Challenges of the EU Eastern Enlargement

Guest Editor
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Flags of the EU member states, European Parliament, Strasbourg. Author: Silje Bergum Kinsten, wikimedia commons
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Challenges of the EU Eastern Enlargement

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In June 2014 the Center for Governance and Culture in Europe (GCE) carried out an interdisciplinary, international conference on the topic “The Eastern Enlargement of the European Union: Effects – Challenges – Visions”. It focused on the experiences and changes which the processes of “Europeanization” brought about in the countries that joined the EU in 2004 and 2007. The participants also addressed misleading expectations as well as potential consequences for future enlargement rounds.

Since the EU enlargement in 2004, during which the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia (along with Malta and Cyprus) joined the EU followed by Romania and Bulgaria in 2007, there have been significant changes in Europe in general and in particular regarding the enlargement policy, the approval for the EU, and the optimism for fast integration.

Enlargement fatigue has spread and has been compounded by the severe financial crisis in 2008, the Ukraine conflict since 2013, and the 2015 refugee crisis – not to mention the increasing threat of terrorist attacks in recent years. In late June a slight majority of British voters opted for the Brexit, hence to leave the EU. In many countries of so-called “core Europe” populist parties have emerged, which pursue nationalist policies. The idea of a supranational community and thus the principle of solidarity are increasingly being questioned by those advocating national interests. Many current debates are characterized by notions of disintegration. The idea of European integration, which was a large-scale project to overcome the division of Europe, has come to an impasse.

One important discourse regarding Europe was triggered by the reshaping of Europe after the “annus mirabilis” of 1989/1990. A radical system transition took place in the socialist countries of Eastern Europe. The Soviet hegemony over Eastern Europe, which was made possible by the Hitler-Stalin Pact and the Conferences of Yalta and Potsdam in 1945, was broken by the social unrest and activities of the political opposition since the 1960s. At the same time, the Soviet system collapsed and was dismantled in December 1991.

After the hesitant consent of the Allied Powers, the German Democratic Republic joined the Federal Republic of Germany on the basis of the Two-Plus-Four Treaty on 3 November 1990 and was integrated into the existing political system. The Central European region (i.e. the Baltic countries, Poland, the Czech Republic, Slovakia, Slovenia, Hungary and Romania) experienced the transition to democratic forms of government as a “return to Europe” and heavily drew on historical images from the interwar period. After years of “colonialization” by the Soviet Union, these countries vehemently distanced themselves from the successor state Russia and aimed to move closer to Europe in terms of mentality and values. This pertained above all to the basic and human rights, democracy and liberalism which they embraced. Western Europe had already been pursuing a course of integration since the 1980s by creating a currency unions and dismantling border controls.

The fall of the Iron Curtain led to new fields of discourse. In ideological terms, the end of history seemed to have been reached with the collapse of communism. The liberal capitalist system had presumably been victorious and remained the only paradigm. However, the transformations aiming for a democratic system were by no means linear. The nations developed differently, and authoritarian or dictatorial structures remained intact (Russia, Belarus). Even in the countries of Central
Europe, western-style constitutions and democratic rules were not implemented in linear fashion. For many countries it was initially a matter of rediscovering and strengthening national sovereignty after decades of colonialization by the Soviet Empire. This appeared strange in Western Europe, which was increasingly turning over national sovereignty to the supranational institutions of the European Union. Different concepts of identity emerged from the dividing lines of the Cold War and the East-West dichotomy persisted in varying ways.

As part of the integration project, the European Community was formerly conceived as an open organization for new members. However, the eastern enlargement initially proceeded slowly because the incorporation of structurally weak economies was associated with enormous fears regarding subsidy payments and labor migration processes from East to West. Old, traditional stereotypes of the foreign, backward and less civilized East thus seemed to hold and persist until the late 20th century. Nevertheless, the countries of Central Europe placed applications for accession, which were approved with strict obligations to comply with regulations laid down by Brussels. Despite a hesitant attitude towards eastern enlargement the events in the Balkans in the early 1990s laid bare the fatal consequences of nationalistic disintegration. The accession candidates were subject to strict monitoring mechanisms in order to implement the acquis communautaire at the national level. National referendums were held to lend legitimacy to EU accession. On 1 May 2004, Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Slovenia and Hungary joined the EU. Bulgaria and Romania joined in 2007.

Eastern enlargement brought about a new discourse centered on differences and diversity. Buzzwords such as “core Europe” or “two-speed Europe” characterized such discussions, even though the terms had already been used in the 1990s. General questions were raised regarding how resilient the EU was, whether it would be expanded at will and what the impact on its governability, agricultural policy and structural funds would be. Furthermore, people questioned where the boundaries of Europe lie and whether Turkey, which had placed accession applications a long time ago, belongs to Europe. Should one pursue the deepening of integration or the widening of the EU? And what should the
relationship between the center and periphery look like? This issue of Euxeinos deals with different notions of and experiences with Europe as a political, economic and cultural idea in the Black Sea region and in Poland. What characterizes the current discourse on Europe in the respective countries and regions, what debates are being carried out, what are points of conflict, for example the issue of relations with Russia?

The authors are experts on European affairs and participated in the conference in June 2014. They have written new articles for this issue of Euxeinos, because Europe is facing numerous new political challenges. The crisis in Ukraine in winter 2013-2014 and in particular the annexation of Crimea by the Russian Federation in March 2014 have raised questions about relations with Russia and policies towards countries of the former Soviet Union. These questions are addressed in the article by Dirk Lehmkuhl and Maria Shagina, who also discuss the sanctions imposed on Russia.

In his article dealing with the EU-enthusiasm and simultaneous EURO-skepticism of the Poles, Rafał Riedel shows that there must be a general clarification of the visions of Europe. Is the EU a political community, an economic community, or does Europe primarily define itself by cultural values?

Roumen Avramov illustrates Bulgaria’s path to the EU and reflects on the ambivalences of the EU’s enlargement policy from a primarily economic perspective.

Ulrich Schmid explores countries which consider themselves as belonging to Europe, but are not members of the EU. He demonstrates the multiple levels of understandings of Europe, which have historical roots in Georgia, Moldavia and Ukraine as well as other countries.

In reaction to current events, opinions on the significance of the Brexit vote have also been added.

To conclude, I wish to offer a quote from Tony Judt from 1992, which can be transferred to the current debate on Europe and has not lost any of its contemporary relevance at all:

“The new Europe is thus being built upon historical sands at least as shifty in nature as those on which the postwar edifice was mounted. To the extent that collective identities – whether ethnic, national, or continental – are always complex compositions of myth, memory, and political convenience, this need not surprise us. From Spain to Lithuania the transition from past to present is being recalibrated in the name of a “European” idea that is itself a historical and illusory product, with different meanings in different places. (…)

But what will not necessarily follow is anything remotely resembling continental political homogeneity and supranational stability – note the pertinent counterexample of the last years of the Habsburg Monarchy, where economic modernization, a common market, and the free movement of peoples was accompanied by a steady increase in mutual suspicion and regional and ethnic particularism.”

Endnotes
1 For a conference report by Christoph Laug see http://www.hsozkult.de/conferencereport/id/tagungsberichte-5588 [17 August 2016]

2 See the thematic dossier on the EU’s neighborhood policy in Neue Gesellschaft/ Frankfurter Hefte 4(2016).
Opinions: The EU Eastern Enlargement from Today’s Perspective

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CURRENT CRISSES REVEAL PROBLEMZONEN IN THE EU AFTER ENLARGEMENT

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If there were neither the dramatic humanitarian disaster that comes with the current refugee crisis nor the embarrassing loss of political culture characterizing the debate leading to the Brexit decision by the British people, we might be grateful for the sobering effect of both crises. Both crises unambiguously revealed Problemzonen of the integration project in general and of the EU’s 2004/7 enlargement in particular. Three areas are particularly apparent: the unfinished building of sovereign nation-states in Central and Eastern Europe, the revealed lack of a shared consensus about the normative underpinnings of the integration project between the eastern and the western member states and, finally, the horizontal unease in the relationships between the member states.

There are some reasons to argue that after more than a decade the no longer so new member states in Central and Eastern Europe may be suffering from what can be described as a collective hang-over. After at least partially enthusiastically rallying around the European flag, they have had their own experiences with what the once promised EU land implies. Becoming a member of the club of stable and relatively prosperous Western European states had a price tag that went well beyond the costs of adapting to the standards of the common market. While bearing the costs and collaterals of the modernization of the domestic industries is one thing, acknowledging the costs of the transfer of sovereignty is another. In this respect the pooling of sovereignty that has reached a historically unprecedented level in the EU is frequently perceived in the CEE countries as déjà-vu. For some, the difference between the forced octroy of the former Soviet Union and the voluntary membership in the EU is blurred as both are perceived to generate the same effect of being governed by foreign powers. Accordingly, there is a perception within large parts of the societies that the period of sovereign rule and national self-determination between independence from Soviet dominance and membership in the EU had been too short. In particular, there has not been enough time for the consolidation of a national self-esteem that would be robust enough to accommodate the desire to live according to traditional patterns and the supranational governance regime of the European polity.

This takes me to my second point. Buying into European integration is more than just learning to be part of multilevel policy-making; it is more than making the domestic economy competitive for the single European market; and, finally, it is more than managing to adapt in administrative terms to the new complexity of regulations. Indeed, the European project is much more than just a large market for 500 Million people that requires the harmonization of norms of products and production. Rather, the cooperation amongst the states and societies has gone far beyond an instrumental understanding of being a Zweckverband, i.e. a partnership of convenience. According to the terminology of the German sociologist Ferdinand Tönnies, the EU is no longer only a Gesellschaft based on the principles of individualism and instrumentalism. Rather, many of its policies build on the assumption of the EU as being a Wertgemeinschaft, i.e. a community of values. However, the self-proclaimed attribute of being built on a
solid stock of shared values and respect for a humanitarian principles has been shattered over the past years. Notwithstanding Chancellor Merkel’s motivation to unilaterally open up the borders to Germany for very, very many refugees, neither barbed wire fences around many countries in Central and Eastern Europe nor the refusal of many CEE countries to accept non-Christian refugees in their country resonates with the EU’s claim of being built on shared humanitarian foundations.

Finally, it would not do justice to the countries and societies in Central and Eastern Europe if we look for the reasons for the precarious situation of the EU only in their backyard. Rather, the humiliating character of the campaign and the outcome of the Brexit vote made it very obvious that there is something flawed in the horizontal relationship between the member states in general and between the old western and new eastern member states in particular. While the fear of the “Polish plumber” and criminal gangs from Eastern European figured prominently right before the 2004/7 enlargement to the East, the reference to the allegedly negative implications of the free movement of people (from the East!) became the killer argument of the Brexit campaign. It was not only a perception of an overcrowding of domestic labour markets and the unease in the some parts of the British society with people from the states of Central and Eastern Europe which could be labelled xenophobic in the classical sense. Rather, in addition to both fears for their jobs and a nationalistic stance, the toxic “Brexit” cocktail entailed further ingredients such unease with orthodox religiosity specifically and a quite unspecific insecurity due to diffuse, culturally-related features including language, group coherence and other rather prejudice-based assumptions attributed to the people from the former Soviet bloc. In particular in areas where the share of citizens from Central and Eastern Europe was relatively low, the lack of real contacts between people from West and East led to a higher receptiveness for negative assumptions.

One might argue that this unease with people from the East, which the British society to no small degree shares with other Western European societies, is an expression of two asynchronous processes: One is the fast and very advanced process of economic integration including free movement; and the other is the much slower process of societal adaptation to growing together in Europe. As the history of integration since the 1950s has shown, overcoming unease between societies requires exchanges, transactions and, in particular, time and the willingness to engage with each other at both the individual and collective level. None of these dimensions has been present on either side since 2004 and 2007 respectively.

To conclude, Jean Claude Juncker’s 2015 statement that the European Union is not in a good shape as there is not enough Europe in the Union and there is not enough Union in the Union is even more to the point after the Brexit decision by the majority of the
British people. At the heart of this assessment is not only a whole series of crises that have unsettled people across Europe regarding the advantages of cooperation between states and societies in Europe, but also the unfinished business of the last enlargement. Because cooperation and unionification are more than a technical-administrative affair, they require an intensified engagement of citizens, economic and political decision-makers at all levels and across the societies of Eastern and Western Europe.

**Russia’s view on the Brexit**

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Officially, the Kremlin maintains that it does not hold an opinion about the Brexit. However, it is clear that Russia’s position towards the EU will be strengthened in the future. With Britain, the EU loses one of the staunchest defenders of the sanctions against Russia. Moreover, the Brexit is seen in Russia as a signal of a dwindling EU. Moscow has always sought bilateral talks with EU member states, rather than with EU headquarters in Brussels.

Yet the Kremlin also understands the global economic risks that are tied to the Brexit. Currently, Russia is undergoing its most severe economic crisis since 2008 and is anxiously observing the international markets. For Russia, less uncertainty would be more desirable.

**Poland’s view on the Brexit**

The eurosceptic conservative government in Warsaw has quite an ambivalent stance towards Brexit. On the one hand, it shares the nationalist values of the Ukip party. On the other hand, it is quite worried about the situation of the considerable number of Polish migrants in Great Britain. Even the Kaczyński party knows how important EU membership is for Poland and will not question Poland’s position within the EU.

**Hungary’s view on the Brexit**

The Brexit is not solely a reason for Orbán to rejoice either. Without the United Kingdom, the influence of Germany on EU policies will be strengthened. For Orbán, it is also clear that the current degree of European integration will not be weakened after the Brexit. Orbán, just like Kaczyński, sees the EU as a transnational means towards a national end: It shall ensure economic prosperity but the sovereignty of the member states shall be safeguarded as much as possible.
The Sanction Policy of the Enlarged European Union.
The Case of Russia

Dirk Lehmkuhl, Maria Shagina, University of St. Gallen

INTRODUCTION

Huge expectations were linked to the fall of the iron curtain. Amongst them was the hope to overcome the long-lasting East-West confrontation seemed more realistic and modest than, for example the famous hailing of the end of history. The 10+2 enlargement of the European Union (EU) in 2004 and 2007 respectively nourished the expectation that both the political and economic conditionality of the EU alongside the dynamics of socialisation would work to overcome the hostile legacy of the East-West divide in Europe. At the same time, the EU engaged in interacting more closely with the countries at its new borders. The expectation was that the conflict-mitigating experience of the EU’s enlargement could be replicated by an engagement of the new eastern neighbours even without signals of their membership in the EU being imminent.

As it turned out, however, the EU’s intensified engagement with its new neighbours significantly undermined the hope for a solution to the conflict between the East and the West. The more the EU’s interacted with countries at its new borders that had formerly been incorporated into the Soviet Union, the more hostile the Russian stance towards the West became. Amongst other developments, which cannot be addressed here, the EU’s direct engagement with countries at the frontier with Russia was one factor in reheating the confrontational politics between the East and the West that culminated in the Russian invasion of Crimea and the military conflicts in eastern Ukraine.

In the present article, we want to address this new conflictive situation by paying special attention to the internal dynamics within the enlarged EU. In particular, we focus on the dynamics within the EU with respect to its sanction policies against Russia. Our analysis ties into the increasing attention in the academic literature to sanctions in general and in the EU as issuer of sanctions in particular. However, we do not follow the broader interest in the effectiveness of sanctions, but rather elaborate on the dynamics amongst the member states of the enlarged EU.

In order to study the overarching question of the characteristics of enlarged EU’s sanction policy towards Russia, we first briefly outline the major sequence of events and the way in which the EU reacted to the Russian actions by rendering sanctions. We then move to our main interest and address in particular patterns in the dynamics of the enlarged EU’s sanction policy. In particular, we address the question of how differences in member states’ interests contribute to specific cleavages and coalitions between pushing or hesitating attitudes, the question of leadership and the relationship between value and interest-based behaviour.

A rubber stamp formality? The implementation and prolongation of the sanction regime

On 15 March 2014, in the aftermath of the Euromaidan events and the failed Association Agreement between Ukraine and the EU, secessionist forces initiated a referendum on the dissolution of the Crimea from Ukraine. Overshadowed by international protests with respect to its legality and by the boycott by many Crimean people, including the Crimean Tatars, a majority voted in favour of supporting Crimea’s unification with Russia. While the Russian government laid claim to Crimea as a part of the Russian territory, the USA and EU officials called the referendum as illegal, illegitimate and not credible. According to international law standards, Crimea was
de facto annexed by Russia. However, the UN Security Council failed to adopt a draft resolution on the non-recognition of the Crimean referendum because it was vetoed by Russia. As a result of failed diplomatic efforts and stalemate in the UN Security Council, Crimea remains a “frozen conflict”.

As a consequence, the Ukraine crisis has triggered the launch of international diplomatic sanctions against Russian and Ukrainian politicians and officials. In the wake of the Crimea’s annexation, the US introduced travel bans and asset freezes for those responsible for the crisis. The US banned the entry of seven top Russian government officials and four pro-Russian separatists. The US list included high profile officials such as Dmitry Rogozin, a Russian deputy prime minister, Valentina Matviyenko, the head of the upper house of the Russian parliament and Viktor Yanukovych, the former Ukrainian president.

**Step one**

Pulled by the US and pushed by some EU member states, EU sanctions followed. However, the different stances of its member states made it difficult to find a consensus. As a compromise, the EU set out a three-step process, with sanctions pressure steadily increasing if Russia did not respond and aggravate the situation. It began with a series of rather symbolic actions banning Russia’s application for the membership in the OECD and the International Energy Agency, excluding it from the G8 meeting and suspending visa liberalisation talks with the EU. The EU then followed the US example when it published its own list of 21 targeted individuals “responsible for actions which undermine or threaten the territorial integrity, sovereignty and independence of Ukraine”. However, in this first phase, the EU list did not include high-profile Russian officials, but rather targeted self-proclaimed Crimean “authorities” – Sergey Aksyonov, the acting prime minister of Crimea, the speaker of the Crimean parliament, Vladimir Konstantinov, the acting mayor of Sevastopol and others. Later in May 2014, Canada and Japan joined the EU sanctions policy.

In an attempt to find a diplomatic solution, on 16 April 2014 the parties discussed the de-escalation process in Geneva. The main points of the so-called Geneva agreement is at least as interesting for what it included – a ceasefire in Eastern Ukraine, the disarmament of separatist groups, the return of seized buildings and the release of detained protesters and monitors – and what it did not include: it did not mention Crimea anymore. However, in the aftermath of the negotiations in Geneva neither a ceasefire nor any of the other conditions were properly implemented.

**Step two**

Given the lacking success of the Geneva agreement and the lacking Russian stance, another controversial referendum on self-rule in the regions took place on 11 May 2014 in Eastern Ukraine, which forced the EU to expand the list of travel bans and asset freezes. It added not only another thirteen individuals, but also two Crimean oil and gas companies to its list – Chernomorneftegas and Feodosia. Moreover, the EU included individuals close to the Russian president – Vyacheslav Volodin, first deputy chief of staff, and Vladimir Shamanov, the commander of the Russian airborne troops. Surprisingly, Denis Pushilin, the self-appointed head of

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2. Council Regulation 2014/265/CfSP
Donetsk People’s Republic was not on the list though. A Crimea-based gas company, Chernomorneftegaz, and a Crimean oil supplier, Feodosia that were expropriated after the annexation, were on the sanctions list as well as low-profile Crimean companies such as the resort “Nizhnyaya Oreanda” and wine producer “Massandra”. However, due to the EU’s energy dependence on Russia’s resources, no high-profile companies such as Gazprom were targeted.

**Step three**
The game changer in the EU sanctions policy came with the crash of the Malaysian airline MH17. On 17 July 2014, the civilian plane was shot down by separatists using a Russian-made surface-to-air missile system when it was flying over the conflict zone in Eastern Ukraine. Officially, the expansion of restrictive measures was linked to “Russia’s actions destabilizing the situation in Ukraine”. When the US issued new sanctions by targeting Russia’s top energy firms and banks, including Russia’s biggest oil firm Rosneft, the second largest gas company Novatek as well as Gazprombank and VEB, a bank that financed Sochi Olympics, the pressure on the EU to take a hard line on Russia increased.

A third stage of EU sanctions followed, which comprised coordinated sanctions on whole economic sectors – in particular finance and energy. In line with the US, the EU introduced an arms embargo with certain companies, banned the export of technologies for oil exploration and production as well as shale gas projects. At the same time, the European Investment Bank and the European Bank for Reconstruction and Development announced the suspension of new lending to Russia as well. In addition, cooperation programs between the EU and Russia worth € 450 million were cancelled. In December 2014, the EU banned any European investments in Crimea in real estate, oil and gas exploration and outlawed ship cruises calling at Crimean ports. Inspired by both the USA and the EU, Australia, Norway and Switzerland joined the EU sanctions list imposing travel bans and asset freezes in the same year.

Due to the escalation of violence in Eastern Ukraine, in particular the indiscriminate shelling of residential areas in Mariupol in January 2015, the Heads of States and Governments of the EU (European Council) agreed to extend existing restrictive measures until September 2015. The suspension of sanctions was bound to the full implementation of the Minsk agreements. Furthermore, in February 2015 the EU Council adopted additional listings of separatists in eastern Ukraine and their supporters in Russia. As a result, another 19 persons and 9 entities were added to asset freezes and travel ban lists. As the Minsk I Agreement failed to de-escalate the situation, the EU Council activated additional listings.

In March 2015, the EU Council extended the validity of sanctions over actions against Ukraine’s territorial integrity for another six months. The asset freezes and travel bans were imposed against 150 persons and 37 entities. The EU Council decided to officially peg the

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3 Council Regulation No 811/2014
4 Council Regulation, 2014/512/CFSP
5 Adrian Croft and Robin Emmott. “EU bans investment in Crimea, targets oil sector, cruises.” Reuters, December 18, 2014
6 Outcome of the Council Meeting, 3369th Council Meeting, Foreign Affairs, Brussels, 29 January 2015
validity of the sanctions with the complete implementation of the Minsk agreements. It was agreed that economic sanctions would remain in force until the end of 2015 when the Minsk agreements are fully realised. With the lack of progress regarding the complete implementation of the Minsk agreements, on 1 July 2016 the EU Council prolonged the economic sanctions to 31 January 2017, targeting the financial, energy and defence sectors as well as dual-use goods. In addition to these measures, in June 2015, the EU Council extended the restrictions in response to the illegal annexation of Crimea and Sevastopol which are in place until 23 June 2017. The restrictions included the prohibition on imports of products, investments, tourism services, and exports of certain goods and technologies. Moreover, individual restrictive measures in terms of a visa ban and an asset freeze are currently imposed against 146 people and 37 entities.

The Russian response

In a response to the Western sanctions, Russia imposed a 12-month ban on a wide range of food products, including meat and dairy, from the US, EU, Canada, Norway and Australia. As a reaction to a new round of sanctions, Russia also introduced embargoes on imports of consumer goods and second-hand cars from Western countries. In June 2015, a product import ban was prolonged for another year, whereas the number of countries affected was also expanded to Albania, Montenegro, Iceland, Liechtenstein, and Ukraine. In August 2015, tonnes of Western-produced cheese and foodstuff were publically destroyed as allegedly being illegally smuggled to Russia. In addition, Russian authorities started destroying Dutch flowers under the suspicion of being infected by harmful insects. The critics say, however, that it is a way of taking revenge on the Netherlands’ call for the establishment of an international tribunal for the investigation of the MH17 crash. Another form of Russian retaliation for the Western sanctions was the blacklisting of 89 European politicians from entering the country. In contrast to the Western sanctions, the Russian blacklist was not made public.

Sanctions upshot

Two aspects follow from the description of the sanction episode that followed the Russian aggression in Crimea and its involvement in the conflict in eastern Ukraine. To start with, the EU has moved significantly beyond its previous sanction policies and practices when faced with the increasing Russian assertiveness. For the first time in its history, it issued economic sanctions that had direct implications for the respective economic sector of some of its member states. The combined effect of lower Russian imports of European goods and services due to EU sanctions and Russia’s counter-sanctions was estimated to be 0.3 percentage points off the EU’s economic further Western trade embargos, The Guardian, 11 September 2014

9 Russia: EU prolongs economic sanctions by six months, Press Release, Council of the European Union, 1 July 2016.
11 Russia: EU prolongs economic sanctions by six months, Press Release, Council of the European Union, 1 July 2016.
12 “Russia hits West with food import ban sanctions row”, BBC News, August 7, 2014
13 Russia reacts to EU sanctions with
14 http://government.ru/docs/19265/
15 “Russia adds countries to food import ban over sanctions”, BBC News, 13 August 2015
growth in 2014, and 0.4 per cent in 2015. In this respect, the impression of a united EU front against Russia was somewhat surprising. However, although the extension of the restrictive measures is perceived as a legal formality, the demonstrated unity of 28 EU states in response to the Ukraine crisis could not have been taken for granted. On the contrary, behind the scenes the EU member states have always been divided in their enthusiasm and willingness to impose and prolong the sanctions regime towards Russia. The division lines among the EU member states are both the old ones, opening up the wounds of European integration (e.g. between the British and the French), and the new ones, created by the EU enlargement process.

Unity behind the Scenes: How Consolidated are the EU Member States in the Ukraine Crisis?
With our interest in the dynamics of the EU sanction policy against Russia, we go beyond the broader range of research that addresses the internal implications of the EU enlargement that either focus on the socio-political and socio-economic developments in the new member states or on the dynamics of decision-making at the European level. Instead we shed some light on the question of how the most comprehensive enlargement in its history has impacted the foreign policy of the European Union.

Dividing lines: the cliché of old and new member states does not work
Ever since the former US Defence Secretary Rumsfeld coined the bon mots of a distinction between old and new Europe as the fault line in the member states’ stance towards foreign policy actions, a central first question relates to the interest in the implications of the big bang enlargement in 2004/2007. In the present case, however, Rumsfeld’s dividing lines turned out to be too simplistic to capture the differences between the EU member states over Russia’s actions in Ukraine and the respective red lines of their positions concerning the arms embargo as well as financial and economic sanctions. Actually, the situation was more complex than a simple opposition between the new 12 member states and the older members of the European club. At different stages of the development, there were some countries that pushed for a tougher stance, while others wanted to keep the door open for diplomatic options to address the challenges. However, some cleavages still characterized the constellation of member states.

North-eastern hawks and Southern doves
A first cleavage resulted from a combination of historic, geographic and economic factors which did not play out into one direction though. In a somewhat crude way it may it be described as an opposition between North-eastern hawks and Southern doves. On the one hand, there was a group of states that advocated a tougher stance towards Russia at the different stages of the EU discussions on sanctions. Following the annexation of Crimea, the United Kingdom, Poland, Sweden,
Denmark, the Czech Republic, Lithuania, Latvia and Estonia were of the opinion that only the introduction of tougher sanctions including economic and trade restrictions could prevent a further destabilisation in the region. This coalition was motivated by a combination of factors comprising the traditional tougher transatlantic stance of the British government as well as the historic experience and geographic proximity of some of the Eastern member states. For different reasons that we will address below, France and Germany joined this group only at a later stage. And so did the Netherlands after the shooting of the Malaysian airplane that cost the lives of many Dutch citizens.

On the other hand, historical and geographic factors did not determine the positioning of the member states. We also have to take economic factors into account when highlighting the motivation of the second group of states that took a rather dovish stance towards Russia. The coalition of Southern dovish countries that opposed tougher sanctions comprised Italy, Greece, Cyprus, Bulgaria, Luxembourg, Austria, Spain, Portugal and Malta. A common denominator of this group found clear expression in statements of politicians that referred to the implications of sanctions for the national context. For instance, the reference to the national interest by the leader of the Socialist Party of Bulgaria ("Besides the common position of the European countries we have our national interests") was reiterated with the reference to the economic implications of sanctions by the Austrian Foreign Minister ("we should not yearn for economic sanctions, as they would not only hit Russia but also definitely hit us").

Hence, economic considerations that reflected economic dependencies, in particular in terms of a reliance on energy products or the relevance of other economic sectors such as banking or tourism, at least in some cases trumped the perception of a threat by Russia due to geographic vicinity and historical experiences.

**Inside the new member states**

The importance of economic considerations in relation to both the historic experience of the Soviet domination after the Second World War and the geographic proximity to an ever more assertive Russia mirrored the concern of some member states over the implications for the domestic economies that might follow both EU sanctions and potential Russian countermeasures. However, the economic aspect at best partially explains the divide within the new member states in their reaction to the invasion of Crimea and the involvement in the destabilisation of Eastern Ukraine. The picture is indeed more complex.

The hawkish stance of the Baltic countries may be explained by a significantly stronger perception of a threat by Russia. On the one hand, the presence of Russian military planes and ships in the Baltic Sea and airspace that had increased over the past years. On the other hand, the existence of a significant Russian minority in the countries nourished the fear of a Ukraine scenario in their countries. Hence, in the Baltic countries as well as in Poland, the historical experience contributed to the dominance of an anti-Russian attitude in both the respective societies and discourses of political elites.

While the Romanian situation was somewhat similar, the picture in Bulgaria was again a different one. The aforementioned quotation of the leader of the socialist party...
indicated the awareness of the country’s economic vulnerability given its economic interdependence with Russia. Both the country’s dependence on the supply of energy from Russia and the importance of the Russians in some parts of the country contributed to a softer stance of the Bulgarian decision-makers.

Yet a different aspect might help to understand the attitude of Hungary and Greece. In both countries the governments in charge with Prime Ministers Orbán and Tsipras at the top perceived Russia not primarily as a threat, but rather displayed some sympathy for different reasons. Despite his self-declared liberal and anti-communist background, Orbán openly and explicitly expressed the view that Russia under Putin came close to his vision of an illiberal democracy and serves as a kind of role model for his idea of transforming the political system of Hungary. On the other hand, Tsipras and his left-wing political party Syriza had had historical bonds with the communist party in the Soviet Union. Along with the ideological proximity, Greece’s explicit rapprochement to Russia was motivated by economic factors. Its involvement in the Russian-Turkish pipeline project South Stream had top priority, while it also hoped to find a financially supportive ally at a time when the European Monetary Union and the IMF were exerting massive pressure on the Greek government to enact significant domestic reforms.

To sum up, it becomes apparent that there is a huge level of divergence between the new member states, which no single factor alone can explain. Instead the combination of different factors merged into country-specific motivations and attitudes on the EU’s sanctions regime towards Russia.

**Dynamics at the Top Table**

Interestingly, with the exception of Poland none of the new member states came close to a seat at the top table of European foreign policy. The Polish ambitions may be seen as a function of the country’s size that compared to that of Spain and Italy and its historical experience of being invaded three times in one century.19

The active Polish stance included the promotion of a more substantial engagement of the EU with its neighbours to the East. It found Sweden as a strong allied partner to push the Eastern dimension in the European Neighbourhood Policy in 2004. During the crisis in Ukraine, the so-called Weimar Triangle was revived. Established in 1991 as a means to politically connect the traditionally strong Franco-German axis with the most important economy of Central and Eastern Europe, the foreign ministers of the Weimar Triangle temporarily took the lead and negotiated a settlement with the parties involved in the conflict in Kiev in 2014. Later on, the dynamics changed, however, as the French president François Hollande and the German chancellor Angela Merkel became the top negotiators with the heads of states of Ukraine and Russia, Petro Poroshenko and Vladimir Putin – an interaction that was labelled the Normandy format.

Other dynamics at the top table were also quite illuminating. To start with, there was a temporary re-emergence of the antagonism between France and the UK. The two countries, which in the course of European integration frequently displayed opposing positions in the areas of defence and security policy, were at odds over the appropriate tasks regarding

19 For the Polish foreign policy objectives see e.g. the official document Polish Foreign Priorities 2012-2016, Warsaw, March 2012, [http://www.msz.gov.pl/resource/d31571cf-d24f-4479-a0f9-c9a4ecc85cfe:JCR][retrieved 18.11.2015].
the arms embargo and financial sanctions. On the one hand, the UK pushed for an arms embargo, while France refused to support these sanctions because it had a €1.5 billion contract for the delivery of two helicopter-carriers to Russia. On the other hand, France initiated financial sanctions against Russia which found less support in the UK as these would hit the City of London heavily. In an attempt to find an “equitably shared” solution to the EU sanctions policy, the pressure on Russia was significantly diminished in the first two phases. The French position changed towards a tougher stance only after the shooting down of the Malaysian airplane – and after some clarification on the costs of a rescission of the sale of the helicopter carrier.

Last but not least, position of Germany needs to be addressed. Two dimensions are relevant: the shifting motivations for the German position and the more general characterization of its role in the enlarged Europe. With respect to the first dimension, its deep involvement in Central and Eastern European economies motivated the interest of both politicians and industry representatives to mitigate the conflict and its economic implications. As German exports account for about a third of EU exports, the German chancellor and her foreign minister, Frank-Walter Steinmeier, invested very much time and energy in keeping channels of communication between the parties open and finding pragmatic solutions. Germany was a key player in the Minsk agreements that were meant to end the conflict in Ukraine. But unlike Poland, Germany took a dovish stance in the first phase of the negotiations after the annexation of Crimea by Russia. Friendly relationships between Germany and Russia established under the Schröder chancellorship divided the German elites in their response towards Russia. The SPD elite, including Helmut Schmidt and Sigmar Gabriel, favoured soft response to Russia’s aggression and formed so-called Putin-Versteher group (members of the elite who sympathise with Vladimir Putin’s politics). But the longer the conflict lasted, the more unreliable the Russian counterpart turned out to be and after the escalation with the shooting down of the Malaysian aircraft, the constellation ultimately changed, with Merkel and Foreign Minister Steinmeier pushing both the coalition partners and German businesses to tougher sanctions against Russia.

There have been many efforts to characterize the role of Germany in the enlarged Europe in general. Especially during the financial crisis, the dominant role played by Chancellor Merkel and Finance Minister Schäuble earned the term ‘Europe’s reluctant hegemon’ as coined by The Economist. The Russian-Ukrainian crisis, however, saw a different role of German politicians. Rather than dominating the scene, Merkel was characterized as a “go-to woman” due to her numerous travel activities to Kiev, Minsk, Paris or to the D-Day memorial celebrations in France to meet Putin, which were linked to the celebration of the 70th anniversary of the end of WWII. In a similar vein, Foreign Minister Steinmeier characterized the brokering role of Germany in an article of the New York Times as follows: “Germany will seek to play an efficient role as Europe’s ‘Chief facilitating officer’, forging an ambitious and unified

20 Bond, Odendahl, and Rankin 2015: 12.
response to the challenges we are facing”.

European values vs national economic interests
The forging of a unified European response in reaction to the Russian aggression turned out to be no easy task. The Russian aggression took the EU by surprise as it not only significantly undermined its idea of a security architecture for Europe built on mutual trust and confidence. Russia’s crude violation of international law also challenged the EU’s value system and self-understanding as an act of normative and civilian power that seeks to address problems through co-operation, non-military means and law-based, multilateral engagement. Hence, most European policymakers acknowledged that the blatant Russian behaviour posed a challenge to common European values.

However, there was no common position of the member states on how to react to Russia’s assertiveness. As described above, the motivations of the member states differed significantly, comprising pragmatic diplomatic approaches, historically motivated tough stances and economically driven considerations. Not only was the constellation characterized by an absence of clear cut cleavages between or within old and new member states, but also by member states that shifted their position from a dovish to a hawkish stance over time. Given these complexities, it was surprising that the EU speedily managed to put into place a coherent and credible system of sanctions in the first place. This holds for both the relative speed and in particular for quality of the sanctions that significantly went beyond the traditional means related to arms and visa related measures.

It may be argued that the Russia’s aggressive behaviour has been a game changer in the EU’s sanction history. The current sanction regime against Russia contradicts statements that claim that the EU only manages to sanction weaker countries that lack the means to reciprocate. Apparently, the declaration of a three step escalation in the sanctions towards Russian and Ukrainian elites, which was originally a compromise between the hawkish and the dovish coalitions amongst the member states, gained an independent momentum after the shooting down of the Malaysian airline. The member states became rhetorically entrapped as stepping back from prior agreed action would have undermined the credibility of their policies with respect to both external and domestic audiences. As a consequence, the decision to enact tough economic sanctions against Russia was more due to an unintended momentum of the situation than an expression of the normative actor Europe. In this situation, the shifted position of Germany towards hawkishness contributed to formal unanimity among the member states. Being a key member state, Germany’s more stringent position set up a pattern for other – weaker, smaller or new – member states and shaped the development of the EU sanctions policy as a whole. For instance, under Germany’s duress Bulgaria was forced to halt the construction work on Russia’s initiated South Stream natural gas-pipeline.

Conclusion


One may argue that the case of the sanctions regime towards Russia over its annexation of Crimea and its military involvement in the conflicts in the eastern part of Ukraine paints a positive picture of the enlarged EU’s capability to consent on foreign policies in its Eastern neighbourhood. It can also be argued that the share of the new member states in painting this picture has been significant. However, there are also reasons to be more sceptical about the situation. One reason for this scepticism relates to the question of sustainability of the strong, common position of the EU. While it already was difficult to avoid loopholes in the sanction regime during its first years of existence, the challenge to uphold a tight and coherent regime has grown substantially over time. In this regard, both the economically motivated lobbying by businesses in many member states and the geostrategic considerations as expressed for instance in a “Issues Paper on relations with Russia”24 by the EU’s High Representative Mogherini work into the same direction. It only seems a question of time that the inglorious-pragmatic “business as usual” will replace the value-based sanction regime against Russia. An even bigger question mark concerning the coherence of the enlarged EU’s foreign policy relates to the dividing lines that have become so strikingly apparent during the current refugee crisis. The issue that inherently links the domestic policies of the member states with the internal and external policies of the EU revealed substantial dividing lines between many of the old and the new member states. The challenge for the EU in this context is even more substantial as the clash between Western and Eastern members relates to the core of the EU’s foundations, i.e. its norms and values as well as the solidarity between its members.

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There is no such thing as a clearly defined presence of European traditions, let alone political structures in the rather abridged histories of national independence in Moldova, Ukraine, and Georgia. This countries, however, display a strong commitment to Europeanness, which, in turn, shapes the political culture of the above post soviet states. Famously, Zurab Zhvania, at the time president of the Georgian parliament, stated in 1999 in Strasbourg: “I am Georgian and therefore I am European.” Similar statements could be heard in Ukraine and in Moldova.

Culture, Statehood and Independence

For Moldova, Ukraine and Georgia, Europe, or more precisely the European Union, is the main focus of their foreign policy. This becomes clear when we examine the websites of the respective foreign ministries – the European flag has a prominent place everywhere; Moldova’s foreign office even adopted the official designation of ‘Ministry of Foreign Affairs and European Integration’.

None of the three states has a long tradition of independent statehood. All of them experienced a very short period of sovereignty after the collapse of the Tsarist Empire in 1917. Though Ukraine and Georgia declared their independence after the Bolshevik Revolution, they were soon incorporated into the newly established Soviet empire. Moldova enjoyed a brief period of independence in 1917 only to be occupied by Romania one year later. During the interwar period, Moldova belonged to Romania. Transnistria, meanwhile, became part of the Ukrainian Soviet Republic.

Moldova was created as a Soviet republic after World War II when Stalin seized Bessarabia, which had been part of imperial Russia in the 19th century. Moldova is a good example of the contradictory nationality politics in the Soviet era: On the one hand, the official Soviet Marxist ideology belittled the importance of nationality in its assumption that nations were products of the bourgeois era and would eventually disappear. On the other hand, national minorities were protected, and rewarded for their loyalty with some limited autonomy. The “friendship of nations” was one of the ideological pillars of the Soviet Union. In order to justify the new state of the Moldavian Socialist Soviet Republic, a full-fledged Moldovan nationality was created on the basis of a “Moldovan language” by switching from the Latin to the Cyrillic script.

Today, we can observe an essentialising European discourse in all three states. Moldovan, Ukrainian, as well as Georgian intellectuals and politicians highlight European episodes of the past in order to prove their European heritage. The idea of a European national culture itself, however, came to Moldova, Ukraine, and

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2 see Euxeinos No. 15/16, 2014.
Georgia mainly through Russian intellectual discourse. This reception ensued relatively late; only in the 1860s did ideas about national unity reach the periphery of the Russian empire. Crucial was, of course, the successful example of Italy with the heroic myth of Garibaldi. The design of the desired state was not very clear either. In Georgia, intellectuals fantasized about a state structure that would resemble a combination of values, including those of liberal Britain, and national Italy. At times, they also aspired to establish a socialist state.3

In 19th century Ukraine, ideas about a federation with Great Russia were prevalent. These dreams were destroyed after the 1863 Polish uprising, which entailed a severe policy of oppression also directed against the Ukrainian nationalists. Under Soviet rule, after an initial policy of “korenizacija” (“rooting in”), national movements were brutally suppressed. This was especially the case in Ukraine and Moldova. In both territories, horrible famines occurred as a result of a reckless collectivization – in Ukraine in 1931/1932, in Moldova in 1946/1947.

In Georgia, ironically enough, the claim for national rights took a pro-Stalinist stance. A post-soviet marble plate on the Rustaveli boulevard reads: “This monument commemorates the participants of a peaceful rally gunned down by the Soviet regime on March 9, 1956”. The text may, mildly put, lead to misunderstandings, as the demonstration was against successive de-Stalinisation measures. In 1956, Georgians were still proud of their leader, and were discontent with the policy of thaw proclaimed by the new secretary general Khrushchev.

**Religion**
The orthodox church is dominant in all three countries. There has been a long discussion about the compatibility of Western Democracy and the orthodox mind-set in the territories of the former Byzantine Empire. Yet, such allegations mostly perpetuate both catholic and protestant resentments against their eastern rival.

However, the important tradition of dual loyalty in the West should not be underestimated – towards the church on one side, and towards the state on the other. This double allegiance shaped Western notions of citizenship – loyalty to the state could always be limited by the individual religious conscience. In our three examples, such a dual loyalty is only present in the case of Western Ukraine with its Greek-catholic church. The Greek-catholic church recognizes Papal supremacy, but continues to practice orthodox rites.

In all other regions of the states under consideration, there is no rivalling loyalty between the state and the church. According to Orthodox tradition, the head of state is simultaneously the head of the church. In this situation, religious identity markers corroborate rather than challenge national identification. Especially in Georgia, this link between power and religion is exploited by the state power: One of the achievements of the Saakashvili government was the construction of a giant cathedral in Tbilisi.

**Sovietization**
The Europeanization project in Moldova, Ukraine, and Georgia is very much a product of the local elite. This small layer of the society was able to take advantage of the

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privatisation of state property in the “wild” 90s, often enjoyed an education in the West, and maintains relations with members of the global economy. Those left behind by the rapid (and often corrupted) process of modernization, including the rural population as well as the older generation, however, still long for a patrimonial state, which will take care of them. In all three countries, the year 1991 should not only be seen as a rupture. In many ways, Soviet patterns of societal organization and value preferences still persist and shape people’s ideas about the duties and responsibilities of a state. Culturally, Sovietisation came under the guise of Russianisation. This notion – as opposed to Russification – points to the strong influence of Russian as a language of higher education, administration and interethnic communication. Soviet nostalgia is also a wide spread remedy against the main illness of modernity: the uncertainty of the future. The Soviet system seemed to last forever; its values and mechanisms were familiar to everyone; Soviet institutions penetrated every realm of life. There was, however, a positive aspect of the totalitarian oppression: The Soviet Union rendered the system and everyday life predictable. This is also why the self appointed leaders of the Euromaidan chose not to claim responsibility for the toppling of the Lenin statue in Kyiv on Dec 8, 2013. They knew exactly how much Lenin was still revered by the older generation of Ukrainians.

**Domestic Ethnic Heterogeneity**

Moldova, Ukraine, and Georgia still have to come to terms with their minority problems. The topic of national independence almost exclusively dominated the political agenda in all three states during the 1990s. Unfortunately, the pathos of national independence precluded a viable policy for minorities in all of the newly independent states. Language policy is a case in point. Moldova, Ukraine, and Georgia have strongly advocated for the case for a one state language policy. Georgia had to contain Abkhazian and South Ossetian separatism from the very beginning of its independence; these tensions reached their peak in the August war of 2008. The Georgian constitution has little to say about the protection of minority rights. The main reason for this is the perceived separatist threat in the country. Georgian leaders were convinced after 1991 that centripetal rather than centrifugal tendencies should be strengthened. Georgia adopted a framework for minority rights only recently, and within the legislation of the Council of Europe.

All three states are unitary states, and rely on one chamber of parliament only. From the outset in the early 1990s, federalism was seen as a threat to the integrity of the state - Moldova is split between the so-called Moldovanists and Romanianists. Moldovanists believe in a distinct Moldovan nation and culture, whereas Romanianists hold that Moldova is part of Romania. At the same time, Romania remains the most important partner for Moldova. The Moldovan Prime Minister recently expressed his hope that Moldova might access the EU in 2019 under the Romanian presidency of the EU council.

Moldova already since 1992 has to cope with the runaway republic of Transdniestria which is a de facto state alimented but not officially recognized by Russia. When Saakashvili assumed office in Georgia, he was very much aware of the ethnic
heterogeneity in his country. He addressed the audience during his inaugural speech with the words: “I would like to greet Kartli, Kakheti, Imereti, Mengrelia, Guria, Abkhasia, Adjara, Mtskheta-Mtianeti, Ratcha, Samtskhe-Javakheti, [and] Shida Kartli.”

Saakashvili was, however, a strategic player. He instrumentalized the respect he had previously extended to national minorities as a political leverage in order to strengthen his executive power in the government. A notorious case in point was the 2011 decision to transfer the Georgian parliament to Kutaisi, allegedly for reasons of decentralisation.

A similar tendency can be observed in Ukraine. As the constitution states, Ukraine is a unitary state. Federalization has always remained an item on the agenda of the opposition in Ukraine and never made it into government politics. This holds true for Rukh, the nationalist movement in the early 1990’s, and for Yanukovych’s Party of Regions, which called for federalisation until its accession to power in 2010. After Yanukovych’s accession to the presidency, his claims disappeared into thin air. Today, the decentralisation as outlined in the Minsk 2 agreement, is a process imposed by the Russian Federation.

**Russias geopolitical aspirations**

Since 2012, Russia has increased its geopolitical and imperial aspirations. The clearest expression of this new self-consciousness can be found in the foreign policy doctrine from February 23, 2013. This is what the doctrine has to say about Moldova: “Russia [...] will participate [...] in the settlement of the Transdniestria problem on the basis of respect for the sovereignty, territorial integrity, and neutral status of the Republic of Moldova while providing a special status for Transdniestria.”

It is quite interesting that Russia stresses the notion of sovereignty and territorial integrity of Moldova. The reason for this is that Russia seeks to retain Transdniestria as a thorn in Moldova’s side. Conversely, the worst-case scenario for Russia would be if Moldova gave up Transdniestria in order to join NATO and the EU. For this reason Russia does not accept Transdniestria as a member of its Federation even though Transdniestria requested membership in 2006, and again after the Russian Federation incorporated Crimea. The status quo in Transdniestria is the best guarantee that Moldova will stay what it is, a satellite of Russia in the so called “near abroad”.

The foreign policy doctrine uses a cautious wording when it comes to Ukraine: “Russia will build up relations with Ukraine as a priority partner within the CIS, contribute to its participation in extended integration processes.” After the violent events of 2014, Ukraine is no longer a priority partner, at least from a Ukrainian perspective. Though he continues to talk about the brotherly nation of Ukrainians, it is clear that Putin lost Ukraine as a prospective member of his prestigious Eurasian Economic Union project that includes so far Belarus, Kazakhstan, Kyrgyzstan and Armenia.

Russia seeks to instigate political unrest in Eastern Ukraine. It may therefore be fair to speak about a ‘Transdniestrisation of Eastern Ukraine’: If Donetsk and Luhansk are not controlled by the central government in

4 President Saakashvili’s Inauguration Speech. [http://www.civil.ge/eng/article.php?id=26694](http://www.civil.ge/eng/article.php?id=26694)

Kyiv, Ukraine will not be able to continue its Western integration – or at least not within its 1991 frontiers.

Even Georgia, Russia’s most inimical neighbouring state, appears in Russia’s foreign policy doctrine: “Russia is interested in the normalization of relations with Georgia in the areas in which the Georgian side shows its willingness, while taking into account the existing political environment in Transcaucasia”. This is a euphemistic call to accept the political realities in Abkhazia and South Ossetia. The most probable outcome is Abkhazia and South Ossetia’s integration into the Russian Federation within the coming 5-10 years.

Georgia itself went through a difficult process of disillusionment. It became clear to the Georgians that its Western partners – Europe as well as the US – have only a limited potential to counteract Russian aspirations in Transcaucasia.

**Perspectives for the future**

Georgia and Ukraine finally signed the trade agreement with the European Union on June 27, 2014. But this is only a first step on a long journey.

Moldova probably has to renounce its claims to Transdniestria. Even in this case, EU accession seems to be quite ambitious for the foreseeable future.

Ukraine and Moldova both have their advocates within the EU: Poland and Romania. These two new EU-member states do not act selflessly. Both have an imperial past, which neither of them seeks to revive. Their post-imperial situation, however, clearly shapes their range of political action.

Georgia does not have such an advocate. This is why Georgia may try to move closer to the US and to draw on their geopolitical interests.

**About the Author**


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Why so much EURO-scepticism among the Euro-enthusiasts?

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ABSTRACT
This paper addresses the intriguing situation in which there is an identified paradox inside the Polish society, namely strong Euro-enthusiasm combined with clear EURO-scepticism. The author of this article differentiates between EURO-scepticism and Euro-scepticism. Euro-scepticism is a recognised and extensively researched phenomenon across Europe, most generally conceptualised as a negative attitude towards the European integration process (in particular in the form of the European Union). EURO-scepticism, by contrast, is a much narrower category which can be characterised as a negative attitude towards the monetary integration on a supranational level, its deepening, participation in it, etc. Poland serves as an example of this in this paper. In Poland, we can observe the interesting paradox of substantially pro-EU attitudes in society combined with strong anti-EURO feelings. They translate into a stable position of Poland in the outer core of the EU. Based on the available public opinion reports (from the national and supranational level), this paper aims to answer the question why there is so much EURO-scepticism in such a Euro-optimistic society and why it matters.

KEY WORDS: Euro-scepticism, EURO-scepticism, Poland, European monetary integration

The central question of the article is why and how it is possible that one of the most Euro-enthusiastic societies in the European Union, that is the Polish society, displays so much EURO-scepticism. The author provides answers to this intriguing question based on the recent public opinion polls on various aspects of Poles’ attitudes towards European integration as well as Poland’s place in it with special emphasis on the issue of participation in the supranational monetary policy. It is a key issue in post-enlargement Central and Eastern Europe. Most of post-communist Europe joined the Euro-club, if only they could (some of them even in a one-sided Euroisation mode), while Poland is the largest economy outside the inner core in the region and among the so called New Member States (NMS).

THE INTEGRATION PROCESS AND MONETARY UNION
After having joined the European Union in the “big bang” enlargement of 2004, the Republic of Poland obliged to join the final stages of the monetary integration. Already from the moment of ratifying the Accession Treaty (2003), Poland, like many of the NMS enjoys a derogation from adopting the common currency1. The approaches of the other NMS remain mixed. Seven of the ten new member states that joined the EU on 1 May 2004 decided for a strategy of adopting the Euro as soon as possible (Latvia, Lithuania, Estonia, Malta, Cyprus, Slovenia and Slovakia). Consequently, these countries joined the ERM II (second generation of the Exchange Rate Mechanism) as early as possible. However Hungary and Poland, like the Czech Republic opted to participate in the ERM II only for the shortest period necessary to fulfill the exchange rate criterion and make technical preparations for the Euro. However, neither country has set such a date so far. Yet this temporary derogation does not exempt any member state from the obligation to adopt the Euro. The Polish Republic, like any other

1 In the meaning of Article 122 of the Treaty establishing the European Community (EC)
member state from outside of the Eurozone (except for the United Kingdom or Denmark, which negotiated a special status in this regard), must work towards the introduction of the Euro as soon as possible. It is also linked with fulfilling some macroeconomic criteria known as the Maastricht criteria\(^2\). These criteria, in the case of Poland, were achieved in 2015, when the EU Commission stopped the excessive deficit procedure and the Polish deficit dropped below 3% of the GDP. All the other criteria regarding inflation, public debt and long-term interest rates remain at the stable level. Yet the Polish government (in agreement with the Polish Central Bank, NBP – Narodowy Bank Polski) still does not intend to join the Euroclub soon. This is a political decision that stems from the strong anti-Euro positions of Polish society. This specific Polish EURO-scepticism is quite an interesting phenomenon in the context of the vehemently pro-EU attitudes in Polish society.

**Euro-scepticism and EURO-scepticism**

Euro-scepticism can be generally understood as a negative attitude towards the European Union, the European integration process in general, some of its aspects or just the idea of uniting the continent in any respect (Taggart, Szczerbiak, 2004). More specifically EURO-scepticism is defined here as a negative attitude towards the Eurozone, monetary integration on the supranational level, some of its aspects or ideas and concepts related to it (Zuba, Riedel 2015). Inside of the Eurozone, it may mean disagreement on further deepening monetary and fiscal integration or even arguments to leave the Euroclub, whereas outside of the Eurozone it usually means the decision to remain in such a position. Conceptualizations and categorizations of the terms EURO-scepticism and Euro-scepticism are embedded in rich scholarly literature (see or example: Katz 2008), which became even more important in the context of the economic crisis that hit Europe in 2008 (Serrichio, Tsakatika 2013). Therefore a deep understanding of the phenomenon, its determinants, mechanisms, effects and side-effects is central in contemporary research on the European Union. Euroscepticism is no longer just an aberration from the mainstream politics in the EU. It has become mainstream, at least, after the most recent elections to the European Parliament (2014). As a result, also scientifically, it is no longer only a contextual variable, but has drawn attention as a widespread phenomenon worthy of explanation.

In the case of the new member states though, relatively few academic analyses have been conducted on Euroscepticism. In the end, it is the old member states, like Great Britain (with the Eurosceptic UKIP – UK Independence Party) and France (Front National), which capture the spotlight with the spectacular success of their Eurosceptic parties. In the first decade of full membership the EU newcomers focused on proving that they are “good Europeans”. Evidence from quite successful EU Council Rotating Presidencies, Presiding the EU Parliament and, last but not least, obtaining the President of the European Council seat proves that the NMS and their political elites feel more and more comfortable in the corridors of the EU institutions in Brussels. However, this does not mean that all the new societies in the EU are unconditioned Euro-enthusiasts. The Czechs, the Hungarians

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2 The new EU member states, besides being required to harmonize their economies in line with the convergence criteria defined in the Maastricht Treaty, they are also expected to achieve a high degree of sustainable convergence in order to join the Euro area.
and many others have shown their EU dissatisfaction on many different occasions. Yet the largest NMS, Poland, has remained a stable Euro-optimist. Even when governed by a moderate Eurosceptic coalition (2005-2007), Polish society proved to be among the most Euro-enthusiastic in the Union.

Values and “Valutas”
What are the sources of this almost undisputed Euro-positive attitude and why Poles belong to the most EURO-sceptic camp when it comes to potentially joining the Eurozone club? There is an important gap between the support for European integration as such and the supranational monetary integration in particular inside the Polish society. And it cannot be understood just as an illustration of a diversified public opinion typical for all democratic societies. In this case, the same people demonstrate a great deal of sympathy and support for the European Union and at the same time they are strongly EURO-sceptic. In developing these attitudes they refer to a totally different, very often conflicting, set of ideas, norms and values. It is hence a fundamental misunderstanding inside Polish public opinion rather than logical Euro-optimism combined with equally rational EU-scepticism.

The graph above suggests that directly after the transformation, there was very strong support for European integration and Polish participation in it. This was a result of a strategic turn narrated in the public discourse as the “return to Europe”. The European Union impressed the Poles as an area of economic prosperity, political stability and a promised land in general. Thus high expectations could only be disappointed and that is why when the EU accession negotiations started and the EU became much more a set of figures, transition periods, opt-outs, etc., the fairy-tale picture disappeared and the first disappointments could be observed in the period 1998-2002. At that time however the government launched its information/promotional campaign before the accession referendum. This stimulated an upward trend which also continued after the momentous year 2004. The enlargement enabled access to the Single Market and a
“downpour” of cohesion money. Support for the EU thus reached its peak in 2008. Then the economic crises came to Europe (to Poland however to a lesser extent) and like in many other EU member states, the society started to become more Euro sceptic. This downwards trend was broken again in 2014, which is correlated with the developments in Eastern and South-Eastern Ukraine. The Poles saw with their own eyes the alternative to their western orientation. Directly after the implosion of the Soviet Union in 1991, the Polish and Ukrainian GDP were very similar. Two and a half decades later, the Polish GDP is three times higher than Ukrainian, which is a result of the Leszek Balcerowicz’s shock therapy and the strategic choices undertaken by the post-1989 governments. Poland is also the only EU member state which has a border both with Russia and Ukraine, which makes it the country most exposed to the Ukrainian-Russian conflict. This problematic situation spoke to the imagination of the Polish people to such an extent that their support for the European Union skyrocketed and surpassed previous levels. This paper ends chronologically in 2015, but it needs to be stated that 2015 is an important time marker in the history of the Polish membership in the EU and in the post-1989 evolution in general. Both the presidential and parliamentary elections were won by the Law and Justice (Prawo i Sprawiedliwość) party, which appeared as a self-proclaimed Euro-realist, but in practice a strongly Euro-sceptic (by rhetoric and action) political actor. Consequently 2015 heralds a new trajectory which cannot be covered in this paper, but whose foundations are already hidden in the here described phenomenon of the paradoxical Euro-enthusiasm combined with the EURO-scepticism. Jarosław Kaczyński, PiS’ leader, reads the Polish society’s sentiments accurately and there are no surprises in the behaviour of his party (and government) towards Brussels. Perhaps it is even more representative than the public opinion polls which very often express a politically correct, rather than real, attitude of the Polish society.

Explanations

One of the possible explanations for this phenomenon is the economic utility theory which suggests that the more the society gains from the European integration project, the more positive it is about it. In economic terms there are two strong arguments which persuade the Poles to be satisfied with their EU membership. One is the participation in the Single Market which stimulated export growth (as an emerging market, the Polish economy is very much export-dependent) and the second is the access to EU funds (cohesion and structural funds) which boosts public investments on an unprecedented scale. Here it is important to note that these two factors may disappear when Poland loses its competitive advantage (based on low labour costs3) and when the voivodships stop qualifying for the cohesion funds. Due to these two assumptions, it is legitimate to hypothesise that the Euro-enthusiastic attitude will decrease too. Among all the positive claims on European integration these two seem to be the leading ones among the Poles. Additionally other problems are seemingly cumulating inside and outside the EU project. These are, among others, the Syrian civil war and resulting refugee/migration crisis, related collective decision problems on the allocation of the refugees, not to mention the recently overcome economic crisis, the frozen and unresolved Russian-3 If alternative competitive advantages are not developed.
Ukrainian conflict, etc. All in all, the EU is no longer a promised land, a panacea for the inefficiencies of the Polish economy and politics, a prize for transformation fatigue (Europeanisation and conditionality thesis). Instead of being a solution, the EU has turned into a problem in the eyes of many Poles. The Euro-scepticism of the closest neighbours (like the Czech Republic) and partners (like Hungary or the UK) constitute an important contextual variable regarding this attitude. Consequently, when the Poles are confronted with the key question of their future in the European integration project, that is the participation in the Eurozone, they become more and more sceptical about it. The recently published NBP’s (Narodowy Bank Polski / National Bank of Poland) report concludes that even though Poland plans to join the final stage of the Monetary and Economic Union, it is not desirable in the current situation. It is the crisis (and the accompanying turbulences inside the Eurozone) that changed the central bank’s perception. A report published before the crisis recommended joining the Eurozone at the earliest opportunity – just after fulfilling the Maastricht convergence criteria. But Marek Belka, the President of NBP, said in February 2015 during a seminar at the Bruegel think tank (Brussels), that the Eurozone is “(...) of little attractiveness for Poland at the moment” (Belka 2015). He also pointed to the fact that it was the own currency that saved Poland in the times of economic crisis. This statement, according to the scientific knowledge that we have, is only partially true.

Polish society, however, is EURO-sceptical based on a somehow different set of ideas and arguments. According to the opinion polls study carried in 2013 by CBOS4, it is the expected high price effect that the Poles are the most afraid of. Even though the price levels in most product groups are already synchronised and there is not much difference between Poland and the Eurozone, it is this anticipated side-effect of introducing the Euro that is the most influential threat among the Polish citizens. Surprisingly, when some more detailed questions about the monetary integration are addressed, the Poles again reveal very pro-European attitudes. A majority (40% to 33%) claims that the introducing Euro in Poland will be beneficial for Polish companies. 68% predict that it will be beneficial for trans-border traffic (14% do not share this view).

In general however, we can observe a negative tendency in Poles’ opinion on the cumulative effects of joining the Eurozone - 36% of Poles think it will be good for the economy as such (40% against). Just five years ago, it was 45% for and 39% against. What is somehow paradoxical is the Poles’ opinion on the expected effects of the introduction of the Euro for those planning to obtain a loan. Here the Poles are less positive about joining the Eurozone – 22% think it will be good and 44% not good for the potential borrowers (CBOS 2013). The last results must be a reaction to the “Swiss Franc borrowers” problem, which was very painful in Central and Eastern Europe (especially Hungary and Poland)5. The interest rates of European Central Bank are lower than those of the Polish central bank and as a consequence the costs of credits are also lower in the Eurozone. This suggests that a great deal of education is needed in order to for people to have an informed and rational

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4 Centrum Badania Opinii Społecznych – raport z badań: Obawy i nadzieje związane z wprowadzeniem euro w Polsce. Komunikat z Badań CBOS, BS/42/2013, Warszawa, March 2013

5 Where the borrowers were exposed to the exchange rate fluctuation and its costs.
opinion before any potential referendum on the Eurozone entry in Poland. Right now there are many myths and artefacts in the public discourse. At the same time the Eurozone is growing – in January 2015 another Polish neighbour, Lithuania, became a new Eurozone member. This means that all of Poland’s main economic partners from the European Union use the Euro as their currency.

Another important point to be made in the public debate about the Eurozone entry is the alternative scenario analysis. In evaluating the costs and benefits of participating in the European monetary union, the balance of pros and cons of the status quo scenario should also be taken into account. Staying with the Polish Zloty does only translate into positive effects. During the crisis it was beneficial for Poland to have its own currency, but staying outside of the Eurozone exposes Poland to speculative attacks and other shocks that it would have been protected from inside the Euro-club.

**Coping with transformation experiences**

Both Slovakia and Poland (one a Eurozone member, the other one not) are the leaders in the catch-up dynamics in the last decade as well as since 1989. This suggests that the Euro is not decisive as a factor determining economic growth in the CEE economies. Additionally, it must be noted that the historical context should act against Poland keeping its own currency. The Poles remember the experience from 1989 and the proceeding years, when they suffered hyperinflation. The first transformation years led to a rapid devaluation of the Polish Zloty. The currency lost close to 600% of its value annually. This constitutes one of the greatest differences in the short-term as well as long-term consequences of the transition in Poland and other post-communist states. The Poles lost most of their savings at the beginning of the transition. Now they have much more to lose. Therefore the Eurozone entry decision should be taken seriously and after building a wide consensus on the topic.

In conclusion it is necessary to stress that the gap between the strong Euro-optimist attitudes of the Polish society and their EURO-sceptical views is likely to remain so, as it is a long-lasting phenomenon and a stable characteristic of the Poles’ position in Europe. It can be hypothesised that it will never close or it may close due to the shift of the Euro-enthusiasts’ opinions. The tendency of the EURO-sceptical attitudes is much more consistent, whereas that of the Euro-optimists is significantly more volatile and unbalanced. At the same time, the opinions of the EURO-sceptical camp are founded on a somehow non-rational set of ideas. It is much more emotional and therefore one may expect that logical explanations will not be able to change this attitude.

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Brief notes that follow are a glimpse of the issue through my personal intellectual and professional experience during the last 25 years.

Pre-Accession I. Back to the starting point (1990)

Putting aside the exciting return to democracy, for many economists the transformation of 1989 was essentially a revolution of rationality. After years of communist economic absurdity and amidst the ongoing collapse of the economic system, immediate priority was given to the most pressing issues of the long postponed stabilization policies. The focus only slowly shifted to the coming disruptive adjustment to the liberal economic order and to capitalism in general.

After 15 years in academia, my first post-1989 job was the launching of the Agency for Economic Coordination and Development (AECd) - a governmental (but de facto intellectually independent) analytical macroeconomic observatory. The mandate we conceived as essential at this stage was to monitor the inconsistency of the adopted macroeconomic policies; to highlight the conflicts between the market rules, the prevailing state property and the widespread soft budget constraints; to identify the incipient signs of competitive market behavior.

At the very beginning the term market economy was almost never used alone in the public debate. The notion was accompanied by an accretion of qualifications such as social or mixed: society was not yet prepared to swallow the basic principles of capitalism and people feverishly searched for euphemisms replacing the concept. The dominant expectations were a vague normality, a coexistence and smooth competition between different “forms of property”. Nostalgia for an idealized pre-communist past spread and the ambitions were calibrated towards catching up with more prosperous neighbours like Greece.

The analyses conducted at AECd between 1991 and 1994 identified the core problems of the economy of transfers. The early phase of the transition was actually an exercise of unprecedented redistribution of losses and of national wealth through the (often informal) decapitalization of the state-owned assets in an extremely diffuse property rights framework. The process under way boiled down to the transformation of the tangible and intangible assets (networking; information) inherited from communism into private capital: a historically unavoidable but barely controllable shift. In the fierce political struggles that accompanied it, the public opinion was obsessed by tormenting questions like how private capital should be legitimized? Is it possible to accept capitalism without accepting the newborn capitalists? Who are the brand new “good” and “bad” capitalists? The period could have constituted a golden age for research in new institutional economics, but the opportunity was actually missed.

Europe (not only in Bulgaria) was a still distant and fuzzy perspective. There was neither an understanding of, nor interest in, the varieties of capitalism that existed on the European continent.

Pre-Accession II. Conceptualizing the 1991-1996 failures

Bulgaria did not achieve sustainable macroeconomic stability until 1996. The period ended with financial turmoil including a major banking crisis and a short-lived hyperinflationary episode between December 1996 and February 1997. This sequence of events
unexpectedly redirected my scholarly interests. Looking for precedents I started to realize that the shadow of the past never fades away; that intellectual legacies, inertia, path dependence and continuity are critical in the economy. This led me to a detour in attempting to understanding the transition through history. Eventually history grew into my permanent framework of reference for the assessment of the current economic trends.

The compressed message I drew from the pre-communist tradition was that Bulgarian economic culture has no memories of a liberal order and that the legacy of the European liberal and globalized 19th century is missing or strongly distorted. The “second Bulgarian capitalism” had nowhere to return to, no memories or genetic codes to revive. The imprint of the state and collectivistic values before communism could be felt in numerous areas: the strong influence of cooperativism; the repetitive patterns of crisis resolutions; the reluctance to reform; the dislike of capitalism and the pervasive search for “third ways”; the impact of the war economy which shaped many aspects of the forthcoming communism; the effects of the autocratic regime and the no-parties system in place since 1934… I was mostly interested in the turning points at both extremes (the raise and the fall) of communism which surprisingly revealed more continuities than disruptions. I found out that, paradoxically, the public was intellectually more equipped to accept the centralized planned economy in the mid-1940s (in a sense society was pregnant/infected with communism) than to face capitalism in the early 1990s.

In this reading of history Europe acquired a definitely greater significance for Bulgaria. The perception of Europe emerged as the lasting metaphor of modernity, the epitome of a superior partner and competitor; a strong attractor in a hopeless process of catching up; the image of everything Bulgaria is not; the idealized immaculate province where order reigns, rules are strictly observed and prosperity accessible to all.

**Pre-Accession III. Preparing for accession**

The negotiations for EU accession began in 1999. As a member of the Board of Governors of the Bulgarian National Bank at that moment I was involved in defining a credible and reasonable path from the Currency Board Arrangement (CBA) introduced in 1997 to the Eurozone.

The CBA is a somewhat exotic monetary system (adopted in the 1990s by Bulgaria, the Baltic countries, Argentina and Hong Kong) which is based on a fixed exchange rate and rules out refinancing of the commercial banks and direct funding of the budget by the central bank. Strictly speaking it is a technical device providing financial and thus macroeconomic stability. In a broader sense the CBA was conceived as a cultural breach that was instrumental in eliminating the channels of corruption linking the central bank, the commercial banks and the government.

The design of the CBA embedded two strategic choices related to Bulgaria’s European perspective. The country sent a strong signal by ignoring the USD (the then prevailing monetary substitute) and selecting the DEM (to be automatically replaced by the euro) as anchor currency. Moreover, the CBA had a credible exit (not the case for Argentina where the CBA collapsed in 2001) with the mandatory adoption of the euro. Convincing the ECB that floating the Bulgarian Lev before joining the Eurozone (as stipulated by the standard procedures) would be a risky exercise was not an easy task. It was finally agreed, however, that
Bulgaria and the other CBA countries deemed to join the EU will keep their monetary system untouched until adopting the single currency. During the lengthy accession process Europe became a tangible bureaucratic counterpart. A large-scale legal harmonization and adoption of the *acquis communautaire* was carried out, regular progress reports were produced, and the country was officially recognized as a functioning market economy. Simultaneously, the EU emerged as a strong economic pole of attraction in the extremely favorable global context of 2002-2008 when Bulgaria benefited from a huge inflow of FDI reaching 30% of GDP in 2008. The structure of the foreign investments and the absorption capacity of the economy, however, produced relatively modest results. During that period annual economic growth exceeded 6% only twice and real estate bubbles inflated as elsewhere.

**Entering Europe I. Shifting the economic conditionality paradigm**

External economic conditionality is an essential factor shaping peripheral societies. This was confirmed during the post-communist transition when the role of ideas was largely overestimated: the transition was not so much a “spontaneous” competition of strategies; it was very marginally an intellectual history. A great deal of the changes has been induced through superficial technocratic procedures.

After 1989 the major shift in this area was the move from the IMF-type to the EU-type conditionality. In the 1990s the IMF followed the traditional conditionality design and its universalistic meta-language. In broad lines, it restored the conditionality setting familiar to pre-communist Bulgaria and implemented by foreign bondholders (early 20th century), the Inter-Allied Commission or the League of Nations (during the interwar period). EU accession/membership, in turn, implied a much deeper, far-reaching and ambitious project touching values and the structure of the overall society. The basic economic assumption of the EU model is that membership initiates through nominal convergence a lengthy rapprochement to the average welfare indicators of the Union. From 2007 to 2014 Bulgaria’s GDP/capita (in PPP) has, indeed, progressed from 29% to 47% of the average EU level. The much stronger implicit idea of the European *acquis* is that accession would instigate a gradual infiltration of the “strong culture” into the new entrants’ economic culture. A smooth linear motion is postulated which implies the existence of a clear-cut “hierarchy” of societies, a well-defined vector of motion and the possibility of outstripping along this vector.

Linear advance, however, is by no means warranted. There is no steady and irreversible path to ideal types. A complicated interplay of economic cultures is at work with different blends and/or equilibrium points between their “weak” and the “strong” components. For Bulgaria, in particular, society is plagued by networking, conflicts of interest, and barriers of influence. Business and politics are not effectively fenced off from one another. Truly competitive markets remain scarce due to their small size, chronic capital shortage, particular geopolitical status, or historical traumas. Thus, instead of linearity we observe occasional reversals, a stop/go rhythm and continuous monitoring. For the economy and economic institutions (as for human beings) timing is essential. A latter replica is not identical to the original. Copying cannot replace the absence of one’s own history. Social experience is *accumulated*, not simply transferred. It is impossible to live someone else’s past. When, for example, the economic texture is the con-
sequence of mostly private efforts, while elsewhere (in a latecomer’s society) a similar structure is shaped by government intervention, the two realms are not alike.

**Entering Europe II**

Europe’s basic ambiguity is the fundamental dichotomy of Western economic culture which combines, in an often incoherent way, two conflicting principles. On the one side, there is the statist, dirigiste, regulationist and interventionist philosophy embedded in the EU bureaucratic functions and activities. On the other side there are the distinctly liberal and free-market values rooted in the most far-reaching projects such as the free movement of people, the single market and the euro. Newcomers are free to choose among those options according to their local idiosyncrasies. Whatever their preference, they are sure to find somewhere in Europe a mirror image of the selected option.

Bulgaria’s preferences are entirely in line with its historical traditions. The pragmatic/opportunistic choices overshadow other considerations. Without any doubt, free movement is a highly prized new right. But beyond it the public expects from Europe money, not values; state, not market. Those expectations foster a lenient economic culture, not the entrepreneurial spirit of the heroic Weberian or Shumpeterian capitalist. The generalized anticipations for “easy money” distributed top down teach people to deal with (and to outsmart) the bureaucracy; not to play the markets.

Eurofunds represent a mere 2% of GDP but they attract disproportionate public attention. These flows are a valuable substitute for the limited domestic government financing for public infrastructure but they also generate unhealthy speculations. Since the accession the only game in town is how to capture these funds which cultivates a corrupting environment: their inherent distributive logic fuels both the ever vivid corruption practices and paranoiac conspiracy insights. As a whole, they nurture low trust in a society where, quite often, the manipulated anti-corruption speech is even nastier than corruption.

Bulgaria’s EU membership also has a number of identity side effects, among them the depressing outcome of visualization. Backwardness becomes more transparent to the extent that it is not the same to be a relatively poor country outside and the poorest one inside an affluent community. No radical repositioning in the secular ranking of the European countries’ economic/social development is at sight and the old wealth divides are transposed inside the EU. An exceptionalist mood prevails and, as it is customary in the region, the other part of the continent is still perceived as an alien space, the *we/they* opposition remains, and the majority of the Bulgarians consider themselves “half-Europeans”. It is hence no wonder that the hybridity of economic culture becomes a focal point of scholarly interest.

**Lessons from the crisis. Moving Europe I**

The turning point of the Great Recession has had important repercussions. It revealed concealed/forgotten/ignored faces of Europe, destabilized and redesigned rules and goals, and generated widespread disenchantment.

The crisis highlighted *unstable patterns of behavior* where ambiguous practices in the banking sector or in public governance have been common. A key lesson from economic history was confirmed: the highly demanding constraints of the market are considered as uncomfortable and universally disliked by firms, states and households. The overriding instinct is not to follow, but to distort competition and conven-
tions by drifting to monopolism and to collusion with political power. Rules are avoided and circumvented or – at least – no one refrains from avoiding them when such an opportunity appears. Economic history could be read as an often successful series of attempts to evade the “market discomfort”. Communism is the apex in this respect.

The recent collapse showed to a generation, pampered by a long series of mild recessions and tempted by oblivion, that capitalist dynamic is inherently (sometimes violently) cyclical. The well-known but periodically forgotten fact is that even in the “mature” economies risks cannot be fully mastered. Not only entrepreneurs but also consumers and the public at large are attracted by risk. They like/tolerate being defrauded because this is accompanied by the fascinating veil of short-term gains. Crises (more so the major of them) are the outcomes of risky conduct beyond reason which despite the regulations is intrinsic to the system, not the exception. The 2008 breakdown showed how it had been possible to transfer losses of unsuspected magnitude, to make them opaque, to increase leverage by an unprecedented factor, and to create a shadow bank system. All this wrapped in a persuasive doctrine, a permissive intellectual ambiance and a loose regulatory framework.

The Great Recession revealed moving policies and targets. In the tackling of the crisis the EU was not the once acclaimed rocky rule-based system. Non-compliances with regulations (for instance budget deficits) were tolerated; supervision has been weak, partial and dominated by “bank nationalism”. The Eurozone rules are being changed on board.1 Restrictions to free movement of labor are discussed and implemented. Policies rightly considered as vicious in the periphery (massive bail-outs of irresponsible debtors or imprudent creditors) are applied in the core countries. In this context of moving, disappearing or fragmented objectives, catching up becomes nearly impossible. Why copy models that reproduce dubious behavioural patterns the copiers are held responsible for?

While politically (to a certain extent also economically) understandable, the response to the crisis through a rush towards stricter regulations is misleading. In the long run markets cannot be outsmarted. They will invent new devices to transgress the established controls; the larger the weight of government, the stronger the incentives to socialize losses.

**Lessons from the crisis. Moving Europe II**

The after-2008 realm is a world of moving ideas. Even if for the bulk of my generation/milieu of economists the reasonable order is that of a liberal economy, the crisis obviously calls for a certain degree of humility. We have to acknowledge that the liberal point of view does not necessarily reflect the “common interest”; that in a democratic society the liberal economic values are not shared by the majority and cannot be systematically imposed through elections. They are not (as we thought in the early 1990s) a goal with predetermined success. A lesson to be (re)learnt from the recent turbulences is that we have to get accustomed to the cyclical movements of the conceptual pendulum.

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1 A telling specific case in point is Bulgaria’s postponed accession into the Eurozone. Although by 2007-2008 the country was fulfilling the Maastricht criteria and was technically eligible to join ERM II, non-economic considerations prevented this step. This possibility has been rejected tacitly as it was deemed impossible for a country with obvious shortcomings in the judiciary, a poor corruption record and a monitoring mechanism for rule of law compliance to enter the Eurozone.
Nowadays the neoclassical economics’ paradigm is under siege. Cavernous anti-capitalist hate and fierce anti-liberal attitudes emerged from their more or less latent retreats and flood the public arena. The financial profession (activity) is demonized, thus returning the public imagery back to the 18 century’s opposition between “productive/unproductive” labour and to the Marxian antagonism between “fictitious/material” capitals. The attractiveness of anti-mainstream in the current circumstances is quite natural. While during the 1990s in Eastern Europe liberalism was iconoclastic, many of its versions eventually evolved into doctrinarian libertarian rhetoric, apologetic, conformism and lack of critical thinking. From another side, the aversion to the boring European discourse and political correctness is irresistible.

But the crisis certainly does not seal the death of liberal attitudes. In economics no alternative consensual paradigm is in sight. The recent intellectual novelties are mostly trivial remakes of Keynesianism. The Thomas Piketty trend, for instance, might seem to be a respectable revival of Marxism or of the anti-capitalist critiques of the 1960s, but it ultimately rests upon shaky empirical grounds which will be certainly falsified (in Popper’s terms) in the near future. The deep theoretical fundamentals of neoclassicism stand still firmly. As concerns the practical policies that accompanied the crisis, the wave of nationalisation was not an ideologically inspired turn, but essentially an urgent, unorthodox and reversible monetary tool.

Finally, this crisis moves borders and redesigns fault lines across Europe. It imposed the images of the South European specie (corruption; institutional immaturity; clientelism) and confirmed the North-South divide. Simultaneously, the torment of the euro reintroduced the hardest 19th century conditionality tools (reminiscent of the 1897 Debt Committee in Greece or the earlier precedent with the Ottoman Empire and Egypt), and enhanced the concentric circles in a de facto two-layer Europe. The events also had some healthy effects insofar as the strong commitment of Europe to the single currency fostered unavoidable (albeit still timid) federalist elements which are badly needed for the consistency of the overall monetary construct.

In purely macroeconomic aspects Bulgaria ranged closer to Northern Europe’s financial orthodoxy without gaining, however, many image benefits from this respectable track record. Concerning economic culture, the Greek crisis confirmed the affinity of the two countries’ models. Leaving aside parallels from a more distant past, common features are clearly recognizable in the interwar period. During post-war those states’ economic development were mirror images on the two sides of the Iron Curtain: in many respects Greece was a tangible realization of a hypothetical, would-be, non-communist Bulgaria. Finally, after communism they provided comparable examples of failed economic models outside and inside the EU.

Concluding remarks

In Bulgaria, as elsewhere in Eastern Europe, the fall of communism was lived as a bold break and a revolution. A quarter of century later, the transition is a story about continuities and longue durée social and intellectual legacies that continue to shape attitudes and values; a narrative about the difficulties encountered by the “new” society to overcome personal, intellectual and economic sequels of the “old” one. It is an exercise that is made all the more com-
plex by the fact that the reference goal Europe has itself experienced dramatic changes. There was actually no single transition but a sequence of them. There is no teleology, no linear movement and unmovable goals but a fluctuating, uncertain path, like in the verses of Antonio Machado:
Caminante no hay camino, se hace camino al andar… /Traveler, there is no path. The path is made by walking…/

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