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**LESSONS FROM THE TRANSFORMATION  
OF CENTRAL EUROPE**

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# LESSONS FROM THE TRANSFORMATION OF CENTRAL EUROPE

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## 1. Transformation of Central Europe

Seventeen years after the beginning of changes in Central Europe<sup>1</sup> it may be useful to look back at this period in order to find out what benefits this transformation brought to Western European states. The answer to this question will show whether Europe should support the politico-economic transformation in its direct neighbourhood (especially in the post-Soviet area), or whether such policy would bring no tangible results. As this subject is very broad, particular attention will be paid to Poland and Ukraine although the experience of other Central European and post-Soviet states will be also taken into account.

**Peace and Security.** Before 1989 the potential aggression from the communist bloc (of which Central Europe was a part) was a major threat for the Western world. At least since the Harmel Report (1967) and the Helsinki Final Act (1975) the Western countries wanted to establish dialogue and promote the transformation (“third basket” of the CSCE) of their Eastern neighbours. After the collapse of the Soviet bloc the menace of the communist aggression disappeared. Nevertheless the situation in Central Europe remained a subject of great concern for the Western countries – mainly because of the Balkan wars, but also because of other problems (the situation of Russian minority in the Baltic states, tensions between Hungary and its neighbours etc.). During last seventeen years these problems were in great part solved – not without the help of the Western countries. In 1994 – 1995 the EU and the CSCE/OSCE presented the Stability Pact for the Europe, which helped considerably to lower tensions between Hungary and Slovakia, Hungary and Romania or Romania and Ukraine. The EU played an important role in improving the situation of the Russian minority in Latvia and Estonia (1999). In the first half of the nineties the war in Yugoslavia became a symbol of inefficiency of the international security system. Nevertheless in the second part of the decade the engagement of NATO and EU contributed significantly to the stabilisation of Western Balkans. Today the situation in Central Europe is no more a subject of concern of Western European countries – first, because it is no more perceived as a threat, second because after the 11<sup>th</sup> September 2001 new menaces arose.

**Economic cooperation.** The end of the communist regime, the liberalisation of internal market and foreign trade in Central European countries and finally the dissolution of Comecon led to the reorientation of Central European economies. Western countries gained access to new markets of about 125 million consumers (Western Balkans included) which developed generally faster than the Western Europe. In the years 1995 – 2005 Polish GDP rose twice as fast as in Germany and 60% faster than in Italy (Poland

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<sup>1</sup> By the term “Central Europe” we shall denote all the post-communist states in Europe with the exception of the CIS countries.

– 70%, Italy – 44%, Germany – 35%)<sup>2</sup>. Western European countries strengthen commercial ties with their Eastern neighbours. In 1990 the exports of 15 then and future members of the EC/EU to the CEEC-6<sup>3</sup> represented only 1,24% of their foreign trade. In 1997 exports to the CEEC-10<sup>4</sup> rose to 4,23%. This evolution was beneficial mainly to region's direct neighbours but also to other countries. In 1997 Austria exported 13,55% of its goods to Central European states, Germany (the main economic partner of the Central European countries) 7,26%, while Italy 5,05%<sup>5</sup>. Central Europe became also attractive for Western European investors. In 1995 the direct investments in all of the Central European countries (5,5 billion ECU) represented 11,6% of the EU countries FDI outside the European Union<sup>6</sup>. At that time, the Western European countries (EU and non-EU members) represented 60 – 80% of foreign investments in most of the Central European countries<sup>7</sup>. It is to be noted once again that the transformation of this region was potentially profitable for all Western European countries. A very good example may be France which became at the end of the nineties the first investor not only in Romania (which was its traditional partner) but also in Poland. In 2004 French direct investment in this country exceed 16 billion USD representing almost 20% of FDI in Poland<sup>8</sup>.

**Common values, common projects.** The transformation of Central European countries led to the adoption (or re-adoption) of Western standards and values by these states. In the first half of the nineties most of the Central European countries entered the Council of Europe<sup>9</sup> which was a proof of their commitment to democratic values and human rights. Each new member had also to adhere to the European Convention on Human Rights and Fundamental Freedoms. Poland joined the Council of Europe in 1991. During its first six years of its membership it ratified more than 50 Council's conventions and agreements, among them the European Social Charter<sup>10</sup>. The Central European countries established also direct contacts with NATO hoping that in future they could join this organisation. The cooperation within the framework of the NACC/EAPC and the Partnership for Peace, common peace-keeping missions and finally the accession to the Alliance led to significant changes in the post-communist countries such as the introduction of the civilian control over the military forces or the transparency of national defence planning and budgeting processes. They also strengthened ties between the Central European states and their Western neighbours thanks to day-to-day contacts. Both sides were also interested in the development of

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<sup>2</sup> Annuaire Eurostat 2004. Le guide statistique de l'Europe. Données 1992-2002, Luxembourg: Office des publications officielles des Communautés européennes 2004, p. 118.

<sup>3</sup> Poland, Czechoslovakia (later Czech Republic and Slovakia), Hungary, Romania, Bulgaria.

<sup>4</sup> CEEC-6 plus Slovenia and the Baltic states.

<sup>5</sup> F. Breuss, *Costs and Benefits of the EU enlargement in Model Simulations*, "IEF Working Paper" (Research Institute for Economic Affairs University of Economics and Business Administration, Vienna), June 1999, No 33, p. 13, [www.economics.uni-linz.ac.at](http://www.economics.uni-linz.ac.at).

<sup>6</sup> Ibidem, p. 14.

<sup>7</sup> F. Lemoine, *Integrating Central and Eastern Europe in the European Trade and Production Network*, "Working Paper" (The Berkeley Roundtable on International Economy), July 1998, No 107, p. 40, [www.berkeley.edu](http://www.berkeley.edu).

<sup>8</sup> Rocznik 2004, Warszawa: Polska Agencja Inwestycji Zagranicznych 2005, p. 9.

<sup>9</sup> Croatia joined the CoE in 1996, Bosnia and Herzegovina in 2002 and Serbia and Montenegro in 2003 (The Council of Europe's Member States, [www.coe.int](http://www.coe.int)).

<sup>10</sup> I. Wyciechowska, *Polska w Radzie Europy*, (w:) S. Parzymies, I. Popiuk-Rysińska (ed.), *Polska w organizacjach międzynarodowych*, Warszawa: Scholar 1998, p. 84 – 85.

other forms of cooperation in order to promote European unity and solve common problems in the fields of the environment, the fight against crime, cross-border contacts and so on. This aim was to be realised with the help of such new structures as the Central European Initiative (1989), the Weimar Triangle (1991), the Baltic Sea States Council or the Black Sea Economic Cooperation (1992).

**Social contacts.** The end of the Cold War and the democratic transformation of Central Europe allowed the renewal of social ties between the two sides of the continent. The abolition of visa regime for Western European countries' citizens at the beginning of the nineties, the development of modern tourist-oriented infrastructure as well as comparatively low prices attract more and more tourists from the West to Central Europe. Other people go there for business reasons. On the other hand Central European citizens seek jobs in Western Europe. Their presence in the old EU countries is often disapproved by their inhabitants. In 2005 "the Polish plumber" even became the negative hero of the referendum campaign in France which led to the rejection of the Constitutional Treaty. Nevertheless it should be stressed that the Central European countries do not only send to Western Europe low-qualified workers, but also high class specialists, university teachers, doctors and so on who were educated in their countries, but who prefer to work abroad for financial or career reasons. Moreover the immigrants from the Central European countries do not have such problems with the integration into the Western European societies as the people from other parts of the world which seems important in the light of last years events in France or in the Netherlands.

**Europe's position in the world.** The transformation of the Central Europe and the reunification of the continent strengthens its position in the world affairs. Although the Central European countries are not as rich as their Western neighbors and not as populated, their populations (125 million) count for  $\frac{1}{4} - \frac{1}{6}$  of the European population depending if we take into account the CIS members or not. Because of their geographical position, the Central European countries have a direct influence on the situation in the Baltic Sea, the Black Sea and the Adriatic. In the last years the first one became a sort of the European *mare nostrum*, while still twenty years ago it encompassed the communist states, the NATO members and the neutral countries. Italy on its side has an interest in the stabilization of the Western Balkan countries so that the Adriatic may follow the same path. Most of the Central European states are either neighbors of Turkey or of the CIS members. For this reason they may play a particular role in the relations between these countries and the Western Europe. If in case of Turkey, the role of Bulgaria is secondary (may be because it now focuses on the EU accession process), Poland and the Baltic states try to lead an active policy towards the post-Soviet space. Last but not least one shall not forget about the cultural dimension of the reunification of Europe thanks to which it could rediscover its cultural richness and diversity which may become an important asset in the era of globalisation.

This analysis shows that the transformation of Central Europe was highly beneficial for the Western European states. It was due to mainly to internal factors, nevertheless the engagement of the Euro-Atlantic institutions also played an important role, especially in the countries which had to deal with important internal and external problems after 1989 (such as the Balkan states). For this reason the Western European countries should actively support the transformation in the neighbourhood areas, especially in the Eastern part of Europe, i.e. in the post-Soviet countries. If in case of Belarus, the politico-

economical transformation will probably not start before some years, there is no doubt that such process has already commenced in Ukraine. The transformation of this country started already in the nineties, nevertheless it was the Orange Revolution in 2004 and its consequences which reaffirmed Ukraine's will to follow its Central European neighbours' path.

## 2. Transformation of Ukraine

**Peace and Security.** During the last fifteen years Ukraine resolved the most important internal and external problems which presented a potential threat for it or for its neighbours. In 1994 Ukraine (like Belarus and Kazakhstan) agreed, not without the pressure of the Western countries, to give away its post-Soviet nuclear weapons it had inherited after the collapse of the USSR. In 1997 it signed the interstate treaty with the Russian Federation. This document was of high importance for Ukraine as it recognized this country as an independent state and permitted to resolve some important Russian – Ukrainian problems, such as the division of the Black Sea Fleet. A year later Kyiv came to an agreement with the Crimea which dreamed of greater autonomy and/or secession from Ukraine. After the Orange Revolution in 2004, the Yushchenko team adopted an active policy in order to solve the problem of Transnistria. In this case the cooperation with Moldova, Russia and the EU is particularly important. Ukraine aims also to finish the process of demarcation of borders with Russia and Belarus. The lack of progress on this issue is due mainly to the positions of Alexandr Lukachenka and Vladimir Putin. In 2004 the threat of secessionist or rather autonomist movement in the Russian-speaking East of the country reappeared. This issue remains a subject of concern for the Ukrainian authorities, nevertheless there is no danger of open crisis.

**Economic cooperation.** Ukraine represents a market of 47 million and together with Moldova and Belarus – almost 62 million consumers. It is certainly much poorer than the majority of Central European states (not to mention the Western Europe). Nevertheless it may be interesting for Western exporters and investors. According to official statistics the Ukrainian GDP rose by 12,1% in 2004. In 2005 the economic growth fell by 2,4%, but this year it is expected to reach 6,25%<sup>11</sup>. Trade with all the European partners represents about 33% of Ukrainian foreign commerce (EU25 – 30%, EU15 – 20%)<sup>12</sup>. For the EU members the commerce with Ukraine represents about 1% of their foreign trade. Nevertheless it is growing steadily since the economic crisis in 1998.<sup>13</sup> Ukraine aims at joining the World Trade Organization which should promote the development of trade between Ukraine and its European partners. A year after the Orange Revolution the EU and the United States granted Ukraine market-economy status which is an important step on its way to the WTO. The FDI of the EU-25 in Ukraine represent about  $\frac{2}{3}$  of foreign investments in this country, but they are quite low. Their cumulated value at the end of 2005 reached 11,7 billion USD<sup>14</sup>.

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<sup>11</sup> Ukraina. Dane makroekonomiczne, [www.securities.com](http://www.securities.com).

<sup>12</sup> Географічна структура зовнішньої торгівлі товарами за 2005 рік, [www.ukrstat.gov.ua](http://www.ukrstat.gov.ua).

<sup>13</sup> Ukraine-EU: Bilateral Trade Relations, [www.delukr.ec.europa.eu](http://www.delukr.ec.europa.eu).

<sup>14</sup> Прямі іноземні інвестиції в Україну за країнами ЄС, [www.ukrstat.gov.ua](http://www.ukrstat.gov.ua).

**Common values, common projects.** Ukraine established direct contacts with NATO in 1991. In 1994 it joined the Partnership for Peace. In 1997, recognising the role of Ukraine in the Euro-Atlantic area, NATO signed with it the Charter on a Distinctive Partnership. Both sides agreed to promote in common further stability and common democratic values in Central and Eastern Europe and to consult in areas such as conflict prevention, peace support and humanitarian operations etc. Despite low support of the Ukrainian population for the accession to NATO, Ukraine actively cooperates in the military field with the Alliance and aims at transforming its military forces so they could meet NATO standards. In 1995 Ukraine joined the Council of Europe. During the first years of membership Ukraine's relations with the Council were uneasy – mainly because of difficulties in ratifying and implementing the Sixth protocol to the European Convention on Human Rights which prohibits the death penalty. In 2001 the Council recognized that Ukraine fulfilled its member obligations<sup>15</sup>, nevertheless it was certainly the Orange Revolution in 2004 which confirmed Ukraine's commitment to democratic values and standards. Among other fields of common interest between Ukraine and its European partners, the energy sector plays a crucial role. Since 1991 the international community asked Ukraine to close the nuclear plant in Chernobyl, which 4<sup>th</sup> reactor was destroyed in the catastrophe in 1986. In 2000 the Ukrainian government finally decided to close the last still working reactor in Chernobyl. Nowadays Ukraine plays an important role in the European cooperation in the field of energy mainly because of its strategic position in Eastern Europe. 90% of the Russian gas export to the European countries (with the exception of the Poland, Finland and the post-Soviet states) passes through Ukrainian territory<sup>16</sup>.

**Social contacts.** Ukraine is becoming a popular tourist destination. In 2005 it was visited by 17,6 million tourists which came mainly from the United States, Canada and the new EU members<sup>17</sup>. If it is less popular in the Western Europe this is mainly due to the long-time existence of visa regime (Ukraine only last year unilaterally abolished the visa regime for the citizens of the EU), to the lack of promotion and to the stereotypes concerning the post-Soviet area. As for the Ukrainian workers in the Western European countries this group has significantly grown in last years (Italy – 200-250 thousand, Portugal – 150 thousand, Spain – 100 thousand, Great Britain – 50 thousand)<sup>18</sup>. It may be interesting to analyse more deeply the Polish experience, because although Poland is not a part of the Western Europe it is the direct neighbour of Ukraine and one of its important partners. In 2005 about 1,7 million Polish citizens visited Ukraine for business or tourist reasons. Many of them visited this country within the cross-border traffic while the other followed the traditional itinerary Galicia – Podolia – Black Sea coast. In Poland there are currently 50-300 thousand foreign workers mainly from Ukraine. They work as construction workers, house cleaners, nursemaids, but also language teachers. Although only few of them are employed legally, they are generally well perceived by the Polish society. There is no problem of “Ukrainian plumber” (or rather “Ukrainian construction worker”) which would presumably take the work of a

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<sup>15</sup> Н. В. Голуб, П. А. Клімкін, Україна та міжнародні організації, Київ: Кондор 2003, р. 63 – 88.

<sup>16</sup> J.-C. Füeg, Ukraine - An Important Energy Supply Corridor to Europe, International Energy Agency, March 2001, [www.iea.org](http://www.iea.org).

<sup>17</sup> Tourism in Ukraine Reports an Increase, 5 May 2006, [www.eastbusiness.org](http://www.eastbusiness.org).

<sup>18</sup> W. Konończuk, Pomiedzy Unią Europejską a Rosją. Problematyka migracji z Białorusi, Ukrainy i Mołdawii, Warszawa: Fundacja im. Stefana Batorego, Grudzień 2005, p. 4.

Polish citizen. Poland (not only the political class, but also the society) actively supports the aspirations of its Ukrainian neighbour which was particularly visible during the Orange Revolution.

**Europe's position in the world.** The cooperation with Ukraine considerably strengthens Europe's international position for demographical as well as for geopolitical reasons. Ukraine is the second largest country in Europe (with the exception of Russia and Turkey). It occupies a key geographical position between the Central Europe, the Eastern Balkans and the post-Soviet area. It has a large access to the Sea of Azov and to the Black Sea, which is becoming a region of direct interest for the European countries with the enlargement of NATO and the EU. It is also an important neighbor of Russia and Turkey. Since the independence Ukraine had its own vision of the future of former USSR rejecting the will of domination of Russia. After the Orange Revolution it became one of the main proponents of democratization of the post-Soviet space calling for the creation of the Community of Democracy between the Baltic, the Black and the Caspian Seas. Ukraine cooperates closely with Georgia, Lithuania and Poland – especially on the Belarusian question. In this future this cooperation should also encompass some of the Western European states. Despite remaining outside the EU and NATO Ukraine takes part in peace-keeping operations of both organizations (Bosnia and Herzegovina, Macedonia) which reinforces its commitment to the security in Europe and its position in the world.

The transformation of Ukraine brings tangible benefits to the European community. For this reason the European countries should support this process. The means of such action has still to be precised. In case of the Central European states the EC/EU decided successively to sign the association agreements (1991 – 1996), open accession talks (1998 – 2000) and finally invite ten candidates from the Central Europe to join the EU (2004 – 2007). Such scenario was possible thanks to the completion of internal reforms in the Central European states and the relatively favorable situation inside the European Union. These two factors have to be taken into account when analyzing the relations between the EU and Ukraine. There is no doubt that these relations should be strengthened. Nevertheless their development will depend of the advancement of the politico-economical reforms of Ukraine as well as of the internal situation inside the EU.