. 1, Winter 1999, p. 31.

[125] Vinton, "Dissonance", p. 7.

to dissolve the Sejm and to call for new elections. The internal divisions within the Solidarity trade union and the parliamentary group became more evident as several Solidarity deputies refused to support the no-confidence vote and later joined the Democratic Union.

4.3.1.2 The Democratic Left Alliance in Power: 1993-1997

As the economic difficulties continued an increasing majority of the population favoured rule 'with a strong hand' and a desire to grant the government special powers to rule.[126] Several public opinion polls that were conducted between October 1991 and the eve of the elections in 1993 showed political and economic dissatisfaction that was consistent across all demographic variables. The Solidarity governments and the political parties associated were in large held responsible for the political and economic situation.[127] In the end, democratic mechanisms, such as elections, repeatedly translated public frustration into loss of confidence in the ruling team, and the ensuing frequent changes of government disrupted the reform process.[128] Besides, disillusionment with the Solidarity governments, the Solidarity trade union led the people to stay away from politics.

The Sejm's last act in May 1993 was to pass a new electoral law that set high thresholds - 5 per cent nation-wide for the parties and 8 per cent for coalitions - for the elections to the Sejm and included bonus seats for parties attracting the most votes. The law aimed to counter a fragmentation such as the one that occurred after the 1991 elections. That was achieved: In September 1993 elections, only six parties/groups managed to clear the demanding thresholds - Democratic Left Alliance (SLD) with 20.41 per cent of the vote, Polish Peasant Party (PSL) with 15.40 per cent, Democratic Union (UD) with 10.59 per cent, Non-Party

[126] Mason, *op. cit.*, p. 49.

[127] For more detailed information on the public opinion polls for the period concerned see Mary Cline, "Political Parties and Public Opinion in Poland", *RFE/RL Research Report*, Vol.1, No. 43, 30 October 1992; and Mary Cline, "The Demographics of Party Support in Poland", *RFE/RL Research Report*, Vol.2, No. 36, 10 September 1993.

[128] Anna Sabbat-Swidlicka, "The Legacy of Poland's 'Solidarity' Governments," *RFE/RL Research Report*, 5 November 1993, p. 19.

Reform Bloc (BBWR) with 7.28 per cent, Union of Labour (UP) with 5.77 per cent and Confederation for an Independent Poland (KPN) with 5.41 per cent.

Most of the post-Solidarity parties and the fragmented right wing either were left out of the Sejm or gained insignificant representation. The fear of change, the degree of nostalgia and the promises of return of the good old days, normalcy, stabilisation, the high social costs inherited as a result of the transformation process were important factors for the failure of the post-Solidarity parties in September 1993 elections.

Solidarity trade union, which decided to go alone once again and present its own candidates, was among those parties that failed to win any representation. The union leaders shared the same kind of worries as before the 1991 elections and the dilemma of whether to present Solidarity as a trade union or a political party/group. In addition, they were convinced that it was in the union's best interest to retain its independence and were strongly opposed to its identification with any political party/group.[129] Solidarity's failure is even more evident if it is taken into account that only one in four Solidarity unionists voted for its list and only 15 per cent of those who voted for the Solidarity trade union in 1991 elections did so in 1993.[130] On the other hand, the largest party that had roots with the Solidarity movement and gained representation, Prime Minister Suchocka's Democratic Union (UD), won only 74 seats - 16% of the Sejm - becoming an insignificant opposition party. The outcome was a disappointment for the UD, which had supported the new electoral law expecting a result that would provide a strong and stable parliamentary foundation favouring the UD to push on with the political and economic transformation process that the UD elite had largely been responsible for since 1989.[131] The other groups which had their origins within the Solidarity and gained representation in the Sejm were the Union of Labour - a left

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[129] The union leaders refused President Walesa's offer to run as a coalition with Walesa's Non-Party Reform Bloc (BBWR).

[130] Radzislawa Gortat, "The Feud Within Solidarity's Offspring," in *Parties, Trade Unions and Society in East-Central Europe*, edited by Michael Waller and Martin Myant (Frank Cass: Essex, 1994), p. 123.

[131] Louisa Vinton, "Poland: Pawlak Builds a Cabinet, Kwasniewski Builds a future," *RFE/RL Research Report*, Vol. 2 No.47, 26 November 1993, p. 31.

wing party - with 41 seats and BBWR - supported by Walesa - with 16 seats. BBWR's poor success indicated a significant loss of public support for Walesa.[132]

While the September 1993 elections marked the end of the first Solidarity era, the SLD and the PSL became the dominant political forces by reflecting 36% of their popular vote into a 'constitutional' majority of 66 per cent of the seats in the Sejm - 171 seats for the SLD and 132 for the PSL, and 76 of the 100 seats in the Senate. Although these two parties were transformed constituents of their allied counterparts from the communist period, neither the SLD nor the PSL advocated a return to the communist past. Both put forward the possibility of a third way within capitalism that cared for the social needs of the workers and people. However, it is hard to say that they had similar agendas. Their power bases in the period of transformation have been different, which resulted in conflicting policy interests. The PSL was probably the only party that based its foundation on a certain interest group, mainly on the agrarian electorate and subsequently sought to follow policies that would favour this constituent. The SLD, on the other hand, transformed itself into a social democrat party and pursued an approach appealing to various segments of the population. The two parties deep differences over issues of economic policy was reflected in their struggle for institutional control over prestigious posts such as the posts of the speaker of the Sejm and the key economic ministries - four strategic key economic ministries of finance, privatisation, industry, and foreign trade which were important for shaping the economic transition of Poland.

The main concern in Poland after the 1993 elections was whether the SLD-PSL coalition government that was formed under the leadership of the PSL leader Pawlak was to follow the political and economic policies set forth by the Solidarity governments of the past four years. In order to understand the orientation of these two parties one needs to analyse the promises made by these parties during the election campaign as against the actual policies that they had to follow during their rule and the reasons behind these policy choices. The PSL had long followed a consistent agenda, which required substantial state interventionism in favour of the

[132] Anna Sabbat-Swidlicka, "Poland: the End of Solidarity Era," *RFE/RL Research Report*, 7 January 1994, p. 81.

farmers. Thus, PSL's inclination, briefly, was to follow protectionist measures for agricultural sector like state guaranteed minimum prices for agricultural goods, easy credit for farmers, and limitations on imports of competing Western products and the cheap Eastern products to protect the domestic market. Furthermore, the PSL was against privatisation of state-owned industries.

It is the SLD that needs to be examined in more detail for two main reasons. First, the SLD remained the main subject of confrontation between what used to be the communist party and the society represented by the Solidarity. The dividing line between the successor of the PZPR and the post-Solidarity forces, having emerged at the beginning of the 1980s during the Solidarity years, remained an important issue during the 1990s. The divide made it impossible for the SLD to form an alliance with any of the post-Solidarity forces, especially the UD[133], declared by the SdRP leader Kwasniewski after the elections to be the best possible partner, because of the UD fear of electoral backlash.[134] Indeed, the policy programs and choices of the parties grew similar over the course of the 1990s and beyond.

Second, the SLD emerged as the dominant force in determining the policy direction of the governments in between 1993 and 1997 - despite initial problems that emerged during the Pawlak government. In fact, it is difficult to argue that the SLD did put forward an ideological criticism of the transformation process. On the contrary, the SLD supported the political and socioeconomic reforms from the very beginning but with suggestions of moderate corrections. Their main criticisms concentrated on the lack of social protection and a security net.[135] This approach emphasised the party's desire for "capitalism with a human face", an approach that cared for the social needs of the workers and the people with some degree of state intervention in economy. Accordingly, the SLD promised to provide greater

[133] In May 1994 the Democratic Union and the Liberal-Democratic Congress merged to form the Freedom Union under the leadership of Tadeusz Mazowiecki, who was replaced in April 1995 by Leszek Balcerowicz.

[134] Anna M. Grzymala-Busse, *Redeeming the Communist Past: The Regeneration of Communist Parties in East Central Europe,* (Cambridge; Cambridge University Press, 2002), p. 253.

[135] *Ibid.*, pp. 165-6.

assistance for the unemployed, to increase pensions, and to raise wages for teachers, health-care workers and other budget-sector employees - the main striking groups in May 1993 strikes that gave way for the no-confidence vote which resulted in the fall of the government. These promises appealed to address the issues of unemployment and pay differentials that were also brought up by the Solidarity trade union. However, this strategy ends up not as an alternative but a subordinate element in the neo-liberal capitalist transformation strategy.

The SLD concerns for the workers and people, SLD sought to address the state enterprises and private entrepreneurs. Thus, the SLD also pledged to reduce taxes on state firms and forgive their debts, and forego planned increases in value added tax and energy price hikes.[136] However, the main issue for the SLD had been to pragmatically build on the deficiencies of the post-Solidarity forces in order to broaden its electoral base further. As has been outline above, the most important feature of Polish politics between 1989 and 1993 was the lack of stability in the formal institutions of power, chaos and policy differences that prevailed among the fragmented centre-right groups. During this period, Poland had five Prime ministers, four governments, three national elections and two presidents. This chaotic political situation, in turn, created disillusionment with the Solidarity governments and the Solidarity trade union.[137] The SLD, by focusing on government stability, managerial competence and legislative independence increasingly appealed to broad range of electorate and received support from urban workers, pensioners, intellectuals, and professional and entrepreneur groups.[138]

These SLD and PSL promises required increased spending that pointed to the dilemmas of Poland's economic transformation. The promises required sums that exceeded the resources available and the two coalition partners proposed increase of taxes on the private firms and cracking down on tax evasion and the

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[136] Louisa Vinton, "Poland's New Government: Continuity or Reversal?" *RFE/RL Research Paper*, Vol. 2, No. 46, 19 November 1993, p. 2.

[137] For more detailed analysis of the eve of 1993 elections see Louisa Vinton, "Poland's Political Spectrum on the Eve of The Elections", *RFE/RL Research Report*, Vol. 2, No. 36, 10 September 1993.

[138] Grzymala-Busse, *op. cit.*, pp. 161-2.

flourishing semi-legal 'grey sphere' of economic activity, which would not cover for the extra revenues necessary.[139] The Olszewski government that came to power after October 1991 elections and was a critic of the radical free market economic reforms made similar promises but had to step back and abide by the austerity. The New Finance Minister and deputy Prime Minister with overall responsibility for economic policy, Marek Borowski, signalled such an attitude by saying, "it is obvious that the scale of increase in spending on social benefits will have to be tailored to the country's financial possibilities."[140]

From the very beginning, Waldemar Pawlak tried to follow an independent course of politics prioritising his party's policy stance. Pawlak's policy choices were mainly determined by and aimed at his electoral base. The Pawlak government slowed down privatisation and local administration reform as these policies affected the Peasant Parties attempt to strengthen its position in banking, tobacco and local government.[141] The privatisation program, one of the programs inherited from the Suchocka government and only required Pawlak's signature to be initiated, was delayed as Pawlak argued the program needed review. In a way, Pawlak's approach reflected his belief for the necessity of state intervention in order to achieve the equal treatment of state and private sectors. The consolidation of institutional control that Pawlak sought would be important for providing cheap credits and subsidies to his party's agricultural base, in search of protection of the farmers from the market and international competition[142]; nearly 10 per cent of the 1994 budget went to agriculture.[143] It needs to be emphasised once again that at the time the PSL was the only party in Poland that represented sectoral and group interests. The Pawlak government's radical policy priorities surfaced differences between the coalition partners which led the SLD to demand a say by both parties

[139] Vinton, "Poland's New Government", p. 2.

[140] *Ibid.*, p. 3.

[141] Grzymala-Busse, *op. cit.*, p. 254.

[142] *Ibid.*

[143] Louisa Vinton, "Velvet Restoration", *Transition*, 30 January 1995, Vol. 1, No. 1, p. 47.

in the final decision of the prime minister as early as 15 November 1993.[144] In the long run, all these developments enabled the SLD to take over and dominate the reform process.

Although the Pawlak government seemed to follow an independent course, in reality, it was restrained by various internal and external constraints that included the IMF and the National Bank of Poland (NBP), the desire to be integrated into the Euro-Atlantic structures and the executive power struggle with President Walesa. The National Bank of Poland (NBP) in close association with the International Monetary Fund (IMF) provided the institutional setting that made any divergence and reversal from the ongoing economic policies quite difficult. The NBP president Hanna Gronkiewicz-Waltz, in an interview published in *Rzeczpospolita* right after the elections said that she would not allow an increase in inflation.[145] The promises made by the coalition partners were certain to increase the budget deficit (which was considered as one of the most important factors in the increase of inflation by the neo-liberals) which, in turn, would force the government to search for extra revenues in order to be able to finance the deficit. The NBP had a role in financing the deficit up to a certain level but intended to reduce its role in 1994. Therefore, it became clear that if the coalition partners were to stick to their 'populist' promises they made - according to the neo-liberal thinking - they would certainly need to find a way to finance the budget deficit that would be created by extra spending. In addition, NBP president was against any lowering of interest rates that would open the way for easy and cheap credits promised mainly by the PSL. What remained crucial was the fact that any failure to meet the strict IMF criteria for the budget and inflation would risk the support of the IMF for Poland's transition process. The loss of IMF support, on the other hand, would put the Polish transition process - and therefore the government - in a difficult position. As has been noted in the previous chapters, IMF support was a prerequisite for the World Bank and other financial organisations' loans and for the qualification of further debt reductions owed to foreign governments. The

[144] Grzymala-Busse, *op. cit.*, p. 255.

[145] *Ibid.*

SLD-PSL government was aware of the difficulty for economic manoeuvre especially when $8 billion of Poland's foreign debt were to be negotiated to allow for a reduction on the condition that the government met the IMF requirements.[146]

Apart from the differences on economic policy issues and the IMF constraint over economic policy making, the executive spheres of influence threatened the coherence of the government. The decision by the government to allow President Walesa to assign the three ministers to head the 'presidential' Ministries of Defence, Internal Affairs and Foreign Affairs resulted in an executive division, which brought into question the stability and coherency in policy making. However, this move was considered as leaving the responsibility of Poland's security, international relations and foreign policy making in the hands of President Walesa indicating the SLD-PSL commitment to continuity in the general direction Poland was heading.

This general concern of the SLD-PSL governments was also confirmed by the general orientation of the government for continuity in Polish western orientation. There was a consensus among the elites and public general concerning the aspirations for membership in NATO and the European Union which also proved important factors in shaping policy motives in Polish politics. Poland faced security concerns and problems for centuries, geographically having been squeezed in between Germany and Russia, and thus, full membership into NATO was considered to be the only guarantee in the post-Cold War era. Similarly, membership into the EU was seen as a 'return to Europe' an important step towards achieving prosperity and thus economic security. Poland, having signed an Association Agreement with the EU in 1991 that came into force on 1st of February 1994, had already been adjusting Poland's standards to norms specified by the EU. The SLD-PSL government furthered Polish aims of integration with Western Europe with the application for full membership into the EU on 8 April 1994. The Pro Memoria attached to the official application for membership also indicated clearly the orientation of the SLD-PSL government as well as continuity in foreign policy priorities; "for Poland, accession to the Union means

[146] *Ibid.*

consolidating the results of democratic and systemic transformations and accelerating her economic development."[147] Subsequently, the SLD-PSL government published a "Strategy for Poland" that offered a relatively constant economic policy framework for the SLD-PSL government with the aim of preparing Poland for the EU membership.

Although foreign policy priorities was an issue that clamed relations with Walesa, the reform course was not. The power struggle with Walesa reached its peak when Walesa demanded Pawlak's resignation in February 1995 following a budgetary crisis by threatening to dissolve the parliament. For some, that was seen as a political move by Walesa to exploit the tense relationship between the coalition partners and eliminate the SLD Aleksander Kwasniewski, his most prominent presidential rival for the 1995 presidential elections.[148] Lacking the support of the SLD parliamentary members Pawlak was replaced by Jozef Oleksy, a high-ranking member of the communist party before the transition, despite the opposition of Walesa. Oleksy assured the public that he would continue the reforms in the transformation to a free market economy, but with less shock and more therapy. In fact, Pawlak's anti-reformist attitude and obstructionist policies proved important in helping to raise the public image of his coalition partner, the SLD.

In the meanwhile, many post-Solidarity politicians continued to believe in an eventual reunification despite the fact that Solidarity movement's breakdown seemed inevitable and irrevocable. The right-wing attempts for unification reached its peak of failure with the inability of the leaders to agree on a common candidate for the presidential elections in November 1995.[149] The failure rested mainly on the policy differences of the right wing leaders and clashes of personality. Even the legendary Solidarity leader, Walesa, was not able to garner support of the

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[147] Cited in Elzbieta Kawecka-Wyrzykowska, "Effects of the Europe Agreement on Polish Economy and Pre-accession Challenges," *Yearbook of Polish European Studies*, Warsaw University Centre for Europe, Vol. 1, 1997, p. 131.

[148] Tworzecki, *op. cit.*, p. 64.

[149] Aleks Szczerbiak, *Poles Together? The Emergence and Development of Political Parties in Postcommunist Poland*, (Budapest, Hungary: Central European University Press, 2001), pp. 20-24.

right-wing parties and lost the presidential elections in the second round by 48.28 per cent to 51.72 per cent to SLD leader Kwasniewski.[150]

The presidential elections in November 1995, was another blow for the post-Solidarity camp. While Kwasniewski stressed the theme of unity, promising to overcome the old divisions, Walesa held his combative, unpredictable and divisive stance in the presidential elections. Walesa spent as much time attacking Kwasniewski as he did explaining his program. He was not able to bring the right wing together despite the materialization of the party-Solidarity polarisation, as he was considered by many a destabilising factor in Polish politics. Perceived to lack a strategic vision, Walesa was thought to have failed not only to direct Poland towards but also delayed the achievement of its reform goals while trying to expand his presidential powers and influence. He has done so while trying to accelerate what he had actually failed to achieve. "Polish people voted for normalcy, stabilisation and peace" argued Adam Michnik, former dissident and the chief of *Gazeta Wyborcza*, "not for a return to communism. Kwasniewski managed to present himself as a contradiction to the authoritarian, plebeian, and coarse Walesa, as a modern, self composed, and conciliatory politician, a politician of the future and of 'a shared Poland'".[151]

After being elected, Kwasniewski stressed his commitment to democracy and free-market economy by saying "the choice we made in 1989 is the correct choice, supported by the majority of Poles."[152] The first task he had to encounter just as he was taking over as President was the Oleksy affair. The outgoing President Walesa, produced documents accusing Oleksy of having had contacts with former KGB and its Russian successor Federal Security Agency intelligence officers and divulging confidential information.[153] When charges were brought against him, Oleksy resigned. However, the allegations have never been proved.

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[150] *Ibid.*, p. 21.

[151] Adam Michnik, "The Velvet Restoration," *Transition*, 22 March 1996, pp. 13-16.

[152] Ray Taras, "The End of the Walesa Era in Poland", *Current History*, March 1996, p. 126.

[153] Jakub Karpinski, "In the Wake of Presidential Elections, A Crisis of Authority", *Transition*, 26 January 1996, p. 56.

Wlodzimierz Cimoszewicz, a non-party SLD nominee, replaced Oleksy. Kwasniewski responded to the Oleksy affair by proposing new legislation ensuring access to secret police dossiers on politicians.[154] The dossiers were later to be used to accelerate the power struggle in domestic politics.[155]

The SLD-PSL governments turned more pro-market under the dominance of the SLD, but were also concerned to make corrections to the Balcerowicz programme in an aim to provide a safety net. The recovery of the Polish economy continued as well: Industrial production continued to rise, as did the GDP; the steadily growing private sector remained the main driving factor in economic growth; increasing exports and investments became the main factors in economic growth rather than consumption; the budget deficit was below the target level and inflation was falling; unemployment began to fall after it reached a peak in 1993; and by mid-1990s Poland became the first and only country to restore GDP output to its 1989 level.[156] The IMF continued to provide support and the Polish economy was considered as one of the strongest performing economies in Central and Eastern European. Besides, membership into the Organisation for Co-operation and Development (OECD) in 1996 exacerbated Poland's economic position. In addition trade with the West, especially the EU, had improved sharply and membership of the EU became the sole important factor in determining long-term policy objectives.

4.3.1.3 The Second Solidarity Period: The Continuing Dilemmas

The swing towards the left was reversed with the 1997 parliamentary elections when the right in Poland has managed to form a broad alliance, the Solidarity Electoral Action (AWS), under the leadership of the Solidarity trade union. AWS won 33.8 per cent of the vote, giving it 201 deputies in the Sejm. The SLD, on the other hand, actually managed to increase its share of the vote to 27.1

[154] Taras, "The End of the Walesa Era", p. 127.

[155] Interviews of policy makers and opinion leaders in Poland.

[156] George Blazyca, "The Politics of Economic Transformation," in *Developments in Central and East European Politics 2*, edited by Stephen White, Judy Batt and Paul G. Lewis (London: Macmillan, 1998), p. 208.

per cent giving it 164 deputies despite being in power for the last four years. The other parties that gained representation in the parliament were the Freedom Union (UW), 13.3 per cent and 60 deputies, the Polish Peasant Party (PSL), 7.3 per cent and 27 deputies, and the Movement for Poland's Reconstruction (ROP), 5.5 per cent and 6 deputies. The Polish parliament was clearly divided between two dominant groups after the 1997 parliamentary elections. However, the most important determinants of Solidarity's victory were the religious cultural and moral values within the broader ideological struggle which requires an in depth analysis.

After several failed attempts by the right wing leaders to unite, the AWS was created by the Solidarity trade union in June 1996 in response to the right's catastrophic losses in 1993.[157] The purpose was evident in the statement of the Solidarity trade union leader Marian Krzaklewski that was made to *Gazeta Wyborcza* in May 1995; he wanted Solidarity to be what it was in the 1980s - a trade union and a mass movement engaged in politics, social service, and community action, with the support of most of the country.[158] From the very beginning, AWS placed itself as an organisation against the communist party rule and with an alternative reform program to that of the ruling communist party successor SLD. The anti-communist sentiment proved important in bringing the right-wing parties together after the presidential elections of 1995. Consequently, the AWS blamed the SLD for avoiding important reforms and declared its intention as completion of the economic reforms; the continuation of privatisation, decentralisation of the executive authorities and finance, and the reform of health and social insurance.[159] Indeed, winning the parliamentary elections was exactly what they intended to do.[160]

The Solidarity trade union, although in a period of trying to clarify its identity and role in politics after the 1993 elections, still remained extremely active

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[157] Karpinski, "Poland's Phoenix Rises", p. 65.

[158] Orenstein, "Who's Right?", p. 31.

[159] *Polish News Bulletin*, 5 September 1996.

[160] Orenstein, "Who's Right?", p. 31.

in debates over issues such as the new constitution, privatisation, taxation and agricultural policy, in addition to matters related to the trade union. Nevertheless, it had contradictions of its own making. Seen as leftist economically, Solidarity was considered too rightist and conservative culturally and socially. On the one hand, it had to defend class interests and on the other, politically justified itself by defending cultural and national values against communism, which had been identified with Russians. In 1995, this dilemma became even clearer. Although the trade union defined itself as a 'pro-reform', right wing, trade union, political party, it marched to demand more subsidies for state enterprises from a fiscally conservative, leftist government. The demonstrations in May 1995 were seen as a campaign to destabilise the SLD-PSL government before the presidential elections in November 1995. Moreover, that was a campaign to clarify and consolidate divisions between the right and righteousness, defined as the post-Solidarity camp, and the left and communist betrayal, defined as the SLD and their allies.

The constitutional debate was important in enabling the Solidarity leadership to transform themselves into a political bloc and form the AWS. The draft constitution prepared by the Solidarity trade union provided for insights on the problems that the union envisaged and the role it perceived for itself in correcting these problems. The draft referred to a market economy but criticised the orthodox neo-liberal approach by taking a socially oriented approach claiming to watch closely the social context of economic reforms. Accordingly, the union envisaged minimum wages and role for employees in managing enterprises.[161] In addition, by proposing to effectively include the workings of a tripartite commission, the union wanted to strengthen the role of and achieve the right for trade unions to be involved in economic policy making.[162] The trade union, itself, aimed at influencing the economic policy making of the government as it was not pleased with the neo-liberal inclination in economic policy making and the damage that the policy decisions had on its power base. Thus, the union was placed as much against the neo-liberals as it was against the communist successor parties.

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[161] *Polish News Bulletin*, 13 February 1997

[162] Michal Wenzel, "Solidarity and Akcja Wyborcza 'Solidarnosc': An Attempt at Reviving the Legend", *Communist and Post-Communist Studies,* Vol. 31, No. 2, 1998, p. 148.

When the AWS was formed as a 37-party coalition, it embraced an understanding that labour's prosperity depended on business performance. However, ever since the initial phase of its formation, the AWS faced outright problems because of the predominant struggle among its different factions. Besides the political ambitions of the trade union leaders, clash of interest and value inclinations of the Christian-national and economically liberal conservative wings within the AWS formed the basis of the power struggle.[163] The struggle was reflected in the AWS programme that was presented by the Solidarity leader, Marian Krzaklewski, during the Gdansk celebrations of the 17th anniversary of signing the August 1980 as a programme of 21 tasks for Poland with clear reference to the 21 demands of Solidarity. The programme was regarded as a mixture of leftist and rightist ideas. It provided reference to social teachings of the Church, a pro-family tax system, a modern health protection system, a reform of the pension system, more efficient work of the police, courts and prosecutor's offices, implementation of the legislations on property rights enfranchisement, privatisation, decentralisation of state power and isolation of the economy from politics.[164] While providing such a detailed programme on reform, Solidarity refrained from taking a clear stance on the issue of European integration.[165] This was the result of lack of a compromise among the different factions of the AWS. Although, accession provided an important political, it presented the AWS with some difficulties as well. EU accession entailed implementation of reforms that required Poland to restructure its heavy industries in the mine and steel industries which certainly was against the interest of a significant section of AWS electoral base.[166]

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[163] Kuba Spiewak, **"**A House Divided: AWS**",** *Warsaw Voice,* 1 June 1997.

[164] *Polish News Bulletin*, 2 September 1997.

[165] Anna M. Pluta, "Evangelizing Accession: Solidarity Electoral Action and Poland's EU Membership", *Slovo*, Vol. 16, No. 2, Autumn 2004, p. 155.

[166] See Frances Millard, "Polish Domestic Politics and Accession to the European Union", in *Back to Europe: Central and Eastern Europe and the European Union,* edited by Karen Henderson, (London: UCL Press, 1999).

AWS was rather an eclectic grouping brought together under the Solidarity trade union umbrella against the communist successor parties basing itself on the legendary movement of the 1980s, often claiming to finish off the revolution that began in August 1980.[167] Indeed, the union provided the only platform and organisational and structural network that was capable of running a successful campaign that could challenge the SLD.[168]

While talks to unite the right wing parties/formations were still going on, Krzaklewski argued that an alliance between the AWS and UW was impossible due to differences in programmes.[169] This argument was based on the fact that the AWS programme, based on the social teachings of the Church, was a mixture of leftist and rightist ideas whereas the UW had a programme that was clearly promoting economic liberalism. In fact, both the AWS and the UW leadership were reluctant about the idea of forming a coalition after the elections. For Solidarity unionists, Balcerowicz was associated with the negative effects of the economic transformations.[170] For the liberal elite, on the other hand, Solidarity's radical and nationalistic approach was the main reasons why AWS and UW could not be allied. Besides, they had different worldviews concerning issues like abortion and the role of the Catholic Church which placed the UW closer to the SLD than the AWS. Despite the fact that both parties shared key policy priorities, including privatisation, there were also striking differences in economic policy such as the issue of fiscal policy, where the UW favoured a tighter fiscal policy while the AWS wanted more flexibility to launch the ambitious reform programme it had.

Though forming a coalition with the UW was certainly a step away from aiming at the goals of the Solidarity trade union, this proved inevitable as both parties were disinclined towards any reconciliation with the SLD. When the AWS-

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[167] Slawomir Slepowronski, "Coalition Course**",** *Warsaw Voice,* 29 June 1997.

[168] *Rzeczpospolita,* No. 167, 19 July 1996, p.3; *Polish News Bulletin*, 25 July 1996.

[169] Zycie Warszawy, No. 197, 23 August 1996, p. 4, cited in the *Polish News Bulletin,* September 5, 1996.

[170] Slepowronski, *op. cit.*

UW coalition government was formed under the leadership of Jerzy Buzek, it hoped to enjoy substantial credibility with the public as in 1990. Many areas of social and economic life were considered to be in a catastrophic condition and the SLD-PSL government was claimed to have introduced no fundamental reforms. In Buzek's view, the main weakness of the budget inherited from the SLD-PSL government was considered to be the trade deficit which showed the effect of neglect in reforming many areas of public life, of delays in privatisation and in the restructuring of industry.[171]

The AWS and the UW had overlapping priorities; however, there was no certainty on the AWS side on how their reform priorities would be carried out or what they should consist of. The discussions during coalition talks concerned mostly the method and the rate of reforming and financing the reforms needed. AWS' outstanding task was to combine the interests of its core supporters in the heavy industrial labour force with those of the skilled workers, professionals and the entrepreneurs. However, the lack of a clear programme on the AWS side led to the dominance of the UW in the government, and thus to the dominance of the neo-liberal agenda. However, AWS members holding key ministerial posts in the government were also influential in the dominance of neo-libarelism.

Serious opposition within the AWS began to take place as early as the first half of the 1998 claiming that the government failed to implement the AWS programme and promises made before elections. They were not merely concerned with the UW-Balcerowicz takeover of policy-making, but were also dissatisfied with AWS ministers, treasury minister Emil Wasacz and economy minister Janusz Steinhoff, who were liberal technocrats. The promise of greater consultation and dialogue was not enough to overcome the personal conflicts and differences of opinion. Krzaklewski's decision not to take part in the ruling coalition and the fact that he was taking part in the final decision making process from the outside became other important factors destabilising and weakening the Buzek government.[172] Furthermore, Krzaklewski and Buzek were unable to control and

[171] *Polish News Bulletin,* 4 December 1997, in an interview for Polityka's Janina Paradowska and Jerzy Baczynski, Polityka No. 47.

[172] *BBC Monitoring,* 23 September 1999.

discipline the AWS caucus after a while. Consequently, the more radical groups left AWS severely opposing the policies of the government, reducing the number of AWS deputies in the Sejm from 201 to 187 in less than a year.[173]

Several matters became issues of squabble both within the AWS and within the AWS-UW coalition which finally led to the collapse of the coalition government in May 2000 following a series of conflicts. Conflict over the 1999 budget, tax reform, the privatisation programme and later discussions over the reshuffling of the cabinet for months were some of these issues that strained the coalition government and damaged the public image of both coalition partners. As was noted above, priorities of the coalition partners differed substantially, however, the clientalistic personnel policy within the AWS aiming to please different factions added to these squabbles.[174] The UW, with regard to the struggle over the health service reform in January 1999, pointed especially at the Minister of Health to argue that the reforms were badly prepared and that the responsibility rested upon the minister and the health service personnel. On the other hand, the increasingly pro-market approach of the government was a source of conflict for the economically interventionist factions of the AWS. Indeed, for the AWS base, the AWS grouping was also seen as simply not delivering what it was elected to do. In this respect, a case in point was the lack of pro-family orientation of the government, especially the UW ministers, over reform issues such as the corporate and personal tax reform in November 1999. The conflicting views of the coalition partners finally led to a break of the coalition by the end of May 2000 over a roar concerning the appointment of an official administrator in Warsaw's City Centre commune, leaving Buzek as the head of a minority government. The conflicts partly emerged as a reflection of independent, uncoordinated manner of reform and policy formation among the different ministries that were under control of different coalition partners.

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[173] The Economist Intelligence Unit, "Poland Politics: AWS defections" *EIU-Country Economic News,* 18 September 1998.

[174] *Polish News Bulletin,* 4 June 1998; *BBC Monitoring,* 21 January 1999.

The struggle within the AWS, concerning the management of the AWS itself, was further aggravated leading members of the AWS parliamentary group to file in a no-confidence vote over their treasury minister Emil Wasacz and to call for the resignation of premier Buzek in January 2000.[175] The crisis centred on the coalition's privatisation policy, which mainly the opposing Christian nationalist groups charged that privatisation policy favoured foreign investors at the expense of local business and thus, at the expense of the AWS election pledge to distribute state assets to the people.[176] What is more, leaders of the small parties claimed that strategic decisions were being taken mainly by the five or six leaders of the big party/groups within the AWS leaving them outside the decision making process.[177] The failure to involve all the groups within the AWS decision making process through consultations and inclination towards more liberal policies and neglect of the AWS programme[178] led to the questioning of leadership within the AWS. The AWS leadership was not capable of consolidating the right wing parties within the AWS in an aim to lead the bloc towards being the party of the right. Krzaklewski was very successful in consolidating the right before the September 1997 parliamentary elections and was the main force behind the formation of the Buzek government. However, he was unable to achieve formation of a strong reform base and the unity of the AWS.

All these internal developments found their reflection in the conflict over the selection of the presidential candidate for the November 2000 presidential elections. This, indeed, proved to be the final countdown for a Solidarity role in Polish politics bringing an end to the legend of Solidarity. While the SLD leader Kwasniewski won an outright victory in the first round of the presidential elections with 53.9 per cent of the vote, Krzaklewski only managed to finish a humiliating

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[175] *BBC Monitoring,* 28 January 2000.

[176] The Economist Intelligence Unit, "Poland politics: Wasacz under fire from his own side", *EIU-Country Economic News,* 18 January 2000.

[177] *Warsaw Voice*, 16 January 2000.

[178] One of the shortcomings, in this sense was the failure to functionalise tripartite commission that AWS believed would involve trade unions in policy-making. See Elena A. Iankova, *Eastern European Capitalism in the Making,* (Cambridge: Cambridge University Press, 2002), p. 113.

third with 15.6 per cent behind the independent liberal candidate Andrzej Olechowski who received 17.3 per cent. Consequently, Krzaklewski handed over AWS leadership to Buzek in December 2000 after a series of negotiations with the main constituent groups.[179] However, this move did not prove sufficient to hold the Solidarity Electoral Action together. The AWS began to disintegrate quickly after the November 2000 presidential elections. Major defections took place when in January 2001 the former foreign minister and liberal independent presidential candidate Andrzej Olechowski, the Sejm's Speaker Maciej Plazynski of the AWS, and the Senate's Deputy Speaker Donald Tusk of the UW formed the Civic Platform (PO) and in April 2001 the politically independent justice minister of the AWS government, Lech Kaczynski supported the formation of the Law and Justice Party (PiS) led by his twin brother Jaroslaw Kaczynski.

The 2001 parliamentary elections in Poland brought a remarkable electoral victory for the Democratic Left Alliance by winning 41.04 per cent of total votes and 216 of total seats in the Sejm. The liberal PO received 12.68 per cent of total votes becoming the second largest party in the Sejm with 65 seats. The 2001 elections saw the rise of what used to be perceived as marginal groupings. In this respect, the success of Samoobrona (Self-Defense of the Republic of Poland) which won 53 seats with 10.20 per cent of the votes and League of Polish Families (LPR) that won 38 seats with 7.87 per cent of the vote was notable. Samoobrona has an agrarian power base, and is hostile to foreign direct investment whereas LPR is an ultra conservative patriotic party. Both parties hold a position against the European Union. The other parties that gained representation in the parliament were PiS with 9.50 per cent of the vote and 44 seats and PSL with 8.98 per cent of the vote and 38 seats in the parliament.

The political faction of the AWS, as the union withdrew in May 2001, participated in the 2001 elections however failed to gain representation. Solidarity, on the one hand, was an important instrument that united the fragmented right as against the SLD and on the other, it was more of an effective instrument for the

[179] Aleks Szczerbiak, "The Polish Centre-Right's (Last?) Best Hope: The Rise and Fall of Solidarity Electoral Action", *Journal of Communist Studies and Transition Politics*, Vol. 20, No. 3, September 2004, p. 66.

unionists in trying to enhance the social dimension of the transformation process by influencing the policy-making process.[180] From the very beginning, the unionist intention was to withdraw the union from politics by establishing the AWS as a single party of the right, a Christian Democratic political party, which would probably closely follow German ideas of the social market.[181] That was also the stance of the AWS parties.[182] However, miscalculation and mismanagement during the time of ambitious reform attempts which included the reform of the pension, healthcare and education systems, as well as the decentralisation of the state administration proved very unpopular for the coalition partners. The coalition's fragmented nature and ideological diversity proved unmanageable. The problematic nature of relations between the partner groups within the AWS provided an invaluable space for neo-liberalism. As a result, Solidarity became an important platform for legitimising and securing neo-liberal policies that the union has so much criticised as well as further weakening the position of labour.

In the next section, the study elaborates on the struggle for power in Romania before moving on to provide a comparative overview on the internationalisation of Polish and Romanian states.

4.3.2 Romania

As the study implied above the process of transnationalisation and thus the internalisation of neo-liberal restructuring in Romania differed starkly from the Polish case which was described as a success story mainly because of the compatibility of external and internal transformation designs.[183] In the Romanian case, political instability and thereof mismanagement has largely dominated the

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[180] *Polish News Bulletin,* 8 October 1998.

[181] Karpinski, "Poland's Phoenix Rises", p. 65. See also Zycie Warszawy, No. 197, 23 August 1996, p. 4, cited in the *Polish News Bulletin,* 5 September 1996.

[182] Marek Matraszek, "Solidarity in Charge", *Warsaw Business Journal,* 20 December 1999.

[183] With respect to the compatibility of designs see Antoni Z. Kaminski, "Poland: Compatibility of External and Internal Designs", in *Democratic Consolidation in Eastern Europe: Volume 2, International and Transnational Factors,* edited by Jan Zielonka and Alex Pravda, (Oxford: Oxford University Press, 2001), pp. 311-324.

explanations when referring to the problems and failures encountered in Romania during the transformation process. This is an important factor, yet it would be incomplete. External neglect of Romania as well as the difficult political and economic structures that it had inherited from its past stand out for consideration in an evaluation of the transformation processes in the 1990s. External interest in Romania has been fluctuating in time and no state in Western Europe prioritised Romania in its external relations, unlike Poland, Hungary and Czechoslovakia.[184] It was the dialectical relationship between the external and internal perceptions that shaped the Romanian transformation processes.

4.3.2.1 Iliescu and the National Salvation Front: National Path to Reform?

It is yet unravelled whether what is seen as a revolution of the 1989 is a revolution, a revolution from inside the party or a coup when the National Salvation Front (FSN) under the leadership of Ion Iliescu assumed power after the violent overthrow of Nicolae Ceausescu. Although the FSN placed itself at the top of the revolutionary movement and formed a council that "included many officers, students and intellectuals who had participated in the revolt" the hard core remained the former communists.[185] The FSN later consolidated its authority by taking over the old structures of the Romanian Communist Party in December 1989.[186]

The first elections were held in May 1990 before the opposition could organise itself. The opposition mainly emerged under the reconstituted historic parties of the inter-war years and was ill-organised. As a result, the FSN comfortably won the elections by receiving 66 per cent of the popular vote and its leader, Ion Iliescu became the President by receiving 85 per cent of the popular

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[184] Tom Gallagher, "Building Democracy in Romania: Internal Shortcomings and External Neglect", in *Democratic Consolidation in Eastern Europe: Volume 2, International and Transnational Factors,* edited By Jan Zielonka and Alex Pravda, (Oxford: Oxford University Press, 2001), p. 387.

[185] Tom Gallagher, *Romania After Ceausescu*, pp. 73-4.

[186] *Ibid.,* p. 74; Steven D. Roper, "Is There an Economic Basis for Post-Communist Voting? Evidence from Romanian Elections, 1992-2000", *East European Quarterly*, Vol. 37, No. 1, March 2003, p. 86.

vote in the presidential elections. Iliescu and the Democratic National Salvation Front (FDSN)[187], as it was renamed, were successful in winning the national elections that was held in September 1992 as well despite the split in the party and an effective opposition. This led to a domination of the former communist elite between 1990 and 1996 under the presidency of Ion Iliescu and the National Salvation Front. This was perceived as a continuity of personnel and policy whose agenda of change was limited.

With the changing international environment Romania began to reshape its foreign policy priorities and to establish a new set of political and economic relations. The key framework for democracy and economic reform was laid out in accordance with the IMF agreements and the Europe Agreements. However, the commitment of Iliescu and his party to the reform process was deeply questioned. The way the National Salvation Front assumed power, and violence and the nationalist rhetoric of the former communists was considered as a way of keeping the restructuring of the political and socio-economic order limited. Iliescu's nationalist tendencies and reluctance to reform was considered as a continuity of and not a break from Romania's communist past.

In the early 1990s, two violent interventions by the Jiu valley miners in Bucharest as well as treatment of minorities and violent events towards the Hungarian minority were important in hampering Romania's relations with the west and creating reluctance and serious concern towards the Iliescu administration.[188] The miner interventions that took place in June 1990 against the protests of the opposition right after the May 1990 national elections and in September 1991 against the Roman government were encouraged or organised with the call of Iliescu himself. In addition, there were violent confrontations between the Romanians and the Hungarian minority, especially in early 1990. Iliescu and other important figures in the National Salvation Front did not refrain

[187] Before the 1992 national elections the FSN was renamed the Democratic National Salvation Front (FDSN) and later Party of Social Democracy of Romania (PDSR), and finally the Social Democratic Party (PSD) in June 2001 after its merger with the Romanian Social Democratic Party.

[188] See Commission of the European Communities, *EC-Eastern Europe Relations,* Directorate-General External Information, DGX Background Brief (1), 5 March 1991, p. 2.

from using nationalistic rhetoric and practices, thereof souring relations with Hungary. Besides facing problems of human and minority rights, Romanian administration was not properly following and implementing the economic policies that were perceived as the only alternative for a successful transition by many in the west.[189] All these gave way to delays or cessation of financial assistance from the IMF and the European Community in particular in different time periods during the 1990s and delay in inclusion of Romania in the most favoured nations list by the US.

However, in the early 1990s what Iliescu/FSN intended to do was perhaps to establish good political and economic relations with the West while pursuing an independent way out [190]of the communist party rule, perhaps his/their own way of national capitalism. Adrian Nastase, Romania's Minister of Foreign Affairs between 1990-92 and the President of the Chamber of Deputies between 1992-96 emphasised the gradualist inclination of the Romanian governments between 1990-96 and argued that this was necessary for social as well as psychological reasons.[191] In turn, overcoming such problems required state intervention or a role for the state in transforming the political and socioeconomic order, which stood against a neo-liberal tide at the international level. However, another important cause might have been the desire of the communist successors to carry on with a strong post-communist party-rule.

The fact that Romania did virtually have no foreign debt seemed to be an advantage in the transformation process encouraging the desire of the leaders to follow an independent path. However, Romania faced its first transformational recession in the early 1990s; exports almost halved, GDP fell by almost 30% between 1990-3, industrial output nearly halved, and inflation was around 200-300% during 1991-93. Romania encountered one of the most enduring economic

[189] The European Community openly criticised the 1990 program as "too gradual, causing perverse anticipation effects". See Commission of the European Communities, Economic Reform Monitor: Economic Situation and Reform in Central and Eastern Europe, Directorate-General for Economic and Financial Affairs, January/February 1992, p. 11.

[190] Gallagher, "Building Democracy in Romania", p. 393.

[191] Adrian Nastase, *Battle for the Future,* (New York: East European Monographs, Columbia University Press, 2001), p. 56.

downfalls in the region because of her incompatible structure, which was mainly based on heavy industry and manual labour, and disruption of its foreign trade due to the loss of traditional trading partners as a result of the events in the former Yugoslavia and the Gulf region after 1989. All these contributed to a severe fall in living standards in the early 1990s.

Nevertheless, it was not possible to speak of a consensus among the elite. The power struggle and friction between Iliescu and Prime Minister Petre Roman had its reflections over the pace and substance of the economic reform. This mirrored a general struggle within the 'radical vs. gradualist' transition debate to free market economy in Central and Eastern Europe. Prime Minister Roman and his supporters favoured a faster pace of economic reform whereas the Iliescu wing, as has been noted above, charged that a strong social policy should accompany any market reform. In the midst of this personal struggle, the Jiu valley miners took the stage - upon encouragement by President Iliescu - to violently protest the government and attack the government buildings in September 1991, after the Roman government took some measures in March-April 1991 to speed up the economic reform process. Roman handed in his mandate to avoid any crisis. Although he did not intend to resign and aimed a reshuffle in the government, Iliescu announced his acceptance of the resignation of the cabinet and in a way dismissed the Roman government.[192]

Iliescu later consolidated his power in policy-making with the approval of the new constitution by the parliament in November 1991. The constitution established a semi-presidential system giving the president the power to nominate and dismiss the prime minister. Besides, it granted the president with the right to consult with the government and participate in government meetings.

Generally, the Iliescu administration is blamed for failure of implementation of the necessary policies and failure in fulfilling the conditions put forward by the international financial institutions and the European Community. For that reason, the Iliescu and his party is widely held responsible for missing the opportunities of transformation in the first half of the 1990s and therefore for

[192] See Michael Shafir, "'War of the Roses' in Romania's National Salvation Front," *RFE/RL Research Report*, 24 January 1992.

failing to place Romania among the first group of countries that was to be integrated into the European Union. The fact that none of the Union members saw Romania as within its sphere of influence[193] led the Iliescu administration to follow suit in rhetoric, but not in implementation of the policies required from the transformers.

Development of relations with the West, especially with the EC and the US, were important foreign policy priorities of Romania after 1990. After concluding its Europe Agreement with the EU on 1 February 1993, Romania was admitted to the Council of Europe in the same year and became the first Central and Eastern European country to sign the Partnership for Peace agreement with NATO in January 1994.

Nevertheless, it can be argued that international interest in Romania and its transformation process in the early 1990s had been weak when compared to especially the Visegrad states of Poland, Hungary and Czechoslovakia. Although there was a shift in trade towards the West, FDI was negligible in comparison to other Central and Eastern European countries. The international preoccupation with the Balkans, particularly the former Yugoslavia, and Central and Eastern European states bordering the EU gave way to the preference to keep Romania (a Balkan state itself) at arms length without fully incorporating her. Violent events of the 1990 also had important implications in this respect delaying the extension of the PHARE programme to Romania until January 1991.[194]

As Zecchini indicates, international financial institutions had to press the donor countries to provide the financial assistance they promised for Romania (as well as Bulgaria) to enable them to manage their reform programs.[195] In addition, the involvement coming from various NGOs and economic bodies was not influential over the Western policy towards Romania. Hence, international organisations have been effective in preventing a slide into autocracy and

[193] Gallagher, "Building Democracy in Romania", pp. 386-7.

[194] The PHARE was extnded to Czechoslovakia, the GDR, Yugoslavia and Bulgaria in July 1990. See Commission of the European Communities, *EC-Eastern Europe Relations*, p. 13.

[195] Salvatore Zecchini, "The Role of International Financial Institutions in the Trnasition Process", *Journal of Comparative Economics* 20, 1995, p. 124.

establishing respect for human and minority rights, however have not been able to thoroughly restructure the political environment in Romania and help sustain the continuity of the reform process.[196] It must be noted here that the European Union did not yet have a comprehensive approach to transform and restructure the region as a whole.

EU-Romania relations stay within the general framework of relations between the EU and the states of Central and Eastern European. Although there was no properly specified EU strategy towards the region, the international preoccupation noted above led the EU to make a differentiation from the very beginning on the basis of the dynamics and level of development as well as the concentration of political and economic interests of EU member states geographically in Central Europe. Here, it must be emphasised that it was not only the interest of EU political elite but business elite as well that determined a differentiation towards the countries in the region.

As was noted above, Romania signed its Europe Agreement with the European Union on 1 February 1993, almost two years after Poland. Europe Agreements were important tools of influence during the transformation processes, as was outlined in chapter 3 of this study. Similar to other agreements signed from 1993 onwards ad in contrast to Polish and Hungarian agreements, Romania's Agreement included specific articles making reference to the general principles of conditionality: transition to democracy and free market economy, existence of institutions guaranteeing human rights and respect for and protection of minority rights. Successful cooperation under the Europe Agreements required adherence to these broad conditions which, later in June 1993 at the Copenhagen European Council, were to be spelled out as part of the Copenhagen criteria that the associated countries had to meet for accession into the European Union. The interim agreement of the Europe Agreement signed between the EU and Romania concerning economic cooperation was operational immediately, although the agreement had to be approved by respective parliaments before it fully came into force in February 1995. However, official reference to general principles of

[196] Tom Gallagher, "Building Democracy in Romania", p. 385.

conditionality was important in indicating the initial reluctance of the EU leaders with respect to the countries that were included in the process at a later stage.

Specific reference to the issues of democracy, free market economy, human rights and minority rights intended to engage the peripheral states like Romania and Bulgaria in what was assumed to be the right direction in the transformation processes. This indicated the necessity to integrate Romania despite the reluctance towards the Iliescu regime. On the one hand, Romania was perceived as a peripheral state which was not prioritised, on the other, it was home to an important Hungarian minority that necessitated its inclusion. It had to be incorporated so as to prevent the spread of ethnic conflicts in the region that gave way to a bloody war which resulted in the destruction of former Yugoslavia.

By mid-1990s Romania started to reorient its policy towards further inclusion in the Euro-Atlantic institutions. With that aim Romania applied for EU membership on 22 June 1995. This approach coincided with the increasing role of the Union role in the region as well, which began to take initiatives to enhance political and security cooperation at the regional level. As such, Romanian application for membership necessitated a reconsideration of her relations with Hungary. Although the process of negotiations to reach an agreement started within the context of the EU Essen European Summit decisions towards establishment of stability pacts between the countries of the region,[197] the Hungarian-Romanian Treaty was being delayed for concerns over the issue of minority rights. The deadlock between Hungary and Romania was overcome upon pressure from the EU and other institutions and the basic treaty on good neighbourliness was signed in September 1996. However, the conflict need to be explained in more detail as it was one of the major issues frustrating Romanian integration.

Foreign and domestic critics of FSN stressed the lack of government commitment to democratic process and human rights and pointed to the government links with extreme nationalists. A major criticism concerned the neglect of early promises on cultural and educational facilities made to the

[197] Alan Mayhew, *Recreating Europe: The European Union's Policy towards Central and Eastern Europe*, (Cambridge: Cambridge University Press, 1998), p. 169.

Hungarian and other ethnic minorities. When the Council of Europe received an early application for membership from Romania on 16 March 1990, it chose to acknowledge the application as merely a declaration of intent as Iliescu and the FSN had neglected some preliminary conventions, such as the European Cultural Convention, which the Council regarded as a precondition for eventual membership. The Council specifically referred to interethnic violence at Tirgu Mureş to emphasise FSN's continuing undemocratic and repressive practices.

In the immediate post-Cold War period Romania saw the issue of minority rights as an internal matter and showed no willingness to internationalise it.[198] Romanian international relations began to be hindered as the EU and NATO, besides the Council of Europe called on the Eastern European countries to establish good relations with their neighbours, a process that was seen as an important stage for stability in the region in the early 1990s. As it became a bigger concern in the region with the start of the war in the former Yugoslavia, Romania compromised to ratify the European Convention on Human Rights and the protocol concerning Article 25, the right of petition of individuals to the European Court of Human Rights - that was eventually signed on 20 June - and became a member of the Council of Europe on 7 October 1993.

Increasing international pressures and thereof the feeling of isolation in the competition for western institutions was the reason behind Romania's move toward reconciliation.[199] The isolation was also caused by Romania's obvious failure to match the Hungarian public display of a will to compromise. When in 1995, the Council of Europe Committee of Ministers obliged member states to conform to Recommendation 1201, and the EU and NATO reiterated their position on the issue of minority rights, Romania signed the Framework Convention for the Protection of National Minorities on 11 May 1995.[200] Though, it was about a year later that Romania eventually accepted the inclusion of Recommendation 1201 in

[198] Edith Oltay, "Minority Rights Still an Issue in Hungarian-Romanian Relations", *RFE/RL*, 1992, p. 16.

[199] For details see Ronald H. Linden, "Putting on Their Sunday Best: Romania, Hungary, and the Puzzle of Peace", *International Studies Quarterly*, 44, 2000.

[200] Gabriel Andreescu, "Political Manipulation at Its Best", *Transition*, December 1996, p. 46.

the bilateral treaty with Hungary as the aspect of autonomy in Recommendation 1201 was seen as equal to secession especially for the nationalist coalition partners of the National Salvation Front government.[201] Yet, acceptance of Recommendation 1201 only proved possible on the condition to add a joint interpretation to the bilateral treaty stating that the recommendation was not viewed as granting the Hungarian minority collective rights or as the right to established autonomy based on ethnic criteria. The bilateral treaty which specified that Hungary and Romania will 'mutually support each other' in efforts to 'integrate in NATO, the European Union, and other European structures'[202] was finalised on 16 September 1996. For Romania, the agreement was essential to promote its foreign policy orientations of membership into the EU and in particular into NATO. It was also significant from another aspect: the socialisation of Romania signalling that if Romania desired to join the Euro-Atlantic organisations it would have to follow the norms and principles internationally accepted and reach a compromise with Hungary. The process of socialisation is evident also in President Iliescu's statement: 'the international climate offers Romania and Hungary a unique chance for a historic reconciliation to benefit both their relations and their integration with Western Europe'.[203]

4.3.2.2 The Centre-Right Parties in Power: 1996-2000

The 1996 elections brought about a change in the political environment with the election of the centre right coalition forces to government, also bringing about a change in the perception of the Romanian image in the international environment. The main, reform oriented opposition, the Democratic Convention of Romania (CDR), an umbrella organisation of centre-right parties that was dominated by National Peasant-Christian Democratic Party, which formed the main core, and the National Liberal Party (PNL), received 30.20 per cent of the total votes whereas the Party of Social Democracy of Romania gained only 21.50

[201] Matyas Szabo, "Historic Reconciliation Awakens Old Disputes", *Transition*, March 1996, p.46

[202] Michael Shafir, "A Possible Light at the End of the Tunnel", *Transition*, September 1996, p. 30.

[203] Gabriel Andreescu, *op. cit.*, p. 46.

per cent. The other parties that gained representation in the parliament were the Union of Social Democracy (USD) - which was dominated by Petre Roman's Democratic Party (DP) - with 12.90 per cent, the Hungarian Democratic Union of Romania (UDMR) with 6.60 per cent, the Greater Romania Party (PRM) with 4.50 per cent, and the Party of Romanian National Unity (PUNR) with 4.40 per cent of the votes.

The period starting with the elections of 1996 was described by Michael Shafir as a 'step into normalcy'.[204] For the west, Romania appeared to have achieved a break with the past, the elections bringing to power forces that were considered to be reform oriented.

Successive centre-right coalition governments during the period 1996-2000 aimed at fast integration of Romania into Western institutions and pursued economic reform programs intending to accelerate agricultural and structural reforms, and privatisation. The reform oriented forces, the CDR, the USD and the UDMR formed three different governments during this period. However, heterogeneity and the diverse composition of the governing coalitions during this period generated inter and intra-party struggles.

The first centre-right coalition government of Victor Ciorbea, former mayor of Bucharest, that was formed in January 1997 government embarked on a radical shock therapy economic reform program that aimed to accelerate agricultural and structural reforms and privatisation, to remove remaining price controls - including milk, meat, bread and oil; to pursue a tight monetary and fiscal policy - including cuts in subsidies on fuel, electricity, public transportation and communications; and to liberalise the foreign exchange regime. The program soon received support from the IMF; in April 1997, the government signed a thirteen-month stand-by agreement with the IMF. The Ciorbea government also defined EU membership as a long-term foreign policy priority and NATO membership as a short-term priority in an aim to receive approval of the Romanian position in the west.

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[204] Michael Shafir, "The Ciorbia government and Democratization: A Preliminary Assessment," in *Post-Communist Romania: Coming to Terms with Transition*, edited by Duncan light and David Phinnemore (Hampshire and New York: Palgrave, 2001), p. 79.

For the government, EU membership was perceived as a burdensome issue as it required extensive legal adaptation as well as comprehensive political and economic reforms which were deemed unattainable in the short-term. NATO membership, on the other hand, required limited legal adaptation and military modernisation. Besides being important in providing hard security, membership into NATO was considered as an important message to the business elite about the integration tendencies in Romania, therefore, increasing the credibility of the country in the eyes of the foreign investors. Thus, in the short term, more importance was given by President Constantinescu and Prime Minister Ciorbea, to include Romania among the first group of Central and Eastern European countries that were to be in the first wave of NATO enlargement.

For NATO membership, Romania seemed to have received support from France and to a lesser extent, Germany and Italy. However, in June 1997, the US made an official declaration that it will only support membership of the Czech Republic, Hungary and Poland in the first wave of NATO enlargement while maintaining an open-door policy. At the Madrid NATO Summit that was held on 8 July 1997, in line with the US declaration, only the Czech Republic, Hungary and Poland were invited to start the negotiations for membership. As Roper indicates, "[t]he Clinton administration believed that while the Ciorbea government had made significant reforms, Romania needed more time to transform its economy and allow democracy to mature."[205] On 11 July 1997, after the NATO Madrid Summit, US President Clinton visited Romania to emphasise the necessity of the continuation of the reform process in all aspects as well as to reiterate his open door policy.

Moreover, as expected, Romania was not among the first group of Central and Eastern European countries to be invited to start the negotiations for membership at the EU Luxembourg Summit in December 1997. The EU extended its invitations to start membership negotiations with five of the Central and Eastern European countries indicating a differentiation in its policy toward the candidates in the region. These were the countries that could transform their economies more

[205] Roper, *Romania: The Unfinished Revolution*, p. 122.

easily and were more willing to be integrated. This left Romania somewhere in between Central Europe and the troublesome Balkans neither fully incorporated nor totally excluded.[206]

The 1997 EU Opinion on Romania's application also emphasises the need for the continuation of reform. The 1998 EU Regular Report on Romania's Progress towards Accession notes improvements concerning the political criteria despite needed reforms on public administration, judiciary and the fight against corruption, while pointing out to disturbing and serious concerns over the economic situation of Romania. The report mentions several economic problems including failure to accelerate structural reforms, limited restructuring and privatisation of state enterprises and banks, limited foreign direct investment, and lack of financial discipline in the public sector. [207] Thus, one must emphasise that although NATO and EU enlargement processes may seem to have totally different conditions, the Western approach entails transition to democracy and free market economy as a prerequisite for integration into western institutions.

The failure to become a member of NATO for which Prime Minister Ciorbea and President Constantinescu devoted much of their time was considered as a setback for the coalition government. Moreover, the reform efforts of the government run into trouble as the coalition partners failed to agree on the details of the reform process. Austere measures led to erosion in living standards, decline in output and increase in inflation. The governing coalition was unable to fulfil its commitments made to international institutions.

The tension among the members of the coalition was mainly a clash of preferences/personalities between Prime Minister Ciorbea and Democratic Party leader Roman, who was the president of the Senate. The other important issue was the pace of economic reform. In an attempt to ease the tension among the ruling coalition parties Ciorbea reshuffled the cabinet at the beginning of December 1997. All economic-related ministries were changed and a new ministry of

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[206] Victor D. Bojkov, "Neither Here, Not There: Bulgaria and Romania in Current European Politics", *Communist and Post-Communist Studies*, 37, 2004.

[207] Commission of the European Communities, *Regular Report on Romania's Progress Towards Accession*, Brussels, 1998.

privatisation was established. The new ministers were not affiliated with any of the parties, they were considered as non-partisan professionals who would enhance Romanian credibility at the international level.

The reshuffle did not ease the tension between Ciorbea and Roman. Following the reshuffle, the DP withdrew its members from the government in January 1998. The DP - the core party of the USD - was not pleased with its failure to obtain a ministry with an economic portfolio during the reshuffle and with the forced resignation of two of its members from the cabinet, upon the DP claim that the cabinet was incompetent.[208] As the DP withdrew its parliamentary support from the government, the government lost its legislative power. Consequently, Premier Ciorbea resigned on 30 March 1998 for failing to achieve a working coordination among the ministries and for conflict over the issue of economic reform as much as for the clash of personalities between Victor Ciorbea and USD leader Petre Roman.

As has been noted above, diverse composition and differing agendas made reform difficult. The coalition government could be described as a coalition within coalitions. It was formed by three parties; Democratic Convention of Romania (CDR), Union of Social Democracy (USD) and the Hungarian Democratic Union of Romania (UDMR). However, the parties themselves were formed by 3-4 coalition parties/groups. This position created difficulties in attaining consensus and coordination concerning policy-making and reform among the coalition partners as well as within the coalition parties, therefore creating conflicts among the coalition partners. That would be true for all the coalition governments that were formed during the period 1996-2000.

After Ciorbea's resignation, Radu Vasile was selected as the new prime minister. He was from the pragmatic, younger wing of the PNTCD. It must be stated that the older members as well as Constantinescu were less supportive of him.[209] He formed the new government with the same coalition parties aiming,

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[208] The Economist Intelligence Unit, *Country Profile: Romania 1998-1999*, (London: EIU, 1998), p. 6.

[209] Roper, "Is There an Economic Basis", p. 83.

once again, to accelerate the reform process. The new government programme was more ambitious aiming to reduce inflation, faster privatisation and restructuring of state enterprises, privatisation of three state banks by the end of 1998, rehabilitation of agriculture and preparations for EU accession. Although the Vasile government was considered to be partially successful in initiating the limited privatisation of especially large scale state owned enterprises and banks, closing down some of the loss making coal and steel sector mines, Vasile was not able to overcome the fragmentation over the reform process within the government. Different interests and approaches within the governing coalition as well as within the coalition partners, especially the PNTCD, have prevented a possible consensus over the policy making and reform processes.

The Vasile government faced difficulties by late 1998. In September, Finance Minister Daniel Daianu was replaced as he opposed the government spending proposals. Prof. Daianu was an independent who was nominated by the PNL. The PNL withdrew its support primarily because Daianu was advocating tax increases to finance the growing budget deficit as against the PNL policy to lower taxes,[210] and advocating cuts in government expenditure on education, health, defence and internal security. In addition, he opposed a US$ 1.5 billion helicopter deal with an American firm further weakening his position in the government. Less than a month later privatisation minister Sorin Dimitru resigned following criticism of delays in privatisation. By mid-November, the Vasile government managed to privatise only 708 state enterprises out of a planned minimum of 1600 state enterprises.[211] Dimitru himself was referring to the lack of support of the government, parliament and the political parties for privatisation.[212] Daianu implies, in one of his articles, that Romanian governments did not pursue privatisation with an aim to reform the economy; rather they saw "privatisation as

[210] Ian Jeffries, *Eastern Europe at the turn of the Twenty-First Century: A Guide to the Economies in Transition,* (London and New York: Routledge, 2002), p. 309.

[211] The Economist Intelligence Unit, *Country Profile, Romania 1999-2000*, (London: EIU, 1999), p. 21.

[212] Jeffries, *op. cit.*, p. 310.

a means to fill in the holes of budgets."[213] This can certainly be linked to his complaints about the need for a new culture and resistance to change within the ministry of finance.[214]

The government was losing its credibility, internal as well as external. Wrangling within the coalition continued as the UDMR criticized the government and coalition partners, and threatened to withdraw from the coalition for the coalition partners failed to realize promises which included the establishment of a Hungarian-language university. On the other hand, the IMF did not release the disbursement of the 1997 stand-by agreement because of its dissatisfaction with the reform process. Moreover, the EU, in its 1998 regular report, pointed out to worsening of economic situation in Romania and emphasised the hesitant nature and slow pace of reform and restructuring by stating that "despite reform programmes, two successive governments have not been able to build on the achievements of the first half of 1997".[215] Inconsistencies in legal and administrative implementations, failure to impose financial discipline, weakness of the financial sector and the pressures for direct intervention of the state in the economy have been other main points of EU criticism.[216] Romania was going through a period of crisis that was aggravated by the international financial crisis that broke out in Russia in August 1998 which seriously damaged investor credibility towards the transition economies.

As Romania was going through a period of crisis, the government was reorganised and the ministries of reform, privatisation, tourism and communication were dissolved handing over their task to national agencies. The coalition partners, once again, reiterated their unconditional support for difficult reform measures to

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[213] Daniel Daianu, "Pains and Labors of Economic Transformation: Romania's Economic Performance in a Comparative Framework," *Romanian Journal of Political Science*, Vol. 1, No. 1, January 2001, p. 107.

[214] Robert Weiner, "Romania, the IMF and Economic reform since 1996," *Problems of Post-Communism*, Vol. 48, No. 1, January-February 2001, p. 42.

[215] Commission of the European Communities, *Regular Report on Romania's Progress Towards Accession*, Brussels, 1998, p. 13.

[216] *Ibid.*, pp. 13-22.

the Vasile government.[217] Subsequently, the Vasile government devised a new programme aiming to accelerate privatisation and restructuring that would form the basis for the much needed support of the IMF. The programme also included closure of loss-making state enterprises, strict controls over budget spending, bringing the general government budget deficit down to 2 per cent of GDP in 1999, restitution of agricultural land and buildings, accelerated agricultural reform in line with agreements with the World Bank, privatisation of two state banks, and creation of an agency to recover non-performing loans. 49 major loss-making companies were included in the programme that would either be privatised or closed.[218] The privatisation process was given a good start with the sale of 35 per cent of Romtelecom to the Greek telecoms company OTE, and 51 per cent of the Romanian Development Bank (BRD) to the French Sociéte Generale bank.

Above and beyond political wrangling, public support to the government had seriously been affected because of the declining living standards and output, and increasing unemployment. Foreign exchange market and price liberalisation in 1997 led to a surge in inflation - 154 per cent - and a fall in output - 6.6 per cent. However, the fall in real wages in 1997 amounted to 22.2 per cent, the highest since 1990, pointing to a major fall in living standards.[219] What is more, output and living standards continued to fall in 1998. The increase in inflation was 59 per cent and fall in GDP, 7.3 per cent. Another important factor that led to social dissatisfaction with the governments' reform policies was the steady increase in unemployment; the rate of unemployment was up to 8.8 per cent in 1997 and 10.3 per cent in 1998 from 6.6 per cent in 1996.

Consequently, the government encountered protests and social unrest from different segments of the society primarily demanding better conditions and standards. Students, teachers, and workers from various sectors were among the

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[217] *Radio Romania Network*, "Romania: Leaders Agree on Formula for New Government Restructuring", Bucharest, in Romanian, Tuesday, 10 November 1998, FBIS-EEU-98-314, WNC Insert Date: 13 November 1998.

[218] The Economist Intelligence Unit, *Country Profile, Romania 1999-2000*, (London: EIU, 1999), pp. 20-21.

[219] Daianu, *op. cit.*, p. 101.

different groups of society that blamed the government for the difficult economic and social situation. Besides decent living, study[220] and working conditions, trade union demands included among other things, wage indexation, price controls, and consultations on draft budget, social insurance budget, privatisation and restructuring of public enterprises and utilities. These claims suggest that the government lacked a communicative strategy or a social dialogue about the possible consequences of the reform process with people at large.

In January 1999, the Jiu Valley miners began to strike demanding wage increases and opening of mines that were closed last year, further revealing the weakness of the government. The events reminded many of the violent incidents of 1990-91. Moreover, the miners soon received support from the post-communist PDSR and especially the leader of the rising Greater Romania Party (PRM), Vadim Tutor, who called for a general strike. However, the protests were more of a reaction to difficulties that emerged as a result of the economic reform process rather than a process of political agitation. Workers from other regions and industries joined the miners from the Jiu Valley with fear of job losses because of restructuring, especially in the coal and steel industries. Soon, the protests turned into a march towards Bucharest and violent clashes between the miners and the police took place. Shortly after President Constantinescu pledged to declare a state of emergency, Prime Minister Vasile met with the militant leader of the miners' union, Miron Cozma, to negotiate an agreement. The talks ended "in the direction of the miners' claims," Vasile said, which, they agreed, would be finalised with a plan to reduce production costs.[221] This was another major setback for the government that meant a delay in restructuring of state owned enterprises especially in the coal and steel sectors.

Even liberals such as the former Finance Minister Dianu have put forward that as well as matters of domestic policy, favourable international circumstances

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[220] See Radio Romania Network, "Romania: Students Stage Protest Marches in Bucharest, Other Cities", (Bucharest, in Romanian, 11 November 1998), *FBIS-EEU-98-315*; and Radio Romania Network, "Romania: 'Thousands' Attend Trade Union Protest Rally in Bucharest", (Bucharest, in Romanian, 10 December, 1998), *FBIS-EEU-98-344*.

[221] Cited in Jeffries, *op. cit.*, p. 311.

are important in bringing about continuity of the reform process.[222] The developing phase of relations with the international organisations had negative consequences for the Romanian state.[223] The mounting pressure from the IMF and the EU in the direction of market reforms that required the Romanian government to pursue a tight monetary policy, accelerate structural reforms, restructure state owned enterprises and close down non-viable and loss-making enterprises had negative influence over the future and uncertainty of the economy leading to the erupting economic crisis of 1999.[224]

Social unrest continued all through the year; in 1999, workers, teachers and students protested throughout Romania demanding better living standards.[225] Over deteriorating living standards, crime and corruption Vasile was losing ground. According to two opinion polls that were carried out in early June 1999 and at the end of the year more than 60 percent of Romanian indicated that they were unhappy with the current living standards and that living standards were better under communism. In addition, around 66 percent believed that the country was heading in the wrong direction. Although "[a]round 85 percent were still in favour of market economy, 88 percent believed that the market benefits only high-ranking officials".[226] The centre-right coalition was seen equally intertwined with particular interests that were attributed to the Party of Social Democracy in Romania.

At a time when the government was struggling with the miners' protest, the EU issued a statement, on 22 January 1999, promising a substantial increase in aid to Romania. This was an important support that came at a crucial time. However, while the statement pledged support for Romania's ongoing transformation process, it emphasised the importance of economic reform, once again, "including

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[222] Daianu, *op. cit.*, p. 98.

[223] Weiner *op. cit.*, p. 45.

[224] See *Ibid.*

[225] Jeffries, *op. cit.,* p. 314.

[226] *Ibid.,* p. 316.

those measures proposed by international institutions."[227] The EU concerns on economic reform were reiterated at various occasions.

There were rumours in June 1999 of disagreement between President Constantinescu and Prime Minister Vasile, although these were denied.[228] However, President Constantinescu dismissed Prime Minister Vasile on 14 December 1999 for failure to carry out his duties after consultations with the coalition partners.[229] Vasile was unable to overcome issues of coordination and consensus among the ministries. By the end of 1999, Vasile lost support even of his own Peasant Party which led to the resignation of seven cabinet ministers from the Peasant Party, just before his dismissal, trying to force him to resign.

The President's decision was a clear breach of the constitution; however, President Constantinescu was acting with the support of the Christian-Democrats, the dominant party within the coalition. Therefore, Vasile had to step back and resigned on 17 December 1999.

On 16 December 1999, Constantinescu nominated Mugur Isarescu, the governor of the Romanian National Bank, who was much respected internationally for building credibility of the bank and preserving its independence. After such a crisis ridden period, Isarescu was considered to be the right person, respected and politically neutral, to provide Romania with the required credibility and confidence, internally as well as internationally.

At the December 1999 Helsinki Summit the EU leaders invited Romania to begin accession negotiations in 2000. Despite the decision at the December 1999 Helsinki Summit to begin accession negotiations there was hardly any change in the country's economic situation from 1997. The Kosovo crisis in 1999 and the support given by Romania to the West were important in the decision given.

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[227] Agence France Presse, "Romania: EU Promises Bucharest 'Substantial' Increase in Aid," (Paris, AFP North European Service, in English, Friday, 22 January 1999), *FBIS-EEU-99-022*.

[228] Radio Romania Network, "Constantinescu, Prime Minister Deny Being in Disagreement," (Bucharest, in Romanian, 2 July 1999), *FBIS-EEU-1999-0702*.

[229] Rompres, "Romania Battles Through Third Day of Political Crisis", (Bucharest, in English, 15 December 1999), *FBIS-EEU-1999-1215*.

Yet, it was possible to see the international enthusiasm concerning first the election of the centre-right government, second the signing of accession partnerships in 1998 with all the candidate countries within the context of the pre-accession strategy and third a confirmed membership track for Romania. All these proved to be positive signals for the business elite in Europe. FDI inflows rose from $263million in 1996 to US$ 1.23 billion in 1997 and then US$ 2 billion in 1998 boosted by the privatisation of the Romtelecom.[230] However, investor enthusiasm was not long lasting. FDI inflows amounted to just over US$ 1 billion on the average in the years 1999, 2000, and 2001.[231] The stock of FDI in Romania totalled US$ 8.9 billion at end-2001, which reflected the total of US$ 411 per head that equalled to 19.9 per cent of GDP; well below when compared with the Central and Eastern European average of US$ 1,596 per head and 32.7 per cent of GDP.[232] It is important to note that FDI inflows increased after the EU decided to open the negotiations process with Romania. The increase was partially related to the privatisation process transnationalising the production of goods and services by creating strategic investors in major sectors.[233] The privatisation process gained momentum with the increasing pressure of the international financial organisations and the EU.

Although Romania seemed to abiding by the demands and conditions of the international financial institutions and the European Union to transform its economy in the 1990s, this has taken place more in rhetoric than implementation. Besides, it is possible to say that the measures and conditions applied to Romania did not meet the needs of the country that was marred in severe reallocation problems. This, in turn, created questions of ownership of the programs that Romania was required to follow and had destabilising effects when the government was unable to and did not have the capacity to regulate the system.

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[230] The Economist Intelligence Unit, *Country Profile 2000, Romania*, (London: EIU, 2000), p. 33.

[231] The Economist Intelligence Unit, *Country Profile 2002, Romania*, (London: EIU, 2002), p. 41.

[232] The Economist Intelligence Unit, *Country Profile 2003, Romania*, (London: EIU, 2003), p. 41.

[233] The Economist Intelligence Unit estimates that half of the FDI for the period 1999-2001 is related to privatisation payments. See *Country Profile 2002,* p. 41.

The result was return of the much doubted Iliescu as President and his Party of Social Democracy of Romania with the 2000 elections.

The return of the much doubted Iliescu as President and his Party of Social Democracy of Romania with the 2000 elections did not change the policy of incorporation. The intent of the EU officials not to make a big problem of Iliescu and the Party of Social Democracy of Romania after the 2000 elections points to a change in the EU attitude. This also finds its reflection in the rhetoric of Iliescu who seemed to be willing to pursue an integrationist policy. On the part of the EU working with the Social Democratic Party meant to surmount problems of fragmented government experienced between 1996-2000 as well as benefit strong government at the central and local levels as the Social Democratic Party reigned overwhelmingly.

The SDP rule was dominated by a desire to attain the functioning market economy status in an aim to fulfil the membership criteria and completion of negotiations for membership into the EU. Despite substantial problems with regards to administrative and policy making capacity and major structural challenges such as those in agriculture, property rights so on so forth, Romania has managed to finalise EU membership negotiations by end-2004 and signed the accession treaty in April 2005. However, neither the SDP nor the centre-right parties seem to be able to propose sound strategies for implementation of the necessary mechanisms. Besides the depth of these structural problems suggest that it may be impossible to pursue transformation without incurring high social and political costs.

The EU has constantly been emphasising the need for judicial and administrative reform. This approach seems to be building on the idea of improving the business environment necessary for the overall development of the region. Complementary policies and institutions that is the simultaneous improvement in the overall legal and regulatory framework in Romania are considered as important in order for the investments to generate efficiency gains.

4.4 In Lieu of Conclusions

The analysis of the international context indicated in chapter 3 that with the neo-liberal inclination of change and transformation the transnational formation

intended to take the processes of socio-economic policy making to a level that is formed and directed by the technocrats, both national and international, through a reconfiguration of the capitalist notion of the separation of politics and economics. The two cases of this study, Poland and Romania, provide important insights into the transnationalisation process and the internalisation of neo-liberal restructuring in Central and Eastern Europe. This, indeed, is related to the complexity and historical specificity of individual trajectories of transformation in Poland and Romania. As such, inherent in this claim is the challenge to the mainstream conception of the causal impact of conditionality.

The comprehensive analysis of the historical experiences of the two countries, Poland and Romania, intended to provide an in depth analysis of the role of the state in these countries in the light of global changes within the context of the Cold War. It was underlined that the hegemonic social forces had attempted to transform and reform their states conceived through the unity of transformation and integration, though in a socialist state system context. The study presented this by focusing on the struggle for power to establish communist party dominances. As the hegemonic social forces in the state socialist context encountered difficulties in sustaining their power through consent, they intended to use coercive power as was emphasised in the events of Soviet intervention in 1956 and 1968 in Hungary and Czechoslovakia respectively. Yet, there was a 'space of manoeuvre' within the context of the Cold War which allowed rulers to use the agency of states in sustaining dominance. The differences in political and economic structures inherited from the period of communist party rules reflected this where the states used foreign policy and economic cooperation as instruments in sustaining their power. Romania became part of the capitalist global productive system in late 1960s with the agreement with Renault-France. Poland on the other hand became part of the system, as noted above, with the Gierek regime in the 1970s. However, the two countries involvement in the process of internationalisation in the 1970s and especially later in the 1980s was shaped by their ideological and political tendencies that were formed in relation to thorough developments at the global level and within the context of the escalating Cold War rivalry.

Despite the dominance of a single party rule in the countries of Central and Eastern Europe, the state was not freed from struggle. To the contrary, as was demonstrated with the case of Poland opposition forces successfully internationalised the struggle within Poland seriously challenging the role of the state in the 1970s and 1980s. When the system proved difficult to sustain, there were attempts to sustain the hegemony of the party through incorporation of elements advocated by the opposition forces such as the case with reform attempts in Poland during the 1970s and more vigorously in the 1980s. All these attempts remained within the limits of the flexibility that the state socialist system would tolerate.

The changes in the 1980s, though, made it much more difficult for the communist party rulers to sustain their dominance. The changes in the capitalist global system and the state socialist system with the rise to power of Gorbachev led to mixed responses of the states in Central and Eastern Europe. This either led to a move towards strengthening liberalisation and integration of the states in the region with the global capitalist economy along with a systemic level of integration between the two Blocs with the policies of *perestroika* as in the case of Poland or to the contrary towards strengthening party control and isolation as in the case of Romania. The historical analysis of Poland's state-society relations presented that the internationalisation of the Polish state proved to be important for the formation of transformation tendencies in the 1990s. The move, by the state, to integrate with capitalist global productive system in the 1970s, but especially in the 1980s by beginning to make legal adjustment to welcome foreign direct investment, though within the limits of the Cold War context, was also strengthened by the socialisation of various factions of the society which was partly the outcome of the Solidarity challenge to the communist party rule. Although export policy was accepted in both countries as providing important resources for their modernisation, foreign direct investments for Romania was perceived as contrary to the country's modernisation needs, thus leading to isolation. Thus, understanding and utilisation of national state socialist models were important in leading to individual country experiences and specific political and socioeconomic structures at the beginning of transformation processes in 1990. Capital - as it began to be used as an instrument of demanding neo-liberal

restructuring in the hands of the international financial institutions in the 1980s - proved to be the coercive element as international financial institutions refrained from lending despite the fact that states of Central and Eastern Europe were members in these institutions.[234]

Indeed, Ceausescu proved to be a skilful dictator in sustaining his power vis-à-vis the society and the Soviet Bloc. He managed to sustain his power in Romania through a challenge that was not directed against the state socialist system but against a process of division of labour within the Soviet Bloc. Even though Romania was part of a capitalist productive system from the 1960s onwards, Ceausescu's nationalist interpretations of the international developments distanced Romania from both the capitalist global economy and the state socialist system. The changes within the capitalist global economy from the early 1980s onwards were criticised as moves to form imperialist dominance of the capital. The Gorbachev reforms were also criticised in similar lines forcing Romania into lines of isolation in the 1980s. Nationalism was the dominant element in distancing Romania. The nationalist tendency was, indeed, largely shaped by the conception of liberty. As Gallagher points out, in Romania, "[l]iberty continues to be defined as an absence of foreign interference or control rather than in terms of individual freedoms, a definition which has shaped the relationship between state and society since independence in 1881".[235] This tendency was to mark the developments in the early 1990s as well.

However, Ceausescu's nationalist stance vis-à-vis global changes failed to protect his power in 1990, as isolation was not perceived to be in the interest of Romania by other communist party members. Despite, this line proved to be a point in reluctance to apply a radical strategy of transformation which came to challenging the emerging order in Central and Eastern Europe in the early 1990s. With the start of the transformation processes the state in Romania tried to incorporate elements from the hegemonic model without disturbing the old power

[234] Romania became a member of the IMF in December 1972 and Poland in June 1986.

[235] Tom Gallagher, "Romania: Nationalism Defines Democracy" in *Transformations of Post-Communist States,* edited by W. Kostecki, K. Zukrowska and B. J. Goralczyk, (London: Macmillan Press Ltd., 2000).

structures within Romania. However, this was a challenge within the system as Romania reluctantly applied gradualist policies and argued for the incompatibility of radical strategy of transformation to the Romanian case. The state tried to accommodate reluctance with the tendency of integration into the Euro-Atlantic structures. The dominance of the Iliescu wing with an attachment to gradual economic restructuring was coupled with problems in human and minority rights, which also constrained Romanian external relations. However, the pursuit of membership by Romania in the Euro-Atlantic institutions facilitated the internationalisation of the state. By mid-1990s, the realisation that it was not possible to pursue membership without economic restructuring and sustain political power the state prioritised integration into security structures that would also give a positive message to the private investors. As struggle ensued, the state even more internationalised perceiving full integration as more beneficial than good relations.

The internationalisation of the state in Poland was a more evident perspective from the early 1970s when Gierek took initiative to include Poland in the capitalist global production systems. This tendency continued to increase with the increasing flexibility for the entry of foreign direct investments in the 1980s, even though Poland was largely cut off from the capitalist global economy due to rising tension during the second Cold War and the events with respect to Solidarity. This flexibility and the events occurring around Solidarity allowed for the penetration of social forces in Poland during the process of transnational class formation. The relations with the international financial institutions in this sense were not adversary relations. To the contrary, they facilitated, secured implementation of and legitimised the radical neo-liberal nature of the transformation processes in Poland in the eyes of the general public. Thus, Polish transformation process reflected compatibility of internal and external design on transformation and integration processes. The state in Poland proved to be very effective in transnationalising the Polish economy even though struggle over socioeconomic reform was the main feature. The recognition of the unity of transformation and integration was reflected in tendencies trying also to include emerging Polish public and private investors within global networks of production and finance. Thus, especially in Poland state power was conceived of as the

strength of not only internal-national actors and investors but interconnectedness of Polish state through trade and production structures. This unity of integration and transformation processes was also reflected in the reluctance of the Polish Church in pursuing a rhetoric openly opposing membership into the EU, which it harshly criticised and in the reluctance of one of the most vocal eurosceptic parties in Poland, Samoobrano, in failing to advocate an open 'NO' in the 2001 membership referendum.

Very often presented as a success story by the international financial institutions, Poland's integration into the processes of globalisation of production and finance was also reflected in the increasing volumes of trade and amount of foreign direct investment received by Poland. Polish merchandise exports amounted to US$ 31.65 billion in 2000 reflecting an increase from US$ 22.89 billion in 1995 and US$ 14.32 billion in 1990. Romanian merchandise exports performed poorer US$ 10.37 billion in 2000 reflecting an increase from US$ 7.91 billion in 1995 and US$ 4.96 billion in 1990. The figures indicate the low level of Romanian integration as well as the problematique nature of its economic structure. The similarity can be perceived with respect to foreign direct investments as well. The total amount of foreign direct investment stocks in Poland was around US$ 40 billion by the end of 2000, representing an increase from around US$ 8.2 billion by the end of 1995 and US$ 89 million by the end of 1990. On the other hand, the total amount of foreign direct investment stock in Romania was around US$ 6.54 billion by the end of 2000, representing an increase from only US$ 937 million by the end of 1995 and US$ 37 million by the end of 1991. It has to be emphasised that despite these differences Polish population is only about less than twice that of Romania.

The internationalisation of the states, though, in no way indicates imposition by external force. Polish and Romanian states, 'representing the interests of their societal actors' pursued policies that would lock in their reform processes towards integration into the global economy and Euro-Atlantic structures. An important tendency in both countries, in this respect, was the domination of neo-liberal forces in important positions of government and state.

Indeed, the Polish move towards the market started well before the collapse of the communist party rule in 1989 with the adjustment of the communist party

state. Even under the leadership of those leaders who were sceptical about radical system transformation, the integration process was a priority. Each government in Poland regardless of the nature of governing coalitions, and every foreign and finance minister, regardless of personality and party affiliation, reiterated the Polish commitment to EU membership. This tendency continued even under the communist successor parties who advocated 'globalisation with a human face' and during the second Solidarity period despite the strong challenges of the trade union with respect to the reform process. Indeed, the identity crisis of Solidarity enabled various social factions to use it as a structure of legitimising and consolidating the neo-liberal strategy of restructuring.

On the other hand, the political and economic uncertainties in Romania in relation to the tendencies of inclusion within the European Union as well as the regional turmoil in the Balkans kept Romania at an arm's length. Indeed, in the early 1990s, this had the added dimension that the European Union itself was in a period of stagnation and did not have any long-term strategies towards Central and Eastern Europe. However, with the EU being accepted as the only alternative in Romania in the second half of the 1990s in relation to both the internal and external developments, adjustment has been pursued, although in a reluctant manner. The development of a more precise enlargement agenda on the European Union side and the recognition that multilateral dialogue would be the basis of establishing security and stability in the region, interest in Romania increased. Here, it must be emphasised that it was not only the interest of EU political elite but business elite as well which determined a differentiation towards the countries in the region, and consequently was effective in changing that differentiation. In the second half of the 1990s, transformation began to be more determined with the need of inclusion on political, economic and security grounds that was also necessitated with the ensuing developments in Kosovo. Thus, transformation began to be determined in unity with integration both for the need to ensure security and draw private investors for economic development.

The struggle in both Poland and Romania was conducted with clear references to global developments, including the War on Terrorism after 9/11, and the aim has been more to ensure control of institutional and political power. In Poland trade unions, especially Solidarity, intellectuals and the Church have been

integral parts of this struggle in one way or another often criticising however remaining within the capitalist approach - capitalism with a human face and the notion of a third way - where the criticisms mainly concentrate on the radical neo-liberal strategy. Their intention remained to ease the grievances of the losers during the transformation processes and to reduce levels of poverty and unemployment as well as the ensuing inequalities, which calls for a level of state involvement in the economy. Yet, the approach is very much subordinated to global neo-liberal restructuring bringing forward challenges only with respect to means of transformation rather than the perceived similar ends.

All these developments within the global political economy were important in highlighting the unity of transformation and integration processes. Deepening at the European level indicate disintegration as well as integration through restructuring of forms of social organisation. As such, transformation and restructuring in Central and Eastern Europe were essential elements of integration with the global economy as well as Euro-Atlantic institutions. As the states try to transform their societies they have to take into consideration integration, with added dimensions of conditionality and accession requirements, in forming their transformative policy choices. Thus, integration and transformation processes form intertwined elements of a social totality.

CHAPTER 5

CONCLUSIONS

This study had three main objectives. First, it aimed to provide a theoretical framework that would overcome the limits and deficiencies of the mainstream approaches and account for the constitutive role of the global and the internal in a dialectical relationship. Second, it intended to develop a framework for action, an account of the international context within which the transformation processes are embedded with an aim to highlight the constitutive nature of the global and hence to emphasise the unity of transformation and integration processes. Third, to provide an analysis of the transformation processes in Poland and Romania as processes of the internationalisation of the state which would effectively help in examining the constitutive role of the global and the national level dynamics and changes in a dialectical relationship.

As such, the study presented two historical perspectives. First, it aimed to outline the nature of the global change focusing on structural change since the 1970s with an aim to outline the increasingly interventionist character of international institutions and organisations through politics of conditionality which reflected the changing ideas and practices in the capitalist global economy. Second, it intended to provide an analysis of historical experiences of Poland and Romania with the aim of presenting how political and economic structures were shaped through their interaction with the structure provided within the international context. Though, it was emphasised that while the internationalisation of the states in Poland and Romania began well before the collapse of the communist party rules the constitutive role of the capitalist global changes were limited by the systemic macrostructures that these states, first and foremost, belonged to.

The neo-liberal approach to transformation, in its radical neo-liberal and evolutionary-institutionalist forms, intended a separation of political powers and economic policy making in Central and Eastern Europe. In this sense, neo-liberal discourse assigned to politics the task of generating credibility and consistency of state functions, thus providing the necessary institutional framework with an aim to achieve a new equilibrium of expectations and routine behaviour. Inherent in this is the view that the events are a process of transition from one type of domestic institutional order to another. In this respect, the main focus of the mainstream approaches was on immediate events and processes and less on historical and international backgrounds that shape these. In other words, mainstream approaches problematised transformation as a matter of internal, that is, as a matter of political, economic and social transformation within the national context where the external plays only a constraining role. This was an approach that was embraced by many in the region, including the social democrat party leaders and elite. Thus, transformation was defined as a process of replacement of centrally planned economy by a market economy and authoritarian rule with liberal democracy. Hence, institutional convergence with the norms, rules and practices of the capitalist global economy and the European Union was perceived to lead to convergence of economic positions and catching-up. As such, such an approach overlooks the diversity of national characters, claming universal applicability of the neo-liberal approach. Indeed, this implies that the burden of failure falls on the national rulers who fail to make rational choices and implement the necessary policies consistently. Thus, in a problem solving nature, these approaches take the existing global/national order for granted and tries to provide for the policy base in an attempt to sustain the orders and make them function more smoothly. The main premises of the mainstream approaches limit their perspective and lead to an inadequacy to account for the nature of the global and its constitutive role in transformation.

The neo-liberal approach is not a simple strategy of transformation. Neo-liberalism provides a framework for state-society relations that reflect the set of institutionalised relationships between social organisations of production on the one hand, and social self-understandings and political organisation on the other. It provides an important practical-social function of establishing an imagery of

prosperity and security in the wider sense, through establishment of neo-liberal social relation. The critical political economy perspective presented in this study provides an understanding of the nature of transnational hegemony and the neo-liberal structure within which states of the region are embedded with an aim to overcome the internal-external dichotomy. The approach suggests a dialectical understanding of structure and agency or transformation and integration within a social totality.

Since the 1970s, neo-liberal globalisation increasingly led to a transnationalised system of production, with changing material capabilities, ideas and institutions. The outcomes were reflected in the changing configuration of social forces in the capitalist global economy, which in turn were reflected in the changing forms of state and social organisation in the global order. All these point to the overriding social purpose of conditionality employed by the international organisations in promoting a new form of development framework, also reflected upon reform, transformation and restructuring processes in Central and Eastern Europe.

Conditionality, in this sense, has been instrumental in the restructuring of state-society relations and the social institutions that were embedded in the state socialist structures. Linking certain incentives and offers to reform processes, the politics of conditionality played the utmost role in restructuring of the states in Central and Eastern Europe. The role of conditionality has been important, in particular in referring to the constituents and attributes of a system of production, a framework for action or a historical structure. Thus, the politics of conditionality as an important tool of restructuring attempts has been part of the increasing involvement of international financial institutions in organising state-society relations since the early 1980s in the developing world and the states in Central and Eastern Europe.

The neo-liberal strategy of transformation and conditionality inherent therein are a product of the changing social relations of production within the last three decades. Struggle marks this quest for change and transformation and helps in identifying and analysing agents and structures that have been argued to have a constitutive role in the transformation processes of the states in Central and Eastern Europe and reveals their historical transformations and complicity with

various forms of domination and exclusion in social and power relations. The dialectical relationship of social forces in their endeavour to define, in practice, the global order and the parameters of state purposes or action provides a better understanding of the nature and content of conditionality and the transformation processes, in particular in Poland and Romania.

The struggle for structural change at the global level, following the crisis of productivity and profitability of the 1970s, forms the nexus of neo-liberal ascendancy. The crisis of Keynesian attempts in the 1970s and 1980s at the national level facilitated struggle, in particular, between the competing neo-liberal and neo-mercantilist forces which undermined and later disintegrated the Keynesian strategy. The struggle for power since the 1970s altered the social bases across many forms of social organisation as the logic of capitalist market relations created a crisis of authority in established institutions and modes of governance of the global political economy. An historical analysis of global restructuring indicates that the Reagan-Thatcher neo-liberal drive in the 1980s was an important instance in the restructuring of power relations at the global level. The drive created an important impetus disintegrating the compromise between capital and labour, and led to the emergence of a transnational formation. The increasing volume of trade and amount of capital flows, that is, the globalisation of production and finance are important features of the changing social relations of production at the global level. More significantly, the increasing importance of finance capital and levels of foreign direct investment point to new attempts of Western capital at capital accumulation by making use of cost and benefit advantages in other parts of the world to overcome the crisis of productivity and profitability. Global restructuring points to an increasingly transnationalised system of production with changing material capabilities, ideas and institutions which is an outcome of struggle. The rise of transnational corporations as significant actors in the global political economy was an important aspect of the changing social relations of production. Change led to a dialectical process to redefine the role of states, which have largely been subordinated to the needs of emerging transnational forces by welcoming and encouraging the growth of FDI and trade as essential components of development. Yet, this did not mean an erosion of the power of state but a reconfiguration of its role.

Another important feature of the globalisation drive was the changing conceptions of the role of international organisations. Especially, international financial institutions - above all International Monetary Fund (IMF) and the World Bank - and the European Union have served crucial purposes as structures within which neo-liberal project was legitimised and secured, and as agents that backed up opening of markets that was essential for Western capital. The role of the IMF and the World Bank was reconfigured in the 1980s and enriched with conditionality, especially after the debt crisis in Mexico in 1982, to promote first macroeconomic stability and then structural adjustment in economic policy and later thorough restructuring of state-society relations in the developing world. International organisations became significant actors in promoting the primacy of private economic activity and disseminating the neo-liberal strategy of restructuring. The changing character of the politics of conditionality throughout the 1990s reflected the changing purpose of the agency of international organisations. The role of international organisations was further enhanced in the 1990s with the collapse of the communist party rules in Central and Eastern Europe. Though conditionality was presented as a technical economic conditionality that would ensure integration of a state's economy into the capitalist global economy it served a much wider purpose. In fact, the increase in the number and content of conditionality used by the international financial institutions in the 1990s was remarkable helping the institutions promote a thorough systemic transformation and asserting the market as the self-organising principle of the society. The organisations presented the neo-liberal approach entangled in a web of conditionality as the only alternative for radical system transformation in the states of Central and Eastern European. The states had to accept the Western conditionality or attempt an isolationist policy. Indeed, the role of the international financial institutions especially that of the IMF, was strengthened as agreement with the IMF was accepted as a seal of approval for financial assistance, multilateral or bilateral.

As the EU was considered to be another important agent in the restructuring of relations in the states of Central and Eastern Europe, the study provided an analysis of restructuring at the European level in relation to the general framework of globalisation with an aim to understand the social purpose of

EU conditionality. Indeed, the adaptation of the EU conditionality became the embodiment of integration into the global political economy and accession was presented to serve as providing a developmental framework in Central and Eastern Europe. The European integration process since the mid-1980s, with reference to the establishment of the single market, European monetary union and so forth provides an important indication of the increasing neo-liberal tendency within the Union. In fact, the EU is a crucial actor in the global political economy as reflected by its position within the network of productive and financial systems. However, the nature of neo-liberal dominance was a reflection of the struggle among three major social forces, namely neo-liberal, neo-mercantilist and social democratic forces, who were important catalysers of the process of European integration by trying to assert their own world views at the European level. The struggle led to the dominance of what came to be called 'embedded neo-liberalism'. Embedded neo-liberalism reflects the rigidities and dynamics of the circumstances within the European Union indicating the fact that neo-liberalism could only assert its hegemony in the European Union through reconfiguring orthodox Anglo-American neo-liberalism and incorporating essential elements of the neo-mercantilist and social democratic approaches. Thus, while encouraging neo-liberal policy strategies at the EU and member state level, the EU also created mechanism of external trade for protecting is internal market, and established an EU level industrial policy approach along with a social dimension and a thorough regulatory framework. The EU approach towards Central and Eastern Europe reflected all of these elements.

The EU approach towards Central and Eastern Europe was a significant instrument that strengthened the role of the EU in the promotion of globalisation process. Indeed, the European Union approach does not present an abstract form of structure over the transformation processes in the region independent of the EU integration - and thus the EU restructuring - process embedded within the developments at the global level. The EU, in coordination with other international organisations, intended to influence change in Central and Eastern Europe through agenda setting, discourse production and gatekeeping. Competitiveness - that was also an essential part of furthering integration within the Union - formed an important part of the rhetoric towards the region which increasingly put emphasis

on neo-liberal restructuring through market oriented development and gave primacy to economic liberalisation over social cohesion. The rhetoric especially put emphasis on competition for foreign direct investment and foreign markets for export sales. The EU approach interlinked trade, aid and accession through conditionality and enriched the approach through mechanism such as bench-marking and gatekeeping which proved crucial in disciplining, shaping and maintaining the neo-liberal policies of the governments in the region. Although, it is not possible to define or associate the whole body of EU law with a neo-liberal framework, it is possible to suggest that the emphasis on inclusion-integration of states in Central and Eastern Europe first and foremost into the internal market of the European Union puts emphasis on neo-liberal forms of economic restructuring. This also reflects the neo-liberal dominance in defining the juridico-political framework around which the internal market is constructed. Thus, the EU has proved to be a crucial structure and an actor that promoted the globalisation process via the enlargement process that it has been pursuing towards Central and Eastern Europe.

The increasing involvement on the part of the international actors brought with it changing techniques in demanding compliance with conditions presented and monitoring the use of the assistance. But most importantly, international institutions and the EU became involved in the policy-making of the states in Central and Eastern Europe through the changing techniques of monitoring, reporting and the process of negotiations. The developments in the second half of the 1990s show that there is a desire to move from coordination of the policy of assistance to the region to control of development policy-making. The memorandum of understanding signed between the European Commission and several international financial institutions involved in the region is an indication of this attempt aiming to enhance cooperation in supporting the reform and accession process in the Central and Eastern European countries. Indeed, the 'Accession Partnerships' and 'Regular Reports' became key instruments in monitoring and setting bench-marks for economic policy-making in Central and Eastern Europe. All in all, these developments brought together EU demands and assistance within in a single framework making conditionality stricter on financial assistance. The

consequent result was the ability to shape the terms of transformation processes in Central and Eastern European states from the inside.

However, the reciprocal character of this relationship has to be emphasised once again: all these overlap with the demand of the states in Central and Eastern Europe to be provided with certain criteria in their endeavour to integrate with the West. As they were in a process of disintegrating state socialist systems and creating new market frameworks and institutions they were receptive to models and advice coming from outside, especially from the West. The concept of the internationalisation of the state is useful here in providing an understanding of the dialectical relationship between the structure and agency, thus the transnationalisation process and the role states play in transmitting transnational consensus formation. States are the main agents for internalising various historical forms that reflect changing social and power relations in the global political economy. Thus, states play a constitutive role in the globalisation of production. Such a conception helps to perceive transformation and integration processes as dialectical processes within the unity of totality of the broader historical and social processes. Conditionality is again helpful here to provide a link between coercion and consent states encounter during their transformation trajectories.

Thus, transformation processes are part of a struggle that are constituted by both the global and the internal dynamics and change. The historical background on Poland and Romania reflect that these countries were part of the productive system of the capitalist global economy, though relations remained limited reflecting the context of the Cold War. In a socialist state system context, the reform attempts of the communist party leadership were conceived to represent the unity of transformation and integration in the Eastern Bloc. Occasionally, the hegemonic social forces in the state socialist context encountered difficulties in sustaining their power through consent and thus intended to use coercive power as was emphasised in the events of Soviet intervention in 1956 and 1968 in Hungary and Czechoslovakia respectively. Despite the coercion there was a ‘space of manoeuvre’ within the context of the Cold War which also allowed rulers to use the agency of state in sustaining their dominance. The differences in political and economic structures inherited from the period of communist party rules reflected this where the rulers of the states used foreign policy and economic cooperation as

instruments in sustaining their power. Thus, the state was not freed from struggle despite the single party rule. To the contrary, as the Polish case represents opposition forces successfully internationalised the struggle within Poland seriously challenging the role of the state in the 1970s and 1980s. When the system proved difficult to sustain, there were attempts to sustain the hegemony of the party through incorporation of elements advocated by the opposition forces such as the case with reform attempts in Poland during the 1970s and more vigorously in the 1980s. The changes in the 1980s, though, made it much more difficult for the communist party rule to sustain its dominance. In this respect, the internationalisation of the Polish state proved to be important. The move by the state to integrate with capitalist global productive system in the 1970s, though within the limits of the Cold War context, helped in the socialisation of various factions of the society and led to the internationalisation of the Solidarity challenge to the communist party rule.

The internationalisation process was also used as an instrument to enhance the interests of the communist party itself in placing a firm grip on the society, as in the case of Romania. Ceausescu proved to be a skilful dictator in sustaining its power vis-à-vis the society and challenging the Soviet Union. Though, his approach remained within the system, not against the state socialist system, but was directed against the process of division of labour within the Soviet Bloc. The other dimension was Romania's position with respect to the developments in the 1980s. Even though Romania was part of a capitalist productive system from the 1960s onwards, Ceausescu's nationalist interpretations of the international developments distanced Romania from the early 1980s onwards as he criticised changes within the capitalist global economy as moves to form imperialist dominance of the capital. The Gorbachev reforms were also criticised in similar lines forcing Romania into lines of isolation in the 1980s. However, his argumentation vis-à-vis global changes failed to sustain his power as this was not perceived to be in the interest of Romania by other communist party members. The dominance of the former party members continued with the overthrow of Ceausescu. However, the prevalent attitude in the Romanian state proved to be a point in reluctance to apply a radical strategy of transformation challenging the emerging order in Central and Eastern Europe in the early 1990s. However, this

was a challenge within the system as Romania reluctantly applied gradualist policies and argued for the incompatibility of radical strategy of transformation to the Romanian case. The pursuit of membership by Romania in the Euro-Atlantic institutions facilitated the internationalisation of the state. By mid-1990s, the realisation that it was not possible to pursue membership without economic restructuring and sustain political power the state prioritised integration into security structures that would also give a positive message to the private investors. As struggle ensued, the state even more internationalised perceiving full integration as more beneficial than isolation. As the EU has become more involved in Romanian policy making by not only regular Accession partnerships of the Commission but by also preparing road maps for more comprehensive reform the transnationalisation of Romanian productive system was well under way.

The internationalisation of the state in Poland was a more evident perspective from the early 1970s when Gierek took initiative to include Poland in the international production systems. This tendency continued to increase even though Poland was cut off from the capitalist global economy in the 1980s due to rising tension during the second Cold War and the events with respect to Solidarity. Capital was an important element of coercion in the 1980s as international financial institutions refrained from lending despite the fact that states of Central and Eastern Europe became members in these institutions in the 1986 in the case of Poland. In this sense, foreign debt proved to be important in linking transformation with a radical strategy. Yet, compatibility was an evident feature of internal and external design on transformation and integration processes in the Polish case. In fact, the state in Poland proved to be very effective in transnationalising the Polish economy even though struggle over economic reform was the main feature. The recognition of the unity of transformation and integration was reflected in tendencies trying also to include emerging Polish public and private investors within global networks of production and finance. Thus, especially in Poland, state was crucial in strengthening not only national investors but interconnectedness of Polish state through trade and production structures. This unity integration and transformation processes was also reflected in the reluctance of one of the most vocal eurosceptic party, Samoobrano, in failing to advocate an open ‘NO’ in the 2001 membership referendum.

The analysis of political struggle showed that the neo-liberal project works to disintegrate the state socialist systems and integrate the states of Central and Eastern Europe into the process of transnational production. It is hard to suggest that the struggle was among distinct forces - i.e. neo-liberal, neo-mercantilist or social democratic - as exemplified in the case of restructuring at the European level. The varying tendencies do remain within a pendulum of neo-liberal approaches and only differ in character with respect to who controls the institutions and the processes of transformations. The rift with respect to a past remains an important feature of the political struggle clearly pushing the communist party successors to perform a process of restructuring of society in neo-liberal lines. Or rather, as in the case of Romania, the social democrat party may be accepted as a better agent to restructure the Romanian society because of the level of control and unity they present as well as the ability to legitimise neo-liberal restructuring in comparison to a very fragmented opposition that is also largely entangled in business interests.

All these developments within the global political economy were important in highlighting the unity of transformation and integration processes. This unity, on the one hand, implies transformation or restructuring that takes place in conjunction with the integration process. On the other, deepening at the European level indicate disintegration as well as integration through restructuring of forms of social organisation.

Transformation and restructuring in Central and Eastern Europe were essential elements of integration with the global economy as well as Euro-Atlantic institutions. As the states try to transform their societies they have to take into consideration integration, with added dimensions of conditionality and accession requirements, in forming their transformative policy choices. Thus, integration and transformation processes form intertwined elements of a social totality. Yet this process of neo-liberal restructuring seems to have faced certain impediments, as exemplified in the case of the referendum for European constitution and the inability of the EU to find a solution to unemployment within the Union. The inability to overcome raises question about whether the neo-liberal restructuring process at the EU level is sustainable. Indeed, what is implied by the discourse on absorption capacity reflects the reluctance of the EU to carry problems of Central

and Eastern European states over to the EU agenda. Yet, it is not certain whether the EU could avoid such impediments or a conservative rise in the region.

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APPENDICES

APPENDIX A

TURKISH SUMMARY

DÖNÜŞÜM SÜRECİ VE 'KOŞULLAR POLİTİKASI': 1990'LI YILLARDA POLONYA VE ROMANYA KARŞILAŞTIRMALI ANALİZİ

Komünist parti yönetimlerinin yıkılması ile Orta ve Doğu Avrupa ülkeleri kendilerini siyasi, iktisadi ve toplumsal dönüşüm süreçleri yanında global düzeyde sistemsel bir değişim süreci içerisinde bulmuşlardır. Bu süreçte, bölge ülkeleri değişim ve dönüşüm önceliklerini 'Avrupa'ya dönüş' çerçevesinde Batı ile bütünleşme olarak tanımlamışlardır. Dolayısıyla, transatlantik kurum ve kuruluşlarla bütünleşme çabası siyasi ve iktisadi değişimin yönünü belirleyen önemli bir unsur olmuştur. Bu iki stratejik öncelik siyasi ve iktisadi olduğu kadar güvenlik kaygıları nedeniyle de paralel süreçler olarak görülmüşlerdir. Özellikle Avrupa Birliği (AB) üyeliği Batı ile yakınlaşma ve Batı'daki refah seviyesine ulaşılması fırsatı sunan bir süreç olarak algılanmıştır. Buna istinaden, 'Avrupa'ya dönüş' söyleminin demokratikleşme, piyasa ekonomisinin yerleştirilmesi ve Avrupa bütünleşmesi süreçlerini biraraya getirmesinin yanında komünist parti yönetimleri, merkeziyetçi ekonomi anlayışı ve Sovyet dominasyonundan uzaklaşılmasını sağlayan bir değişim ve dönüşüm projesine en yakın unsur olduğu söylenebilir.

Orta ve Doğu Avrupa'daki değişim ve dönüşüm süreçleri konjonktürel olarak küresel ve bölgesel düzeyde neoliberal yaklaşımın egemen olduğu sistemik değişim ve bütünleşme dönemine rastlamıştır. Kapitalist gelişimin yeni bir evresini oluşturan bu döneme neoliberal yaklaşım çerçevesinde 'piyasanın metalaştırılması' damgasını vurmuştur. Bütünleşme çabalarının başarılı olabilmesi için Batı'nın

yardım ve işbirliğine ihtiyaç duyulması, Batılı kurum ve kuruluşların sağladıkları yardımı belirli siyasi ve iktisadi koşullara bağlamalarına imkan vermiştir. Bu çerçevede oluşturulan 'koşullar politikası'nın (*politics of conditionality*), Soğuk Savaş'ın sona ermesiyle birlikte Orta ve Doğu Avrupa ülkeleri örneğinde en kapsamlı ve etkin şekilde uygulandığı iddia edilebilir. Dolayısıyla, küresel ve Avrupa düzeyinde gerçekleşen değişim ve dönüşüm süreçleri çerçevesinde ortaya çıkan 'koşullar politikası'nın oluşturulması ve gelişiminin 1980 ve 1990'lı yıllarda ortaya çıkan egemen yapının sağlamlaştırılması için önemli bir araç olduğu önerilenilir. Bu anlamda, Orta ve Doğu Avrupa ülkeleri ortaya koydukları üyelik isteği ile gönüllü ve demokratik bir şekilde değişim, dönüşüm ve kalkınma süreçlerini kati bir tasarım çerçevesine yerleştirmeyi seçmişlerdir. Bu anlamda, bölgedeki dönüşüm süreçleri bir yandan Orta ve Doğu Avrupa ülkelerinin stratejik bütünleşme hedefleri ile tanımlanmış, diğer yandan bölge ülkelerinin dönüşüm ve yeniden yapılanma süreçlerinde önemli etkileri olan Batı'nın stratejik hedefleri ile iç içe geçmiştir.

Bu tez çalışması, Orta ve Doğu Avrupa'daki dönüşüm süreçlerinin oluşmasında küresel değişim süreçlerinin toplumsal ilişkiler bütünlüğü içerisinde önemli rol oynadığını ortaya koymayı amaçlamaktadır. Dolayısıyla, tezin ana amacı global/uluslararası-yerel ilişkisinin özelliklerinin tespit edilmesidir. Çalışma, bu bağlamda, Polonya ve Romanya'nın küresel ekonomi ve Avrupa Birliği ile bütünleşme süreçlerinin değişim ve dönüşüm süreçlerini nasıl etkilediği ve şekillendirdiği üzerinde yoğunlaşacaktır. Tez çalışması, koşullar politikası yaklaşım ve uygulama süreçleri, Batı ile bütünleşme sürecinin ekonomi politiği ve Polonya ve Romanya karşılastırmalı analizi çerçevesi üzerinden Orta ve Doğu Avrupa ülkelerindeki sosyoekonomik dönüşüm süreçlerine ve bu bağlamda devlet-toplum ilişkilerinin ve devletin sermaye ile olan ilişkisinin nasıl şekillendiğinin analizi üzerine odaklanmıştır. Bu anlamda, çalışmada ortaya konan eleştirel siyasi-iktisat perspektifi bölgedeki siyasi ve sosyoekonomik değişimi elit müzakere süreçleri ve kurumsal yapılanma olarak algılayan dönüşümün geleneksel kuramları radikal neo-liberal yaklaşımlar ve kurumsalcı yaklaşımlara alternatif kapsamlı bir yorumlama sunmayı hedeflemektedir.

Bu doğrultuda, çalışmanın üç ana amacı vardır. Tez, öncelikle, geleneksel yaklaşımları sorgulamayı ve kısıtlarını ortaya koyarak, iç ve dış etkenlerin

diyalektik ilişkisinin önemini tanımlayan teorik bir çerçeve çizmeyi hedeflemektedir. İkinci olarak tez, dönüşüm süreçlerini çevreleyen uluslararası değişimin özelliklerini ve kontekstini ortaya koymayı ve böylelikle dönüşüm ve entegrasyon süreçlerinin bütünlüğünü tanımlamaya çalışmaktadır. Dolayısıyla tez, uluslararası kuruluşların ve Avrupa Birliği'nin bölge ülkelerinde politika üretme süreçlerine nasıl dahil olduğunu ve yaklaşımlarının sosyal amacını eleştirel bir bakışla yorumlamaktadır. Üçüncü olarak tez, Polonya ve Romanya'daki dönüşüm süreçlerini, ulusal ve uluslararası değişim dinamiklerinin diyalektik ilişkisi ışığında küreselin rolünü analiz etmeyi mümkün kılan devletin uluslararasılaşması süreçleri olarak analiz etmektir. Küresel ekonomi ve transatlantik kurumlar ile bütünleşme süreçleri Polonya ve Romanya dönüşüm süreçlerinin önemli bir entegral öğesi olmuştur. Bölgedeki sosyoekonomik dönüşüm sürecinin özellikle koşulluluk boyutu nedeniyle önemli sosyal etkileri olmuş ve yeni devlet-toplum ilişkilerine sebebiyet vermiştir.

Teorik çerçevede tez, geleneksel yaklaşımlara metodolojik ve ontolojik eleştiriler getirir. Buna göre, geleneksel yaklaşımlar, varolan düzen içerisindeki sorunlarla ilgilenir ve süreçleri doğal süreçler olarak kabul edip varolan sistem içerisnde sorunleı çözmeyi hedeflerler. Burada önemli olan, geleneksel yaklaşımların global/uluslararasını ve dolayısıyla dönüşüm ve bütünleşme süreçleri üzerindeki etkisini nasıl algıladıklarını ortaya koymaktır. Bu çalışmaya göre dönüşüm süreçleri uluslararasından bağımsız olarak 'ulusal mekanda' yer alan süreçler değildirler. Bu bağlamda tez, günümüz neo-liberal küresel düzeninin nasıl ortaya çıktığını 1970'lerden bu yana küresel ve Avrupa düzeyinde gerçekleşen yapısal ve tarihi değişiklikleri anlamak amacıyla irdelemektedir. Küresel düzeydeki yeni yapılanma süreci değişen bütünleşme yöntem ve biçimlerini yansıtmaktadır. Bu suretle çalışma, Orta ve Doğu Avrupa'daki değişim ve dönüşümün doğru analizi ve idrakının küresel siyasi iktisadi gelişmeler ve bu gelişmelerin ortaya koyduğu tarihi oluşumların anlaşılması ile mümkün olabileceğini ileri sürmektedir. Buna rağmen çalışma, kurumsalcı yaklaşımın ifade ettiği gibi dönüşümün iç etkenlerce belirlenmesine karşıt dış etkenleri öne çıkarmayı değil iç ve dış etkenler arasında diyalektik ilişkisinin önemini vurgulamayı hedeflemektedir.

Sunmuş olduğu söylem ile neo-liberalizm devletin kredibilite ve istikrarın sağlanması amacıyla gerekli kurumsal altyapıyı oluşturma siyaseti izlemesini öngörür. Buradaki amaç, neo-liberal düzenin öngördüğü yeni bir beklentiler ve davranış rutin dengesi oluşturulmasıdır. Böylesi bir yaklaşım dönüşüm süreçlerini bir kurumsal düzenden diğer bir düzene geçiş olarak sunmaktadır. Bu tutum, geleneksel yaklaşımların güncel olaylar üzerine odaklanmasına ve bunları etkileyen tarihi ve yapısal süreçleri göz ardı etmesine sebebiyet vermektedir. Diğer bir deyişle, global/uluslararası faktörler geçiş süreçlerini sadece mümkün kılan veya kısıtlayan ikincil faktörler olarak değerlendirilmektedir. Bu yaklaşım, sosyal demokrat parti elit ve yöneticileri dahil bölgedeki bir çok kesimin benimsediği bir yaklaşım olmuştur. Böylelikle dönüşüm süreçleri merkezi-planlı ekonominin serbest piyasa ekonomisi ile otoriter yönetimlerin ise liberal demokratik bir düzenle değiştirilmesi olarak tanımlanmıştır. Dolayısıyla, kapitalist küresel ekonominin ve AB'nin norm, kural ve uygulamaları ile kurumsal uyum, ekonomik durum ve refah düzeyinin yakalanmasına imkan veren bir durum olarak görülmüştür. Böylesi bir yaklaşım, ulusal özellikleri ve farklılıkları reddederek neo-liberal yaklaşımın evrensel düzeyde uygulanabilirliğini iddia eder. Bu tutum başarısızlığın sorumluluğunu istikrarlı politika uygulamalarını yerine getiremeyen ve akılcıl tercihler yapamayan ulusal uygulayıcılara yüklemektedir. Bu bakış açısı, geleneksel yaklaşımların temel önermeleri küresel yapıyı ve onun dönüşümü teşkil eden rolünü açıklamakta yetersiz kalmaktadır.

Ontolojik olarak is tez, geleneksel yaklaşımların bireyselci tutumunu eleştirmektedir. Dolayısıyla çalışma, bütünlük arz eden bir yapı içerisinde üretim çerçevesindeki toplumsal ilişkilerin ve bu ilişkiler sonucunda değişen toplumsal algılamaların tarihsel ve yapısal değişim ve dönüşüm süreçlerini tanımladığını ve şekillendirdiğini önermektedir. Ancak üretim, dar kapsamlı mal üretimi olarak algılanmamalı tüm düşünsel, siyasi ve ideolojik yapı ve bilgi üretimini de kapsayacak geniş bir olgu olarak algılanmalıdır. Bu bağlamda, toplumsal mücadelenin değişen maddi, ideolojik ve siyasi yapıyı belirlediği ve küresel düzeyde oluşan güç dağılımının ve siyasi otoritenin amaç ve doğasını ortaya koyduğu belirtilmektedir. Böylece, toplumsal mücadele dönüşüm süreçlerinin temel unsuru olarak tanımlanmakta ve dönüşüm ve bütünleşme süreçlerinin bütünlüğü ifade ettiği vurgulanmaktadır. Burada, kapitalist küresel ekonomi ve

transatlantik kurumlar ile bütünleşmenin Orta ve Doğu Avrupa ülkelerindeki dönüşüm süreçlerinin özgül bir öğesi olduğu ileri sürülebilir. Bu bağlamda çalışma, neo-liberal pratiğin yayılması ile sonuçlanan toplumsal mücadelenin farklı çözümleme düzeylerinde nasıl yürütüldüğünü sorgulamaktadır.

Çalışma, küresel, bölgesel ve devlet düzeyindeki değişim ve yeniden yapılanma süreçlerine odaklanmaktadır. Uluslararası kurumlar, sağladıkları yardımları çeşitli siyasi ve ekonomik koşullarla ilişkilendirerek geçiş süreçlerini etkilemeye ve yönlendirmeye çalışmışlardır. Tez, Orta ve Doğu Avrupa'ya yönelik koşullar politikasının iki önemli uygulayıcısı uluslararası mali kuruluşlar, özellikle IMF ve Dünya Bankası, ve Avrupa Birliği'nin bölgedeki süreçlere nasıl dahil olduklarını sorgulamakta ve bu aktörlerin yaklaşımlarının amacını eleştirel bir bakışla yorumlamaktadır. Bu bağlamda tez, dönüşüm süreçlerini çevreleyen uluslararası değişimin özelliklerini ve kontekstini ortaya koymayı ve böylelikle dönüşüm ve entegrasyon süreçlerinin bütünlüğünü tarihsel bir çerçeve içerisinde tanımlamaya çalışmıştır.

Neo-liberal dönüşüm stratejisi ve bu bağlamda yer alan koşullar politikası son otuz yıllık sürede toplumsal ilişkilerde meydana gelen değişimlerin bir ürünüdür. Toplumsal mücadele bu değişim ve dönüşüm sürecini yansıtmakta ve Orta ve Doğu Avrupa'daki süreçlerde yer alan aktörleri ve bu bağlamdaki yapısal değişiklikleri tanımlayıp analiz edilmesine imkan vermektedir. Toplumsal güçler arasındaki diyalektik ilişki ve bu mücadele içerisinde oluşturulmaya çalışılan küresel düzen ve devletin bu düzendeki yeri ve amacı koşullar politikasının ve Orta ve Doğu Avrupa'daki süreçlerin daha iyi anlaşşılmasına imkan vermektedir.

1970'lerde kapitalist sistemde ortaya çıkan krizin uygulanan Keynesyen iktisat politikaları ile aşılamaması toplumsal mücadelenin, özellikle neo-liberal ve neo-markantilist toplumsal güçler arasında, derinleşmesine sebebiyet vermiştir. Bunun sonucunda o dönemde varolan Keynesyen toplumsal yapı içerisinde otorite sorunsalı ortaya çıkmıştır. Tarihsel perspektif ABD ve Büyük Britanya'da 1980'lerin başında iktidara gelen Reagan ve Thatcher yönetimlerinin ortaya çıkan yeniden yapılanma sürecinde önemli bir dönüm noktası olduğunu ifade etmektedir. Reagan ve Thatcher iktidarları sınıflar arasında var olan uzlaşmayı ortadan kaldırmış ve ulusaşan toplumsal oluşuma güç kazandırmıştır. Üretim ve finans yapısının küreselleşmesi artan ticaret ve sermaye serbest dolaşımı değişen küresel

toplumsal üretim yapısının önemli özellikleridir. Daha da önemlisi, mali sermayenin ve doğrudan dış yatırımın artan önemleri Batı sermayesinin küresel düzeydeki maliyet ve diğer fırsatları kullanarak 1970'lerde ortaya çıkan verimlilik ve karlılık krizinin üstesinden gelinmesini sağlayacak yeni bir sermaye birikimi süreci önermesini ifade etmektedir. Küresel yeniden yapılanma çabaları, ulusaşan şirket ve kuruluşların artan önemleri, yeni küresel düzenin sermaye dolaşımının daha rahat gerçekleştirilebileceği şekilde yeniden yapılandırılmasının önemini belirtmektedir. Değişim, diyalektik bir süreç içerisinde ulusaşan toplumsal yapılanmanın ihtiyaçları doğrultusunda devletin rolünün yeniden yapılandırılmasına sebebiyet vermiştir. Devletler bu çerçevede sermayenin serbest dolaşımını kolaylaştıran ve doğrudan dış yatırımı ve serbest ticareti kalkınmanın ana unsurları olarak destekleyen tedbirler alan ve bunların yasalaşmasını sağlayan araçlara dönüşmüşlerdir.

Sermaye birikimi ve kalkınma perspektifinde meydana gelen değişim devletin rolünün yeniden tanımlanmasıyla uluslararası kurumların rolünün tanımlanmasını da beraberinde getirmiştir. IMF, Dünya Bankası ve AB gibi uluslararası kurum ve kuruluşlar neo-liberal projenin meşrulaştırıldığı ve sağlamlaştırıldığı yapılar ve Batı sermayesinin önündeki engellerin kaldırılmasını sağlayan araçlar olarak neo-liberal düzenin yerleştirilmesi ve genişletilmesinde önemli roller oynamışlardır. Bu bağlamda tezde, uluslararası mali kuruluşların, özellikle de IMF'nin uygulamakta olduğu koşullar politikasının önceki dönemlere göre gösterdiği değişim analiz edilerek 1990'lı yıllardaki dönüşüm süreçleri bağlamında ve siyasi anlamda değişimin ne ifade ettiği irdelenmiştir.

Önceleri makroekonomik istikrar sağlanması için develetlere yardımda bulunan IMF, daha sonraları ekonomi politikaları çerçevesinde yapısal değişim taleplerinde bulunmuş ve özellikle 1990'lı yıllarda gelişmekte olan ülkelerle Orta ve Doğu Avrupa ülkelerinde devlet-toplum ilişkilerinin şekillendirilmesi rollerini üstlenmiştir. Koşullar politikasının 1990'lı yıllarda değişen karakteri uluslararası mali kuruluşların egemen toplumsal güçlerin ve dolayısıyla ulusaşan toplumsal oluşumun projelerini gerçekleştirmede araç olma durumunu daha net ifade eder. Orta ve Doğu Avrupa ülkelerinde parti-devletin reform çabalarında başarısız olması Batı'da neoliberal söylemin pekiştirilmesi sürecinde önemli bir rol oynamıştır. Dolayısıyla, uluslararası mali kuruluşların uygulamış oldukları

koşullar politikası yaklaşımı bütünleşme çerçevesinde bölge ülkelerindeki devlet-toplum ilişkilerinin temelden değişimini ve neo-liberal bir düzene yönelişini pekiştirmeyi hedeflemiştir. 1990'lı yıllarda uluslararası mali kuruluşlar tarafından yerine getirilmesi istenen koşulların içerik ve sayısındaki artış dikkate değer bir biçimde piyasanın toplumun organizasyonunda temel unsur olarak kabulünü savunmuştur. Uluslararası mali kuruluşlar radikal neo-liberal yaklaşımı bölgedeki değişim ve dönüşüm gerçekleştirilmesinde tek alternatif olarak sunmuşlardır. Bu çerçevede, bölge ülkelerinin Batı'yla bütünleşme istemine paralel, Batı'nın hem siyasi hem de mali desteğinin sağlanabilmesi için uygulanacak iktisadi stratejilere IMF desteğinin sağlanması bir önkoşul olarak ortaya çıkmıştır. Dolayısıyla, IMF onayının Batı'dan gelecek yardımlar için de onay mührü taşıması uluslararası mali kuruluşların rolünü daha da artıran bir unsur olmuştur.

Avrupa Birliği bölge ülkelerindeki değişim ve dönüşüm süreçleri çerçevesinde bir diğer uluslararası yapı olarak tanımlanmış ve AB yaklaşımının daha net yorumlanabilmesi için AB düzeyinde toplumsal mücadele ve yeniden yapılanma süreci küreselleşme ışığında incelenmiştir. Buradaki ana amaç AB'nin küresel ekonomi içerisindeki rolünün tespit edilmesidir. Bu sebeple 1980'lerin ortalarından itibaren AB ortak pazarının oluşturulması çabalarıyla birlikte hareketlenen AB entegrasyon sürecinin çeşitli egemenlik projeleri ile toplumsal yapıdaki değişim ve dönüşümün nasıl şekillendirildiği irdelenmiştir. Ortak pazar, Avrupa Para Birliği ve ortak para biriminin oluşturulması ve AB için yeni bir kalkınma perspektifi oluşturduğu savunulan Lisbon stratejisi ve bu egemenlik kurma ve sağlamlaştırma projelerinin içeriklerinin Birlik içerisinde artan neo-liberal eğilimin önemli işaretleri oldukları ileri sürülebilir. Bu projeler yanında, veriler ışığında küresel serbest ticaret ve doğrudan dış yatırımın artan şekilde AB tarafından da kabul gördüğü ve dolayısıyla AB'nin küresel üretim ve mali sistem ağı içerisindeki yeri göz önünde bulundurularak küreselleşme olgusunda önemli bir yeri olduğu öne sürülmüştür. Bu durum, AB'de sosyal aktörlerin rollerinin yeniden tanımlandığı ve iktisadi-toplumsal ilişkilerin yeniden yapılandırıldığı bir süreç yaratmıştır. Ancak, neo-liberal hakimiyetin mahiyeti AB içerisindeki toplumsal güçlerin mücadelesi sonucunda belirlenmiştir. AB'de etkin olan üç ana toplumsal güç yapısı - neo-liberal küreselleşme savunucuları, neo-merkantilist ve sosyal demokrat toplumsal güçler - AB entegrasyon sürecini kendi dünya

görüşlerini AB düzeyinde yerleştirebilecekleri bir araç olarak görmüş ve derinleşmeyi teşvik etmişlerdir. Mücadele sonucunda AB'nin iç dinamiklerini ve yerleşmiş güçlü sınıfsal yapıları da yansıtan toplum içerisine gömülü neo-liberal hakimiyet oluşumu ortaya çıkmıştır. Diğer bir deyişle neo-liberal ulusaşan toplumsal güçler AB içerisindeki hakimiyetlerini ortodoks Anglo-Amerikan neo-liberal yaklaşımı diğer güçlerin toplumsal yaklaşımlarının belirli öğelerini neo-liberal yaklaşıma dahil edecek şekilde değiştirerek oluşturabilmişlerdir. Yukarıda belirtilen ve egemenlik projeleri diye adlandırılan süreçler bu hakimiyetin kurulmasında önemli araç görevi görmüşler ve buna imkan vermişlerdir. Bu bağlamda, AB bir yandan AB ve üye ülkeler düzeyinde neo-liberal politika süreçlerini teşvik ederken diğer yandan iç pazarını koruyucu dış ticaret tedbirleri almış ve AB düzeyinde sosyal boyut, hukuki çerçeve ve sanayi politikaları oluşturma eğilimine girmiştir. AB'nin Orta ve Doğu Avrupa ülkelerine yönelik yaklaşımı AB içerisindeki bu toplumsal mücadeleyi yansıtmaktadır. Dolayısıyla, paralel şekilde gelişen genişleme ve derinleşme süreçlerinin globalist yaklaşımdan ve küresel sermayeden etkilendiğini söylemek mümkündür.

AB koşullarına uyum süreci küresel ekonomi ile bütünleşme ile eşit değerde tutulmuş ve hatta üyelik süreçlerinin Orta ve Doğu Avrupa ülkeleri için kalkınma perspektifi sunduğu iddia edilmiştir. AB'nin kendi içerisindeki bütünleşme sürecinin ve yapısının da küreselleşme sürecinden etkilenmesi bu izlenen tutumun belirlenmesinde önem teşkil etmektedir. Avrupa Birliği genişleme süreci, 1990'larda Tek Pazar ve Maastricht kriterleri çerçevesinde para birliğinin oluşturulması temelinde gelişen Birlik içi bütünleşmeye giderek globalist bir yaklaşımın hakim olduğu bir döneme rastlamaktadır. Doğrusu, AB'nin bölgeye yönelik yaklaşımı AB'nin küreselleşme süreci içerisindeki rolünü pekiştiren önemli bir araç görevi görmüştür. Dolayısıyla, AB'nin bölgeye yönelik yaklaşımının bölgedeki dönüşüm süreçleri üzerinde küreselleşme çerçevesi içerisinde AB'nin kendi entegrasyon ve yeniden yapılanma süreçlerinden bağımsız bir yapı sergilemediği ileri sürülmektedir. AB, uluslararası mali kuruluşlar ile uyum ve eşgüdüm içerisinde, politika belirlenmesi, söylem üretimi ve denetim rolleri ile Orta ve Doğu Avrupa ülkelerinde değişimi şekillendirmeyi hedeflemiş ve neo-liberal dönüşümü teşvik eden bir tutum takınmıştır. AB entegrasyon ve derinleşme sürecinin önemli bir parçası olan rekabet edebilirlik bölgeye yönelik

söylemin de önemli bir parçası olmuştur. Rekabet edebilirlik 1990'larla birlikte artan bir şekilde neo-liberal yeniden yapılanma sürecinde piyasayı temel alan kalkınma stratejisine vurgu yapmış ve ekonomik serbestiye sosyal uyumdan daha fazla öncelik vermiştir. 1990'ların ortalarında, AB yaklaşımı koşullar politikası ile ticaret, mali yardım, ön-katılım ve üyelik süreçlerini bir araya getirmiş ve bunu çeşitli mekanizmalarla denetim altına alarak güçlendirmiştir. Bu şekilde AB, bölge hükümetlerinin politikalarını şekillendirmiş, tutumlarını disipline etmiş ve neo-liberal politikaları sürdürmelerini temin etmiştir. Tüm AB koşullarının ve hukukunun neo-liberal bir çerçeveye oturtulamayacağı söylenebilir. Ancak, Orta ve Doğu Avrupa ülkelerinin öncelikle AB iç/ortak pazarı çerçevesinde dahil ve entegre edilmeleri vurgusu neo-liberal sosyoekonomik yeniden yapılanma biçimlerinin ön plana çıkmasına sebebiyet vermektedir. Bu, aynı zamanda, AB iç pazarının neo-liberal bir siyasi ve hukuki çerçeve ile tanımlandığını ifade etmektedir. Dolayısıyla AB, uluslararası mali kuruluşlarla benzer şekilde, neo-liberal küresel hakimiyetin oluşturulmasına imkan veren bir yapı sağlamış ve ayrıca genişleme süreci ile bu hakimiyetin yayılmasını sağlayan araç ve aktör olmuştur.

Koşullar politikasının 1990'lar süresince değişen karakteri, uluslararası aktörlerin ülke dönüşüm süreçlerine içten müdahalesine elverir bir nitelik taşımaktadır. Orta ve Doğu Avrupa'ya yönelik koşullar politikasının iki önemli uygulayıcısı IMF ve AB'nin değişen denetleme, raporlama ve müzakere süreçleri ile iç siyasi yapıya dahil olmaları beraberinde ortaya konulan koşullara uyumun temin edilmesi ve sağlanan mali yardımların doğru kullanılıp kullanılmadığının tespit edilmesine ve denetlenmesine imkan verecek yöntemlerin değişmesini de getirmiştir. 1990'ların ikinci yarısındaki gelişmelerin uluslararası aktörlerin mali yardımın eşgüdümünden kalkınma politikalarını kontrol etmeye yönelik bir eğilim gösterdiği ileri sürülebilir. Orta ve Doğu Avrupa ülkelerinin AB ile üyelik müzakere süreçlerinin başlaması ile birlikte AB Komiyonu ve çeşitli uluslararası mali kuruluşlar arasında imzalanan mutabakat zaptının bu çabayı yansıttığı belirtilmelidir. Bu anlamda, AB katılım ortaklık anlaşmalarının ve yıllık raporlarının Orta ve Doğu Avrupa ülkelerindeki politika yapma süreçlerini üyelik adına belirli hedefler ortaya koyarak bunların gerçekleşip gerçekleşmediğini sıkı bir şekilde denetleyen araçlar olduğu ileri sürülebilir. IMF ile bölge ülkeleri

arasındaki yıllık konsültasyon görüşmeleri de - ülke ile IMF arasında herhangi bir anlaşma olmasa bile - IMF'nin ülke ekonomisine ilişkin yönlendirici nitelikte 'tavsiye'lerde bulunmasına imkan vermektedir. IMF raporlarında, bu tavsiyelerin yerine getirilmesinin bir gereklilik olduğu izlenimi yaratılmakta ve yaşanan sorunların genellikle tavsiyelerin yerine getirilmemesinden kaynaklandığı vurgusu IMF raporlarında sık sık dile getirilmektedir. Bir bütün olarak ele alındığında, bu gelişmelerin uluslararası mali kuruluşların ve AB'nin yardım ve taleplerini mali yardıma bağlı olan koşullar yoluyla sıkı bir disiplin temelinde tek bir çerçevede topladığı söylenebilir. Sonuç olarak, Orta ve Doğu Avrupa ülkelerindeki dönüşüm süreçlerinin içerden şekillendirilmesi kabiliyeti ortaya konmuş olmaktadır.

Parti-devletin 1989 öncesindeki reform süreçlerinde başarısız olması Orta ve Doğu Avrupa elitlerinin neo-liberal dönüşümü ve devletin rolünün bu gereğe göre yapılandırılmasını kabul ettirmelerini de kolaylaştırmıştır. Bu anlamda liberal kapitalizm, komünist-parti yönetiminin devletçi yaklaşımının 'öteki'si ve karşıtı olarak eski düzenden kurtulmanın güçlü bir yöntemi olarak sunulmuştur. Polonya ve Romanya dönüşüm süreçlerinin 1990'lı yıllarda nasıl şekil bulduğunun karşılaştırmalı analizi iç-dış ve dolayısıyla dönüşüm-entegrasyon bütünlüğünü daha iyi anlamamıza yardımcı olmaktadır. Ülkelerdeki iç dinamiklerin tarihsel analizi dönüşüm süreçlerinin başlaması esnasında varolan siyasi ve sosyoekonomik yapı farklılıklarını ortaya koymakla birlikte dönüşüm süreçleri eğilim ve yaklaşımlarının da önceden şekillenmeye başladığını ortaya koymaktadır. Tez, Polonya ve Romanya'daki dönüşüm süreçlerini, ulusal ve uluslararası değişim dinamiklerinin diyalektik ilişkisi ışığında küreselin rolünü analiz etmeyi mümkün kılan devletin uluslararasılaşması süreçleri olarak analiz etmektir. Devletin uluslararasılaşması kavramı yapı ve araç arasında var olan, yani ulusaşan ilişkilerin oluşturulması süreci ve devletin bu ilişkiler ışığında neo-liberal yeniden yapılanmanın içselleştirilmesi hususunda oynadığı rolü diyalektik ilişki çerçevesinde anlamlandırmaya yardımcı olmaktadır.

Koşullar devlet tarafından değerlendirilip uygulanan ve toplum yapısının devlet tarafından temelden şekillenmesini öngören bir süreç izlemektedir. Bu bağlamda devletin farklı toplumsal öğelerinin çatıştığı ve oluştuğu bir alan olarak analiz edilmesi bir yandan devlet eliyle toplumun nasıl dönüştürülmeye ve yaratılmaya çalışıldığı, diğer yandan toplum oluşurken devleti nasıl donüştürdüğü

konusu etrafında iç-dış ayrımını aşabilmenin imkanlarını sunmaktadır - özellikle devlet içinde etkili olan çıkarlardan biri ulusaşan sermaye çıkarları olarak tanımlandığında. Böylesi bir kavramsallaştırma dönüşüm ve entegrasyon süreçlerinin tarihsel ve toplumsal süreçlerin bütünlüğün diyalektiği içinde kavramsallaştırılmasına fırsat vermektedir. Bu bağlamda, devlet düzeyinde gücün toplumsal mücadele çerçevesinde nasıl şekillendiği ve neo-liberal yeniden yapılanma sürecinin mücadele ışığında nasıl içselleştirildiği Polonya ve Romanya karşılaştırmalı analizi ile incelenmeye çalışılmıştır.

Öncelikle, yapılan tarihsel analiz ile Polonya ve Romanya'da dönüşümün hemen başında devlet-toplum ilişkilerinin yapısı ve dönüşüm eğilimlerinin tarihsel süreçlerden nasıl etkilendikleri incelenmeye çalışılmıştır. Polonya'da komünist-parti dönemini üç ayrı tarihsel döneme ayırmak mümkündür: 1944-48 arası komünist parti yönetiminin kabul ettirilmesi dönemi; 1948-1956 arası Stalinist dönem; ve 1956-1989 arası 'ulusal sosyalist' yapının oluşturulması iddiasındaki parti yönetimi dönemi. Her üç döneme de damgasını vuran en önemli unsur parti-devlet ve toplum arasındaki çekişme olmuştur.

Polonya toplumu, geleneksel olarak Sovyet karşıtı olmasına rağmen, İkinci Dünya Savaşı sonrasında sosyalist bir yapı oluşturulması yaklaşımını benimsemiştir. Ayrıca, ortaya çıkan durum, varlığını sürdürebilmesi için Polonya'yı Sovyetler Birliği ile iyi ilişkiler kurmaya itmiştir. 1945-48 yılları arasında meydana gelen uluslararası gelişmeler, Polonya'yı, diğer Orta ve Doğu Avrupa ülkeleri ile birlikte, 1948-56 yılları arasında Stalinist siyasi ve sosyoekonomik bir dönüşüm sürecine zorlamıştır. Stalinizm, bir yandan ulusal çizgide bir yapı oluşturmak isteyen Polonya İşçi Partisi'nin üst kademesinin tasfiye edilmesine, diğer yandan merkezileştirme çabaları çerçevesinde Polonya İşçi Partisi'nin Stalinist kanadının aydınlar ve kilise üzerinde baskı kurmasına sebebiyet vermiştir. Ancak, toplum desteği zayıf olan komünist parti yönetiminin toplum üzerindeki kontrolu tamamen sağlayamadığı görülmektedir. Dolayısıyla, komünist-parti yönetiminin Sovyet dominasyonu altında merkeziyetçi bir siyasi ve sosyo-ekonomik yapı kurmaya çalışması parti-devlet ve toplum arasındaki gerginliğin yeni bir boyut kazanmasına neden olmuştur.

1953'te Stalin'in ölümü ile başlayan süreçle Stalinist politikaların geride bırakılmaya başlanılması, Polonya'da Gomulka (1956-70) ve Gierek (1970-1980)

yönetimleriyle 'ulusal sosyalist' modelinin yeniden oluşturulabileceği umudunu yaratmıştır. Ancak, Gomulka ve Gierek yönetimleri yaratmış oldukları umutlara paralel reform süreçlerine girmemişlerdir. Komünist parti yönetimlerinin güç paylaşımındaki isteksizlikleri siyasi ve sosyoekonomik yapıda umut-tıkanıklık döngüsüne neden olmakla birlikte aydınlar ve kilisenin komünist parti yönetimine karşı varolan tepkisine 1970, 1976 ve 1980 yıllarında işçilerin de katılmasına sebebiyet vermiştir. 1976 yılında meydana gelen işçi olayları, 1980 yılında Dayanışma sendikasının ortaya çıkmasına giden yolda aydınlar-kilise-işçiler arasında işbirliğinin ortaya çıkması açısından önem arzetmektedir. İşbirliği sürecinin oluşturulmasında ve ileriye götürülebilmesinde uluslararası gelişmelerin de etken olduğu ve bu gelişmelerden destek alındığı da söylenmelidir. Batı-Doğu blokları arasında 1970'lerde gerçekleşen yakınlaşma süreci sonucunda 1975 yılında ortaya çıkan Helsinki anlaşması ve buna dayanarak Doğu Avrupa ülkelerinde oluşturulan insan hakları hareketleri, ve Ekim 1978'de Polonyalı Kardinal Karol Wojtyla'nın II. John Paul adını alarak papa seçilmesi ve 1979 yılında Polonya'yı ziyaret ederek siyasi mesajlar vermesi aydınlar-kilise-işçiler arasındaki ittifaka önemli destek oluşturan gelişmelerdir. Ayrıca, ABD yönetiminin insan haklarını dış politikasının önemli bir unsuru olarak kullanması, Batı ile yakınlaşma sürecinden faydalanarak Batı'dan borçlanmaya dayalı sosyoekonomik kalkınma yaklaşımı izlemeyi tercih eden Gierek yönetimini zora sokmuştur. Polonya'nın Batı'ya olan mali borcunun 1970'lerin ikinci yarısında giderek artması Batı ile ilişkileri bozmamak adına parti yönetiminin aydınlar ve kilise üzerinde yoğun bir baskı kurmasını engellemiştir.

Tüm bunlar ışığında, 1980 yılında, 1970 ve 1976 olaylarının da tetikleyicisi olan temel ürünlerde yapılan fiyat artışları Dayanışma sendikasının kurulmasına giden olaylar zincirinin patlak vermesine neden olmuştur. 31 Ağustos 1980'de Gdasnk'da hükümet ve işçi yetkilileri arasında imzalanan anlaşma ile Dayanışma sendikası yasallaşmıştır. Sendikanın anlaşma çerçevesinde ortaya koymuş olduğu 21 maddelik talep ve Ekim 1981'de gerçekleşen kongrede ortaya koymuş olduğu program komünist-parti hegemonyasını tehdit eder bir durum almıştır. Dayanışma, toplumdan almış olduğu geniş destekle ortaya koymuş olduğu taleplerle yöneten ve yönetilenler, parti-devlet ve toplum arasında süregelen karşıtlığın 1980 sonrasında daha da derinleşmesine neden olmuştur.

1981 yılında gerçekleşen Dayanışma kongresinde alınan kararlar çerçevesinde oluşturulan programın Dayanışma'nın sınıfsal mücadelesini ikinci plana ittiği ve toplumun ulusal çıkarlarını ön plana çıkardığı söylenebilir. Ancak Dayanışma, uluslararası ortam nedeniyle taleplerini gerçekleştirmek amacıyla aktif bir siyaset izlememiş ve kendi kendini kısıtlamıştır. Sendikanın yaklaşımının, komünist parti yönetiminin toplum üzerinde yaratmış olduğu tüm hayal kırıklıklarına rağmen, adil bir sosyalist düzen oluşturulması temelinde geliştirildiği belirtilmelidir. Komünist parti yönetiminin Dayanışma'yı olası bir Sovyet müdahalesini öne sürürek Aralık 1981'de sıkıyönetim uygulaması ile birlikte yasadışı ilan etmesi toplum önündeki güvenilirliğini derinden sarsmıştır.

Sıkıyönetim ile başa gelen General Jaruzelski başkanlığındaki komünist parti yönetimi önceki yönetimler gibi toplumun desteğini kazanmak amacıyla modernleşme hedefiyle ekonomik politkalara önem vermiştir. 1980'li yılların ikinci yarısında uluslararası ortamda meydana gelen gelişmeler, özellikle Sovyetler Birliği'nde Gorbachev ile birlikte gelen açılımlar, Jaruzelski yönetiminin en ileri seviyede reform çabası içerisine girmesine fırsat vermiştir. Ancak, daha önceki çabalar gibi, Jaruzelski yönetiminin çabaları da komunist parti hegemonyasını farklı düzlemde tesis etmekten ileriye gitmemiştir.

Diğer yandan Romanya en ağır komünist-parti dikta yönetimlerinden birini yaşamıştır. 1965-1989 yılları arasında yönetimi elinde bulunduran Nicolae Ceausescu Stalinist politikalar doğrultusunda Romanya'nın modernizasyonunu ağır sanayileşme ile gerçekleştirme çabası içinde olmuştur. Stalinist ideoloji, kültürel ve toplumsal yaşamın düzenlenmesinde de önemli olmuştur. Stalinizmin Doğu Bloku'nda terkedilmiş olmasına rağmen, Ceausescu değişen uluslararası ortama ayak uydurmaktan ziyade Sovyetler Birliği ile arasına mesafe koyarak Doğu Bloku'nda bağımsız ve sert bir dikta rejimi sürdürmeyi seçmiştir. Anti-emperyalist, Sovyet karşıtı, vatanperverlik üzerine kurulu milleyetçilik söylemi Ceausescu'nun yönetimini devam ettirmesine olanak sağlamıştır. Ceausescu, sonraları komünist partinin önemli kademelerine aile bireylerini getirerek komünist parti üzerindeki kontrolünü daha da artırmıştır. Romanya, özellikle 1960'lı yıllarda Doğu Bloku'nda da ortaya çıkan entegrasyon eğilimlerine ve 1980'li yıllarda Sovyetler Birliği'nde Gorbachev ile gelen açılımlara kendi modernizasyon sürecine engel olacağı gerekçesi ile direnen tek bölge ülkesi

olmuştur. Ceausescu'nun tüm parti ve devlet yönetimini aynı çatı altında toplayarak daha merkezi bir yönetim tarzı oluşturmayı amaçlayan Devlet Sarayı ve diğer projeleri önemli bir kaynak israfı yaratmıştır. Aynı dönemde, Romanya'nın dış borçlarını sıfırlama ve kendi kendine yeten bir ülke yaratma çabası halk üzerinde önemli bir baskı ve mali yük taşıma, dolayısıyla refahtan yararlanamama durumu ortaya çıkarmıştır. Ceausescu yönetimindeki komünist parti toplumun en alt seviyesine kadar müdahale ederek "sivil toplum"u kendisi oluşturmaya çalışmış ve muhalefetin oluşmasına imkan vermemiştir. Romanya'da komünist parti yönetiminin yıkılması bölgede en son, en kanlı ve en olaylı gerçekleşenidir. Tüm bunlar, Romanya'yı diğer Orta ve Doğu Avrupa ülkelerinden ayıran önemli unsurlardır.

Geçmiş Romanya özelinde komünist parti yönetimlerinin izlemiş olduğu politikalar sebebiyle önemli siyasi ve sosyoekonomik yapısal sorunların temelini oluştururken dönüşüm sürecinin zor olmasının önemli nedenlerinden birini de teşkil etmektedir. Ağır sanayileşme ile kırsal kesimdeki nüfusu eritme çabası yeterli olmadığı gibi bu modernizasyon çabasının kırsal kesimi gözardı eden yaklaşımı kırsal kesimin daha da geriye gitmesine neden olmuştur. Yapısal sorunlar önemli toplumsal sorunlara da yol açmıştır. Artan gelir farklılıkları bir yana, değişen konjünktürle birlikte ağır sanayileşme politikaları çerçevesinde şehre göçen insanlar kendilerini destekleyecek bir zemin bulmakta zorlanmışlardır. Komünist parti yönetiminin sosyal güvenlik politikaları ile desteklenen halk 1989 sonrasında bir anda kendisini düşük yaşam şartları içerisinde bulmuştur. 1990 sonrasında Romanya'nın bölgenin en büyük ekonomik düşüş ve kayıplarından birini yaşaması yaşam şartlarındaki düşüşü artırmıştır.

Polonya özelinde ise geçmiş, varolan yapı nedeniyle radikal neo-liberal dönüşümün temelini oluşturur. Komunist parti döneminde muhalif olan Dayanışma sendikasının temelini oluşturan toplumsal grupların yaklaşımlarını komünist karşıtı bir söyleme yerleştirmeleri komünizme geri dönüşe imkan vermeyecek radikal bir dönüşümü toplumsal düzeyde daha rahat kabul ettirmelerine olanak vermiştir. Polonya hükümetleri komünist parti yönetiminden uzaklaşmanın Batı ile entegrasyon ile mümkün olabileceği fikrini benimsemiştir. Dayanışma gelişmeler sonucunda artık işçi haklarını savunan bir sendika değil, komünist parti yönetimine karşı aydınların ağırlıkta olduğu bir harekete

dönüşmüştür. Burada, Romanya'dan farklı olarak Polonya'da toplumsal ilişkilerin özellikle 1980'li yıllarda uluslararasılaşmasında ve serbest ticaret ve doğrudan dış yatırımın kalkınma için önemli araçlar olarak kabul görmelerinde perestroikanın öneminden bahsetmek de yerinde olacaktır. Bu durum, 1980'li yıllarda doğrudan dış yatırıma izin verilmesi ve Dayanışma etrafında gelişen olayların uluslararası bir boyut kazanması nedenleriyle komünist partinin çesitli kademeleri dahil Polonya'daki toplumsal güçlerin ulusaşan toplumsal güçlerce nüfuz edilmesi neticesinde de ortaya çıkan bir sonucu teşkil etmektedir. Romanya'da ise uluslararası sermayenin varlığına rağmen dikta rejimi toplumsal ilişkilerin uluslararasılaşmasına imkan vermemiştir.

Polonya'da dönüşüm süreci ile birlikte, sosyalist ideal yerini 'gelişmiş ülkelerin tecrübeleri ile kendisini kanıtlamış' liberal ideale bırakmıştır. Uygulanan Balcerowicz programı 1981'de belirlenen ve 1989 Yuvarlak Masa görüşmelerinde teyit edilen Dayanışma'nın savunduğu fikirlerden önemli bir farklılaşma göstermiştir. Burada, Leh elitin, alternatif olmadığı ve yeni bir sistem arayışının zaman kaybı olduğu yönündeki inancı ifade edilmelidir. Hükümetin uluslararası mali kurumlar ile varolan ilişkileri de toplumu radikal neo-liberal yaklaşımın doğruluğu hususunda ikna etmede önemli bir işlev görmüştür. 1990 dönüşüm süreci ile birlikte 'Avrupa'ya dönüş' propagandası altında NATO ve Avrupa Birliği'ne üyelik Polonya dış politikasının en önemli öncelikler olarak belirlenmiştir. Leh elit ile Batı'nın demokrasi ve serbest pazar ekonomisine geçiş yaklaşımlarının örtüştüğü söylenmelidir. Hatta, kendisi de bir dönüşüm sürecinden geçmekte olan Polonya komünist partisinin (Sosyal Demokrat Parti) de bu öncelikleri desteklediği görülmektedir. IMF ve Dünya Bankası'nın ekonomik istikrar, ticari serbesti ve özelleştirme temelli koşullar politkası Leh elit tarafından da benimsenmiş ve toplumun refaha kavuşturulmasında yapılması gerekenler olarak kabul edilmişlerdir. Bu çerçevede, Polonya defalarca dönüşüm sürecinin en başarılı ülkesi olarak gösterilmiştir.

Batı ile entegrasyon için gerekli adımlar da Romanya'ya kıyasla hızlı atılmış adımlardır. AB-Polonya arasında 1991 yılında imzalanan Avrupa Anlaşması AB için ticari serbestiyi garanti altına alan ve dönüşüm sürecini etkilemeyi ve yönlendirmeyi hedefleyen bir mekanizma olarak görülürken Polonya bunu, AB'ye üyeliğin ilk basamağı olarak kabul etmiştir ve anlaşmaya üyelik

arzusunu belirten bir ifade konulmasını kabul ettirmiştir. AB ile entegrasyon hedefi doğrultusunda uyum sürecinin 1990 yılı içerisinde başlatıldığı ve bu hususta çeşitli Polonya hükümetlerinin oldukça tutarlı bir politika izlediklerini vurgulamakta yarar vardır.

Diğer yandan Romanya'da aynı zaman zarfı içerisinde genel siyasi yönetim sorunsalı geçiş sürecinin diğer önemli bir unsuru olmuştur. Romanya'daki görüşmelerimiz esnasında gözlemlediğimiz Romanya'nın farklı kesimlerinin dönüşüm sürecinde yaşanılan sorunların ve başarısızlıkların nedenlerini öncelikle iç siyasette aramaları olmuştur. Romanya'da, özellikle 1990-2000 yılları arasına, siyasi istikrarsızlık ve buna bağlı olarak ülkenin siyaseten iyi yönetilememiş olması ve hükümetlerin istikrarlı büyüme politikaları izleyememeleri söylemi hakim bir eleştiri olarak ortaya çıkmaktadır. Romanya, bir yandan bölgenin en büyük ekonomik gerilemelerinden birini yaşamış diğer yandan gelir dağılımındaki farklılıklar giderek artmıştır. 1990-96 yılları arasında yönetimi elinde bulunduran Iliescu ve daha sonraları Romanya Sosyal Demokrat Partisi adını alan Ulusal Kurtuluş Cephesi 1990'ların ilk yarısında ortaya çıkan fırsatları değerlendirememek ve dolayısıyla Romanya'nın Avrupa Birliği genişleme sürecinde ilk grup Orta ve Doğu Avrupa ülkeleri ile birlikte yer almasına engel teşkil etmenin sorumlusu olarak gösterilmektedir. Iliescu ve Ulusal Kurtuluş Cephesi'nin yönetimi devralış tarzı ve çıkan olayları bastırma şekli, dış dünya tarafından, belirli tavizler vererek komünist parti yönetiminin devamını sağlamayı hedefleyen bir manevra olarak görülmüştür. Doğrusu Iliescu, demokrasi ve serbest pazar ekonomisine geçişi söylem olarak benimserken uygulamada bu geçişin yavaş bir geçiş olması fikrini benimsemiştir. Iliescu ve ekibinde, komünist parti döneminde de varolan Batı ile iyi ilişkiler kurma ancak daha bağımsız ve kendi ulusal yolunu izleme istemi ağır basmıştır. Benzer şekilde, parti yönetimini idame ettirme isteği ve Romanya'nın sanayi yapısı daha ulusal bir çizgi izleme eğilimini besleyen nedenler olmuşlardır. Diğer yandan Romanya'nın dış borç yükünün sıfıra yakın olması buna imkan veren bir unsur olarak görülmüştür. Dolayısıyla, özellikle 1990'ların ilk yarısında Romanya'da, devletin ekonomiden elini çekmesi, ticari serbesti ve dış yatırımlar konusunda ağır davranılan korumacı bir yaklaşım etkin olmuştur.

Ancak Romanya'ya Visegrad (Polonya, Macaristan ve Çekoslavakya) ülkelerinden daha az ilgi gösterildiği de söylenmelidir. IMF ve Dünya Bankası'nın 1991 yılından itibaren fiili olarak uygulanması için çalıştıkları ekonomik istikrar, ticari serbesti ve özelleştirme temelli koşullar politkası bu iki kurum dışında önemli maddi destek bulunamayınca Romanya'yı koşullar politikasına sıkı sıkıya bağlamak mümkün olmamıştır. Diğer yandan, AB Romanya'nın yaklaşımını oldukça tedrici bulmuş ve Romanya'ya pek ilgi göstermemiştir. AB'nin bölgeye yönelik politikalarının belirli bir strateji gütmediği ve bölge içerisinde ekonomik kalkınmışlık düzeyi, kalkınma dinamikleri ve coğrafi olarak hem siyasi hem ekonomik ilginin Orta Avrupa ülkeleri üzerinde yoğunlaşmasından dolayı AB içerisinde ayırım yapma eğiliminin görüldüğü ileri sürülebilir. İnsan hakları ve azınlık hakları konularında sorunlu olan Romanya Batı'nın izlenmesini arzu ettiği ekonomi politikalarını uygulama konusunda da ayak sürümüştür. Görüştüğümüz kişiler çoğunlukla Romen siyasilerin 1990'ların ilk yarısında entegrasyon için gerekli radikal adımları atmayarak ortaya çıkan fırsatları kaçırdığını ileri sürmüşlerdir. Ancak, bölgeye bakış ve ayrıştırma politikası Avrupa Anlaşmalarının içeriğine de yansımıştır. Romanya ile imzalanan Avrupa Anlaşması önceki anlaşmalardan farklı olarak 1993 yılından itibaren demokrasi ve serbest pazar ekonomisine geçiş, insan hakları ve azınlık haklarına saygı şartlarını da içermekteydi. Böylelikle, Iliescu yönetimine şüphe ile yaklaşılıyor olmasına rağmen Romanya'nın Batı ile entegre edilmesi gerekliliği kabul edilmiş ve dönüşüm sürecinin bu doğrultuda gerçekleşmesini anlaşmalarla garanti altına alma çabası görülmüştür. Romanya bir yandan AB için öncelik teşkil etmeyen çevresel bir ülke olmakla beraber, diğer yandan sınırları içerisinde barındırdığı Macar azınlıktan dolayı dışlanmaması gereken bir ülke konumunda değerlendirilmiştir. Diğer bir deyişle, Yugoslavya'nın dağılmasına yol açan etnik çatışmaların bölgeye yayılmaması için de belirli bir mesafede tutulması gereken bir ülke konumunda görülmekteydi. Tüm bunlar, farklı dönemlerde AB ve IMF'den gelen yardımların bir süre için dondurulmasına veya geciktirilmesine, ABD'nin de Romanya'yı dış ticarette öncelikli tercih edilen ülkeler listesine almayı geciktirmesine neden olmuştur. Şubat 1993'de AB ile Avrupa Anlaşmasını imzalamasının ardından Ocak 1994'te NATO ile Barış için Ortaklık Anlaşmasını ilk imzalayan Doğu ve Merkezi Avrupa ülkesi olan Romanya, 22 Haziran 1995'de AB üyeliği için resmen

başvurmuş ve özellikle AB'nin baskısı sonucu Eylül 1996'da bir süredir geciktirilen Macaristan ile iyi komşuluk ilişkileri ve azınlıklara saygıyı öngören temel anlaşmayı imzalamıştır. Batı'nın Romanya'ya karşı olan kararsız ve belirsiz tavrı 1990'ların büyük bir bölümünde sürmüştür. Romanya genel anlamda gerekli politikaları uygulamamakla ve ortaya konulan şartları yerine getirmekte başarısız olarak değerlendirilmiştir.

Kasım 1996'da gerçekleştirilen genel seçimlerde daha reformist söylem benimseyen muhalefetteki Romanya Demokratik Konvansiyonu'nun parlamento ve cumhurbaşkanlığı seçimlerini kazanması Batı'da, Romanya'nın değişeceği ve tam anlamıyla komünist geçmişten uzaklaşacağı umudu yaratmıştır. Romanya'nın Batı ile hızlı entegrasyonunu hedefleyen muhalefet koalisyonunun AB üyeliğini uzun vadeli dış politika önceliği olarak belirlerken, kısa vadede NATO üyeliği ile Romanya'nın Batı içerisindeki yerinin onaylanmasını hedeflemiştir. Hükümet tarafından, AB üyeliği çok masraflı detaylı yasal ve ekonomik reformlara ihtiyaç duyulan, NATO üyeliği ise çok az masraf gerektiren askeri modernizasyon ve sınırlı düzeyde yasal düzenleme gerektiren hedefler olarak düşünülmüştür. Dolayısıyla, Romanya'nın NATO genişlemesinin ilk aşamasında Doğu ve Merkezi Avrupa ülkeleri arasında yer almasına daha büyük bir önem atfedilmiştir. Bu şekilde, bir yandan Romanya'nın Batı'ya olan yönelişi teyit edilmeye çalışılırken, diğer yandan yabancı yatırımcıya daha olumlu mesaj iletilerek Romanya'nın ihtiyacı olan sermayenin çekilebileceği varsayılmıştır. Ancak Polonya 1997 yılında 1998'de diğer Visegrad ülkeleri ile birlikte AB üyelik müzakerelerine başlamak üzere davet edilirken Romanya bu sürecin dışında tutulmuştur. Romanya'da Cumhurbaşkanı ve koalisyon hükümetinin çok uğraştıkları ve önem verdikleri NATO üyeliğinin gerçeşleşmemesi hükümet için önemli bir başarısızlık olarak değerlendirilmiştir. Bu durum Romanya'da entegrasyon aracılığı ile radikal reform sürecini mümkün kılmaya çalışan toplumsal güçler için sorunlar yaratmış, ortaya çıkan dışlanma durumu koalisyon ortakları arasındaki radikal reform eğilimini sarsmıştır. Romanya hükümetinde yer alan koalisyon ortaklarını koalisyon içinde koalisyonlar olarak tanımlamak mümkündür. Gelişmeler sonucunda koalisyon ortakları arasındaki kişisel çıkar çatışmaları derinleşmiş ve reform süreci yürütülemez duruma gelmiştir. Koalisyon ortaklarının, muhalefette bulundukları 1990-96 döneminde eleştirdiği Iliescu ve Sosyal Demokrat Parti'nin yapmış

olduğu hatalar ve içinde bulunduğu ilişkiler silsilesinden kendisinin de nasibini aldığını söylemek mümkündür.

Ancak, tüm bu karmaşaya rağmen Romanya, AB Aralık 1999 Helsinki zirvesinde üyelik müzakerelerine Mart 2000'de başlamak üzere davet edilmiştir. Aslında 1997 ile kıyaslandığında değişen çok fazla birşeyin olduğunu söylemek mümkün değildir. AB Komisyonu'nun 2000 yılı Romanya raporu Romanya'nın piyasa ekonomisi olarak bile tanımlanamayacağını vurgulayarak diğer aday ülkelerin hayli gerisinde olduğunu ifade etmiştir. Komisyon, Romanya'nın alması gereken çok mesafe olduğunu, hatta gerekli adımlar atılmazsa durumun endişe verici olduğunu bile ifade etmiştir. Burada, müzakere sürecinin başlatılması ile öncelikle, ortaya çıkan ayrıştırma politkasının birçok Orta ve Doğu Avrupa ülkesinde yeni duvarlar yaratılması algılamasını ortadan kaldırmak ve ilişkilerdeki ilerlemeleri ülkelerin iç dinamiklerine bağlamayı hedeflemiştir. Diğer yandan, Romanya-IMF ilişkileri 1990'lar boyunca inişli çıkışlı olmuş ve Romanya IMF ile anlaşmaya vardığı hiçbir programı tamamlayamamıştır. 1996 sonrasında yönetimde olan Demokratik Konvansiyon liderliğindeki koalisyon hükümetleri de buna istisna oluşturmamıştır. Ancak AB'nin raporlarında ve katılım ortaklığı belgelerinde sürekli IMF ve diğer uluslararası mali kuruluşlarla ilişkilere yönelik atıflarda bulunulması ve desteklenmesi dönüşüm amaçları konusunda önemli ipuçları vermektedir. Orta ve Doğu Avrupa ülkelerine, dolayısıyla Romanya'ya yönelik IMF, Dünya Bankası ve AB koşullar politikasının Romanya'da büyük sorunlara neden olduğunu ileri sürmek mümkündür. Koşullar politikası, siyasi ve ekonomik yapısı çok hassas olan Romanya'da esneklik gösterilmeden koşulların uygulanmasının empoze edilmeye çalışılması, reform yaklaşımları farklı olan partilerin ortak paydada buluşmalarını engelleyen önemli faktörlerden biri olmuştur. Romanya, yaşanan siyasi çekişmeler ve IMF-AB tarafından uygulanan koşullar politikasına uymadığı için yukarıda da belirtildiği gibi maddi yardımlar kesilerek, geciktirilerek veya dondurularak birçok kez cezalandırılmıştır. Koşullar politikası yaklaşımının zaten karmaşık olan Romen siyasi yapısını daha da karıştırmış ve sürekliliği olan bir politika uygulamasının ortaya çıkmasına zorlaştırmıştır. Bu durum, Sosyal Demokrat Parti'nin Batı ile iyi ilişkilerden çok sosyoekonomik entegrasyonu benimsemesi ile değişmiştir.

Polonya'da da benzer kişisel ve iç çekişmelerden bahsetmek mümkündür. 1990-93 yılları arasında yönetimi elinde bulunduran Dayanışma Hareketi'nin komünist-parti karşıtı söylemi oluşan birlik içerisinde fikir birliği olduğu anlamına gelmez. 1990'ların ilk yarısında, iç çekişmeler ve yürütülen hükümet politikalarında bir değişiklik olmaması Dayanışma'nın sendika kanadında var olan kimlik krizinin daha da derinleşmesine neden olmuştur. Dayanışma hareketinin parçalanması ile ortaya çıkan grup ve liderler arasındaki güç çekişmesi, ekonomik politikaların belirlenmesi, geçmişle hesaplaşılması gibi konularla giderek büyüyerek dönüşüm sürecini olumsuz etkilemiştir. Bu dönemde toplumda, dönüşüm sürecinde yaşanan sorunlar nedeniyle daha güçlü bir yönetim isteğinin görüldüğü söylenebilir. Siyasi ve sosyoekonomik durumun yarattığı memnuniyetsizlik toplumun hemen her kesiminin tepkisini çekmiştir. Sorumluğun Dayanışma grubuna, dolayısıyla grup içerisinde tepki çeken kişisel çekişmelere ve bu nedenle geçiş sürecinde yaşanan sorunlara ve bu durumun yarattığı hayal kırıklığına yüklendiği belirtilmelidir. 1993 ve 1995 seçimlerinin kendilerini merkez sağ olarak tanımlayan Dayanışma sonrası parti ve gruplar tarafından komünist yanlısı-komünist karşıtı bir zemin üzerine oturtulması nedeniyle, kısaca Sosyal Demokrat Parti üzerinde durmakta fayda vardır. Sosyal Demokrat Parti'nin sandıktan birinci parti olarak çıkması geriye dönüş endişesi olarak yorumlanırken partinin seçim kampanyası sistemsel dönüşümün kabul edildiğini ancak sosyal konularda daha fazla dikkat edilmesi gereğini vurgulamaktaydı. İlginç olan, Sosyal Demokrat Parti'nin Batı tarzı sosyal demokrasi vurgusuyla sosyal güvenlik ve bunu sağlamakta devlet müdahelesini ön plana çıkaran, 1989 öncesi muhalefete benzer şekilde 'daha insancıl' bir sitemsel dönüşüm söylemini kullanmasıydı. Dayanışma Seçim Hareketi'nin de 1997 seçimleri öncesinde benzer bir vurgu yaptığı belirtilmelidir. Sosyal Demokrat Parti'nin alternatif, daha doğrusu, herhangi bir ideoloji sunduğu söylenemez. Sosyal Demokrat Parti'nin, ilk aşamada, söylemine uygun olarak sosyal koşulları iyileştirmeye çalışırken sıkı para politikaları izlemeye devam ettiği görülmektedir. Daha sonraları, parti yaklaşımının daha neoliberal boyut kazandığı söylenebilir. Pragmatik ve esnek bir yaklaşım sergileyen Sosyal Demokrat Parti'nin sosyoekonomik politikalardaki tavrını belirleyen en önemli unsurlar dış politika ve entegrasyon eğilimleri olmuştur. Dış politikada süreklilikten söz etmek mümkündür. Dünya ekonomisi ile

entegrasyon, ve NATO ve Avrupa Birliği üyelikleri Sosyal Demokrat Parti için de merkez sağ partiler gibi büyük önem taşımıştır. Burada, güvenlik ve ekonomik kaygıların da iç içe geçtiği belirtilmelidir.

Uluslararası konjonktür ve Polonya'nın dış borç yükünden dolayı özellikle IMF'nin hakim aktör olarak yönlendirdiği yükümlülükler, Sosyal Demokrat Parti'nin ekonomik alandaki esnekliğini sınırlandırmıştır. Benzer şekilde, Avrupa Birliği'ne en erken zamanda üye olma isteği ve bu doğrultuda politikalar izlendiğini gösterme çabası da esnekliği sınırlayan etkenlerin başında gelmiştir. Sosyal Demokrat Parti döneminde, Avrupa Birliği üyelik süreci ve bu sürecin dönüşüm süreci üzerindeki etkilerinin 1990'lı yılların ortalarıyla birlikte giderek artmasıyla, Polonya'nın Avrupa Birliği'ne üyelik yönündeki politikaları hız kazanmış ve uyum süreci dönüşüm politikalarına iyice hakim olmaya başlamıştır. Polonya, 1990'ların başından beri Avrupa Birliği'nin yayınladığı her karara veya attığı her adıma karşılık kendi pozisyonunu belirleyen tavır almıştır. Polonya'nın özellikle Rusya ve Almanya'ya karşı olan güvenlik kaygıları da NATO ve Avrupa Birliği üyeliklerini Polonya için en güvenli seçenekler olarak sunmuştur. Bu durum, dış politika hususunda hem sağ hem de sol partilerin fikir birliği oluşturmasına neden olmuştur. Rusya'ya - ve kısmen Almanya'ya - karşı duyulan güvensizlik ancak NATO çerçevesinde ABD ile işbirliğine gidilerek aşılabilecek bir durum olarak görülmüştür.

Bu temel eğilimler, 1997 seçimleri ile iktidara gelen Dayanışma Seçim Hareketi- Özgürlük Birliği hükümetleri için de geçerli olmuştur. Avrupa Birliği üyeliği ile ilgili hareket içerisindeki parti ve grup liderleri tarafından karmaşık ve eleştirel açıklamalar gelse de üyelik hedefi hiçbir zaman sorgulanmamıştır. Polonya için Avrupa Birliği üyeliği Polonya'da özellikle iktisadi güvenlik ve refah seviyesinin artırılması yanında tarihsel nedenlerden dolayı Almanya'ya karşı duyulan şüphelerin en asgari düzeyde tutulması hususlarında önemli bir unsur olarak görülmüştür. Diğer yandan, tüm siyasi çekişme ve istikrarsızlıklara rağmen Avrupa Birliği'nin Polonya ülke raporlarında uyum süreci ile ilgili olumlu görüş bildirdiği görülmektedir. Genişleme sürecinin Birlik içindeki itici gücü olan Almanya ve iş dünyası için Polonya'nın dönüşüm ve Birlik üyelik süreçlerinin devamı, Polonya'nın bölgedeki en büyük ülke ve pazar olması, Almanya'ya direk sınırı olması ve göç gibi sorunlar nedeniyle kaçınılmaz olarak görülmüştür.

Sonuç olarak tez, 1970'lerin başından bu yana yaşanan gelişmelerin küresel düzeyde ulusaşan bir kapitalist yapının ortaya çıkmasına neden olduğunu ifade etmektedir. Eleştirel siyasi-iktisat kuramı küreselleşmenin değişen maddi, düşünsel ve siyasi yapıyla birlikte ulusaşan üretim sistemine dönüştüğünü ortaya koymaktadır. 1970'lerden sonra ortaya çıkan neo-liberal kapitalist küresel düzen toplumsal güçler konfigürasyonundaki ve aynı zamanda sosyoekonomik örgütlenme ve devlet yapılarındaki değişimi yansıtmaktadır. Bu bağlamda, koşullar politikası yaklaşımının, geçiş sürecindeki ülkelerle Batı arasındaki ilişkilerin şeklini ve içeriğini ifade eden ve geniş anlamda etkileme-biçimlendirme süreçlerinin bir parçası olduğu söylenebilir. Koşullar politikası aynı zamanda, bir ülkede varolan toplumsal yapıyı değiştirmeyi veya ortaya çıkan hegemonyayı sürdürebilmeyi hedefleyen bir yaklaşım olarak görülebilir. Dolayısıyla, koşullar politikası uygulamalarının teorik anlamda hegemonyanın uluslararası bağlamda yeniden üretilmesinde önemli bir araç olduğu ileri sürülebilir. Değişikliklerle birlikte küresel üretim piysasındaki entegrasyon, sermaye ve mülkiyet yapısında bir yoğunlaşmayı da ifade etmektedir.

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