Crisis in the EU: From the Periphery to the Center

Thursday 3 November 2011, by SAMARY Catherine (Date first published: 1 April 2011).

"THE CRISIS OF 2007-2009, coming from the U.S. core of the globalized system, the crisis that threatens the weak links of the euro, and the third crisis that started to affect Eastern Europe in 2009 have a major common point. Whether we are talking about the United States, Greece or the Baltic States, these crises are the repercussions of profoundly unbalanced growth."

This article by Catherine Samary is edited, and abridged for publication here, from a chapter of *Capitalist Crises and Alternatives*, edited by Ozlen Onaran, Resistance Books, London to be published at the end of 2011. Although it was written prior to the eruption of sovereign debt crises and imminent default of Greece, Spain and Italy that threatens the survival of the Eurozone, its discussion of the Eastern European "periphery" helps put this immediate crisis in a broader perspective. Her previous books include Yugoslavia Dismembered (Monthly Review Press, 1995) — The ATC editors

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THE 1970s WERE marked by a crisis of profit throughout capitalist Europe. The countries of Central and Eastern Europe remained dependent on the economic "support" of the Soviet Union, backed by its tanks. But in order to acquire modern technologies the Eastern European countries, with the agreement of the USSR, opened their borders to Western imports.

After the economic stalemate of the 1960s, these regimes used the newly opened window to import Western consumer goods and reduce mass discontent. But the regimes' bureaucratic conservatism did very little to make the technological imports effective. Over the next decade their burden of hard-currency debt to Western banks steadily increased, accentuated by rising interest rates. [1]

At the beginning of the 1970s the crisis of the postwar international monetary system gave rise to several attempts at building a European monetary system (EMS). The crisis was compounded by an additional one when the Maastricht Treaty was signed in 1992, preparing for Europe's single currency.

On the international level, Washington's military intervention during the Reagan administration restarted a broad-reaching resurgence of the military-industrial complex and its technological hegemony. Whereas the gap between the United States and the Eastern bloc had been reduced between the Second World War and the 1970s, it now widened.

The 1980s were therefore marked by debt crises in several Eastern European countries — Romania, Yugoslavia, Hungary, Poland and East Germany (the GDR) — which, incapable of profoundly reforming themselves without major anti-bureaucratic social transformations, had launched imports of Western technologies at the very moment when Gorbachev was turning towards an external "disengagement." These five experienced different politico-economic trends, but all played a decisive part in the "transition."

• The Yugoslav Federation, under pressure from the International Monetary fund (IMF) was paralyzed by the rise of social and national conflicts as well as by three-digit hyperinflation. The wars of ethnic cleansing that accompanied the dismantling of the Yugoslav federation, along with the impasse of the European and U.N. peace plans, were seized upon by the United States to redeploy NATO after the dissolution of the Warsaw Pact. The Yugoslav crisis was a decisive stage in the Euro-Atlantic integration of the region. [2]

• The Hungarian Communist leaders were unique in deciding to sell the country's best enterprises to foreign capital. Hungary became the principal host country for foreign direct investment (FDI).

• Conversely, the dictator Ceausescu attempted to pay the Romanian debts by placing them on the backs of the people — an act that the Romanian nomenklatura finally rejected as too explosive. This group subsequently instigated a pseudo "revolution," which included the execution of the dictator at the end of the 1980s.

• The absorption of the GDR by the Federal Republic of Germany was agreed upon.

• Lastly, after the repression of Solidarnosc under the regime of the Polish General Jaruzelski, compromise agreements opened the door for the introduction of liberal shock therapy backed by the cancellation of the Polish debt, as decided by the United States, at the beginning of the 1990s. No expense was spared to win over the new "elites" who came to power at the time of privatizations.

The building of a supranational political European Community, resulting in the European Union in 1993, only highlighted the imbalance between core countries like France, Germany and Great Britain and their eastern and southern peripheries. The EU's architecture, now faced with a serious crisis, was not a preconceived "project" with a clear-cut political consistency among its founding members.

French and German choices were key to the political and institutional changes. France's social-liberal turn in 1982/1983 radicalized free market competition and introduced the suppression of control on capital flows. The "economic and monetary Union" was aimed at building a "competitive Europe." German unification was not foreseen in such a project; various governments had differing views. [3]

The European Community's expansion to the poorer, more rural southern and eastern European countries increased its socio-economic and political heterogeneity. In fact, the core countries' vote in favor of enlargement had more geopolitical than economic purpose.

The imposition of market relationships of domination alone would have been easier to implement than the complex constraints of institutional enlargement. Many actors had argued in favor of first clarifying and "deepening" the mechanism of decision-making before broadening the heterogeneity

of the Union. Therefore, the integration of the southern European peripheral countries had to be made an attractive socio-economic and political (even if capitalist) alternative: equal status for members and political democracy against dictatorships were stressed. The obvious fact that “pure market competition” between uneven regions and countries simply increases the gaps between them — and therefore produces less cohesion — was clearly recognized.

From German Unification to Eastward Enlargement

German unification — with Gorbachev’s endorsement — was the first step in the “domino effect” that favored the end of the single party and central planning. It also radically changed the functioning of the European Union and its political, financial and military dimensions.

Gorbachev’s aims were to reduce the arms race and to win western credits and technologies for internal reforms. His signature permitted the repatriation of Russian troops, generously financed by Germany. The unilateral dissolution of the Warsaw Pact was finally accepted with the “promise” that NATO would not extend eastward.

U.S. geopolitical aims were to define new “functions” for NATO, to dismantle the USSR, and to prevent the consolidation or emergence of any political and military rival. German unification, then NATO’s intervention on Kosovo and extension in Eastern Europe, would serve all those purposes. [4]

Together with the German unification, Poland’s neoliberal turn and integration in NATO were strategic issues for the dynamics of the whole region. The independent trade union, Solidarnosc, had led an impressive democratic mass workers movement mobilized in 1980 in favor of a “self-managed republic.” But the repression of Solidarnosc in 1981 by the Polish “communist” General Jaruzelski increased the rightist ideological evolution of its members and leaders while sharply reducing its size. By 1989 any hope of self-management within factories, or any demands in favor of social rights, had vanished. The function of neoliberal “shock therapy,” combined with the not-very-public cancellation of a broad part of the Polish debt and high level of corruption among trade union leaders, narrowed the course to privatization.

What did that mean for the European Community? The U.S. choice to integrate the unified Germany within NATO was paralleled by the French effort to convince the German government to enter the European Monetary Union. The “Copenhagen Criteria,” established by the European summit in Denmark in 1993, defined the supposed rules for accepting new members. [5]

Nevertheless, during a large part of the 1990s, the World Bank, the IMF and NATO — therefore U.S. diplomacy — were much more active in Eastern Europe than was the European Commission. Washington exploited the European and United Nation’s failures in dealing with the Yugoslav crisis to define the new role and extension of NATO in Eastern Europe.

The eastward enlargement of the European Union only became decisive in 1999, in the context of the turmoil produced by opaque privatizations along with the first NATO war (in Kosovo). Ten years after the fall of the Berlin Wall, the opening of the EU to 10 East European candidate countries was again a geostrategic choice with several dimensions. It tried to counterbalance direct U.S. influence in Europe, and to soothe the popular disillusion and dissatisfaction about the effects of privatization, which was expressed in massive abstention and the entry of increasing xenophobic nationalist parties in elections.

The process of EU enlargement was also an ideological issue for the neoliberal proponents of “European construction.” Although the population lacked a “material” evidence of well-being and

real democratic choices, it was presented as an historical and generous "reunification of the continent."

Joining the EU to Become Less Peripheral?

There should be no doubt about the lack of equality and of popular democratic control within the European institutions: they are dominated by non-elected bodies. But from the point of view of the peripheral countries, several issues suggested the attraction (even if illusory) of the "European construction" as a democratic European alternative.

First, there are acute debates (especially in Poland) around the number of voices given to each member state within the European Council. This revealed the demand of peripheral countries to be respected and treated on an equal footing. [6] Second, there is the relative importance of European funds for the less developed regions and countries.

Third, there is the "image" of a "European social model" explicitly used at an ideological level by the European governing institutions (like the European Commission) to force people to vote in favor of the EU. Fourth is the popularity, especially among young people, of the alleged withering away of frontiers — a hope later dashed by anti-immigrant witch hunts, racism and new walls of poverty.

Two kinds of "realistic" remarks heard in Eastern Europe at that time summarize the range of perspectives. The first was that "we have already been submitted to international and European capital and financial institutions — let us have at least access to some funds and rights." The second was heard in Slovenia, the most developed part of the former Yugoslavia, and the richest of all East European new members of the EU: "better to be the last in the town than the first in the village."

The Maastricht Treaty in 1992 tried to contain the socio-economic and political heterogeneity of the member states through narrow monetarist policies. With the entry of Spain and Portugal in 1986, the per capita GDP difference between the poorest and the richest states of the Union was 1 to 4.9. With the arrival of Romania and Bulgaria in 2007, it increased to 20-1. But whereas including the countries of Southern Europe and Ireland was accompanied by an increase in the "structural funds" of the European budget, aiming to reduce inequalities among EU countries, the opposite was decided in the EU's "Agenda 2000."

Germany's precondition for giving up the Deutschmark was to establish severe budgetary rules for the whole European Union and especially the Eurozone; it did not want to "pay out" for the integration of the countries of Central and Eastern Europe. [7] Still, enlargement was beneficial for German capital as it exerted downward pressure on German wages and based its (weak) growth during the 2000s on exports.

The European budget was fixed at a ceiling of one per cent of European GDP, while the "Stability and Growth Pact," imposed as a pre-condition of joining the Eurozone, limited debts and public deficits while prohibiting any financing of states by the central banks at reduced or zero rates.

European construction obscured large power asymmetries. A "German exception" was codified in the draft European Constitutional Treaty: for over a decade the budgetary transfers of the Federal Republic of Germany to the new länder (states of the former GDR) amounted to more than 100 billion DM every year, more than the decade's worth of private capital investment in Central and Eastern Europe. Yet the colossal transfers were not used to improve the well-being of the East Germans but rather to dismantle the social state, encourage privatizations and keep wages low under the pressure of competition with neighboring Eastern Europe.

Germany took advantage of its proximity to the new member states of the East to impose drastic wage austerity: between 2000 and 2007 the nominal unit of labor costs fell by 0.2% per annum, whereas they increased by 2% in France, 2.3% in Britain, between 3.2-3.7% in Italy, Spain, Ireland and Greece. There was a nominal increase in the peripheral countries augmented by higher inflation.

Another major destabilizing element appeared: (weak) German growth was based on export surpluses, with low inflation and weak domestic demand, as well as a sharp drop in wages helped by the transfer of German factories to Eastern Europe. German surpluses corresponded to growing deficits in the periphery of Southern and Eastern Europe, though not in a homogeneous manner. [8]

Holding the EU budget's purse strings, Germany emphasized how much it contributed, while remaining silent about what it earned via its exports. The final product "made in Germany" incorporated low-cost inputs and low taxes on profit earned by Eastern Europe subsidiaries.

By the time the financial crisis linked to the subprime mortgage sector erupted in the summer of 2007, "emerging Europe" (as the European Bank for Reconstruction and Development, or EBRD, calls it) had received much higher capital inflows than Latin America and "emerging Asia," but for what kind of growth?

Phases of Capitalist Transformation

The dominant features of capitalist transformation can be used to classify the history of the New Member States between the fall of the Berlin Wall and the crisis of 2008-2009 into two major phases: from 1989-1999, the system's transformation through privatizations; then from 1999-2008, the enlargement of the EU to the East, a process dominated by foreign capital taking over the newly privatized banking system.

Privatization, the suppression of planning, as well as changes in the criteria of economic policy and management were linked to radical changes in the functions of the banking system. At the beginning of what international institutions called "the transition to market economies," there was a 20-40% decline in growth of all branches of the economy, both in the former Soviet Union and Eastern Europe. But when recovery took place [9] in an unequal manner, it was within the framework of this radical social transformation, with job losses and a widening of income differentials: that "inequality increased in all the economies of transition," having "beg(u)n the transition with levels of inequality that were among the lowest in the world." [10]

Why, within the framework of pluralist elections, did the popular vote go to the former Communists from the very first years of the 1990s? This was not a question of nostalgia for the one-party state — which was radically rejected — but the right to employment and full access to basic goods and services. Of course the "ex" Communist parties no longer defended these rights, which were excluded from the kind of growth and "convergence" advocated by old Europe. From now on, the proclamation of "catching up" was only based on the comparison (East/West) of rates of growth of GDP, clearly no indicator of "well being." [11]

The convergence of systems used privatizations as a benchmark. Those who formerly ran the party-state were the recipients. Only Hungary and Estonia chose to sell their best enterprises for "real money-capital," that is, to sell them to foreign capital. [12] As the functioning and criteria of the former bureaucratic system had not been based on market prices and mechanisms, privatization was associated with new systems of prices and incomes, and therefore substantial "losses" and "bad" loans.

In the planned economies there had been no commercial banks and very limited deposits or savings. By the mid-'90s, the majority of banks were still state-owned; in the 10 Central and Eastern European countries foreign banks represented from 1-15% of the shares. The exceptions were Hungary (where eight of the 10 biggest banks had been sold to foreign owners in 1997) and Slovakia (where their share amounted to 33%). [13]

The decision by the EU to admit 10 Eastern and Central European countries was presented as a "success story." The first eight [14] were admitted in 2004, along with Cyprus and Malta, and could vote in the European elections that same year. Romania and Bulgaria were admitted in 2007. The Council of Salonika in 2003 promised that the EU would be open to candidatures from the Western Balkans (Albania and the ex-Yugoslav republics — apart from Slovenia, already a candidate).

In spite of different scenarios and rhythms of reforms, the neoliberal rules for the "transition," as well as the heavy involvement of Western banks in the process, were generally [15] presented as solid assets: those countries seemed to be protected from the international credit crunch.

What "model" of growth and financing?

Because private capital is, according to the liberal dogma, always supposed to be more efficient than public investments, the model for the transition was private financing. In order to attract private investment flows, taxes on corporate benefits were decreased. To reduce the fiscal deficit, Value Added Tax (VAT), the most regressive tax paid by consumers on products, was first introduced and then increased.

Across the whole EU, the rate of corporation tax fell by 8.4% between 2000 and 2009, with the lowest rates established in the East: For the 27 member states [16] the average rate was 23.5% but in Latvia it was 15%. Adverse effects quickly became clear, as fiscal resources were reduced, in the decreased financing of public services.

By 2008, in the 10 new member states (except Slovenia), a large majority of banking assets were held by foreign banks (between 65-80% for Latvia and Poland, and for the seven others between 82-100%). [17] Such transitions occurred either through acquisition of shares during privatization or under the form of de novo banks, which were subsidiary companies of Western European banks. The majority of banking assets came from Greece and Italy (for South Eastern Europe), Austria, Belgium, Germany, France or Sweden (for the Central European and Baltic countries).

From 2000 until the first half of 2008, the economies of central and eastern Europe experienced large amounts of Foreign Direct Investment (FDI) from the West, a credit boom and rapid expansion in consumption and investment, with a large share of foreign currency lending and systematic trade and balance of payments ("current account") deficits.

The increase of FDI in Eastern Europe during the 2000s had different dimensions. Multinationals could choose to transfer part of their production where taxes and wages were low, import the semi-finished products they needed, and export to the Western markets. If they contributed to a growth in exports, they also contributed to the trade imbalance by forced imports or through the outflow of a large portion of their profits. Further, the ratio of credit to GDP doubled between 2001 and 2007 in "emerging Europe."

The Hungarian economy revealed the first signs of weaknesses with a fall in its rate of growth from 4% in 2006 to less than 1% in 2007. Hungary's experience revealed general social tensions behind the "transition model."

Eric Berglof, Chief Economist of the EBRD, writing in its 2007 Transition report, stressed "an impressive pace" of growth along with the "large external imbalances" and significant household borrowing "in foreign currency." He pointed out that most people saw an improvement in their living standards but had "broad dissatisfaction with the outcomes of the transition" because "at the same time, people have a profound sense that their household wealth has deteriorated in relative terms."

As a result, people were skeptical about how and whether the market could improve their lives and safeguard their livelihoods. Bergloff concluded: "It has also eroded their support for reform-minded political parties and had led them to expect more from their governments in terms of tackling social and economic problems and correcting past injustices." He noted that this attitude "also undermines support for economic and political reform."

True, people defended their social services, especially health care, and particularly in the case of Hungary. [18] It is not surprising to read that women appeared to be the most radical defenders of public services. Obviously the EBRD's Chief Economist was impressed by the people's sense of "well-being," but his concern was to convince people that "private-sector involvement — through partnership with the public sector" could seriously "address the persistent problems that the government have in upgrading public services"... (pages vi and vii of the Preface).

At the beginning of the 2000s, the international lowering of interest rates (linked with the U.S. Federal Reserve's decisions aiming to prevent a recession) had encouraged taking on debt in foreign currencies wherever the exchange rates were favorable. The amount of the loans granted (in particular by Austrian and Swedish institutions) was the equivalent of 20% of GDP in the Czech Republic, Hungary and Slovakia and 90% in the Baltic States.

These countries had to refund or refinance the equivalent of $400 billion in 2009. By then, almost the whole of the $1700 billion of East European borrowing was in fact held by West European banks (with Austria, Italy, France, Belgium, Germany and Sweden holding 84%). The frenzy of debt-fuelled consumption (after years of impoverishment) provided a base for the leap in growth accompanied by profound disequilibrium in the balance of trade, particularly in those countries where foreign exchange rates "were stabilized" by being rigidly pegged to the Euro (the Baltic States in particular).

The Eastern European Periphery in Crisis

The downturn in 2008 was sharpest where the growth had been the most spectacular — in Estonia and Latvia with -5.1 and -4.2% negative growth rate, respectively — and a further slump the following year. In 2009 all other Eastern European states (except Poland) were confronted with the most radical recessions throughout the EU. Their negative rate of growth ranked from -4.2 (for the Czech Republic) to -18% for Lithuania.

Questions were raised about the quality of the growth, if not of the model [19]: "the countries of Central and Eastern Europe were ... even before the crisis affected them, weakened by the imbalances inherent in their model of growth. So the convergence outlined ... was probably not an intrinsically sustainable process .... But it needed what the crisis revealed for that to appear clearly" [20]

This crisis was further utilized to impose privatizations and cuts in social benefits. Deepening unemployment and poverty, combined with the ideological strength of neoliberal arguments on the "necessity" of austerity, fuelled the rise of xenophobic right-wing trends. [21].

In November 2009 a report prepared by the EBRD's experts recognized that "Emerging Europe suffered larger output declines during 2008-2009 than any other region in the world." The authors indicate in the introduction of the paper: "Given the high degree of integration of the region with advanced countries at the centre of the crisis, and large pre-crisis financing needs and macroeconomic vulnerabilities, this is not surprising." Yet they still maintain that the neoliberal model works.

From the Peripheries to the Center?

Real GDP began to increase during the second quarter of 2009 in most countries of central Europe, while South Eastern Europe has not emerged from recession. Such a recovery is uneven and must be mainly export-led. Central European countries like Slovakia are the most integrated into Germany's cycles of growth. For the moment Slovakia (a member of the Eurozone) had increasing capacity in exports, partially supported by the depreciation of the Euro providing the Eastern European countries with advantages for export. [22]

In Poland, the relatively stronger resilience seems to have several causes. The economy is more diversified, combining export-led growth with internal sources of growth and different channels of financing. There are still important public and private investments in infrastructure and roads, which are facilitated by European funds in anticipation of the 2012 European soccer championship (which will be held in Poland and Ukraine).

But the crisis of 2007-2009, coming from the U.S. core of the globalized system, the crisis that threatens the weak links of the euro, and the third crisis that started to affect Eastern Europe in 2009 have a major common point. Whether we are talking about the United States, Greece or the Baltic States, these crises are the repercussions of profoundly unbalanced growth.

The weakness of earned income and tax has been compensated for by large-scale indebtedness. The delirious increase in the debt was facilitated, as in every capitalist crisis since the 19th century, by financial and stock-exchange operations that were taken advantage of by free capital. As the European central bank and the IMF know, the number unable to pay off their debts is increasing. Even in Poland where the growth could be maintained by other sources, 8% of defaults on credits are expected (5.5% in Spain, 9% in Greece, 19% in Latvia, 19.2% in Lithuania, for 2010). [23]

But it is also true that in Central, Eastern European and Baltic countries, banks seem not to be too concerned about such default because of huge profits. In fact, the banks have used the crisis to increase their profit margin via enormous interest rates imposed on their clients (up to 60-70% according to OECD [24]). This is one reason why, during summer 2010, the Hungarian government imposed a special tax on banks in order to cover government deficits.

The recourse to the IMF in the two "peripheries" of the European Union reveals and accentuates the fragile features of the EU. It seeks to maintain the monetarist straitjacket of the Treaties by protecting private finance, which is both the culprit and the primary beneficiary of the crisis. The aim is to impose a new round of anti-social policies. These will further suppress expenditures on welfare, pensions and public sector wages, and attack the remaining forms of social protection.

Against any logic of collective rights, the demand for more work flexibility aims to generate additional profits and at the same time paint the unemployed, low-paid workers and precarious workers as "guilty" of "too many" demands. This, in turn, is to divide them against each other, thus crushing and atomizing them in order to prevent a fight back.

The austerity plans imposed today by the combined action of the IMF and the European institutions are profoundly unjust and will actually prepare the way for the rise of anti-European xenophobes. The European governments that are in power serve the markets (all the European treaties have gone in this direction since the Single Act of 1986) — and the markets serve the dominant states.

These states take refuge behind the anonymous “judgments” of the markets and behind the Treaties (which they signed) in order to “note” with fatalism the correct policies to be followed. These are always the same: to reduce welfare spending, to dismantle public services in order to open up new fields of privatization and financial speculation.

The European Treaties and the economic policies which determined them are bankrupt, and were established on the backs of the people. It is necessary to protect not capital’s freedom but the freedom of movement and the free choice of human beings. The criminalization of poverty, and the ethnicization of social questions, are aimed at stopping people from seeing the real causes of the crises and identifying those responsible.

A real social and democratic European Union would satisfy the demands expressed in polls, strikes and petitions: social priorities, dignity and cooperative logic as opposed to market competition. Instead of the balance sheet that propels banking privatizations and European fiscal mechanisms, there needs to be a public and democratic debate. It is necessary to build from the ground up a solidarity-based resistance that contests the Treaties, the financing and the law-and-order policies that accompany the destruction of social gains, with the demand for the satisfaction of needs and basic rights.

Catherine Samary

P.S.

* From Against the Current (ATC) 155, November/December 2011:
http://www.solidarity-us.org/current/node/3436

Footnotes

[1] In the 1970s, Western banks sought to use the dollars that came from oil revenues by offering plentiful credit to the countries of the South, but also — which is less well-known — to the Eastern European countries mentioned (Yugoslavia, Hungary, Romania, Poland and the GDR): the debt crisis that these countries experienced in the following decade was a decisive vector of the external pressures of Western creditors and of the IMF.

[2] See on my site http://csamary.free.fr, articles relating to these subjects concerning the “world disorder” or the “capitalist restoration.”

[3] The opening of the archives 20 years after the fall of the Berlin Wall, shed new light on the hostility of Margaret Thatcher to the German unification, on Mitterrand and Gorbachev’s initial projects of “common European House” and on the evolution of Helmut Kohl choices under US pressure. Read
http://www.timesonline.co.uk/tol/news/politics/articles6829735.ece.

[4] Read on all those issues the articles written by Peter Gowan published by Labor Focus on Eastern Europe- a number of which are available on ESSF. See: GOWAN Peter.

[5] Those criteria were supposed to be the rules that define whether a country is eligible to become member of the Union (it is not the final decision but a pre-condition): political institutions protecting democracy and human rights; a "functioning market economy; " and the integration in its legislation of the EU texts and rules.

[6] The number of voices is supposed to be according to the size of the population and not to the level of development. Germany, France, Italy and GB have 29 voices each; Spain and Poland have 27 each; Austria has the same number of voices as Bulgaria; etc. Of course all that does not mean "democracy" and real equal power; but it expresses some political constraints within the Union.

[7] German unification involved a transfer of some 100 billion DM per annum towards the new Länder over more than a decade.

[8] The strategies of growth in the countries of the South were different from Greece (financing a growth in consumption by debt), to Spain which based its growth on a scenario close to the real estate bubble of the United States and Britain. But in the East also the factors of growth were more diversified (therefore less fragile) in Poland than in the Baltic republics. And since the countries of Central and Eastern Europe (except Slovenia and Slovakia) are outside the Eurozone, the diversity of the kinds of exchange and budget policies was even greater.

[9] Poland was the first to return to growth and to catch up with the level of GDP of 1989… with a cancellation of its foreign debt that is seldom mentioned and a decade of repression marking a very low initial level…In 2000; only the countries of Central Europe had got back to the levels of GDP of 1989.

[10] The World Bank (WB), Regional Overview, 1998. See also WB Ten years of transition, 2002 Report.

[11] You can have "growth," based on the GDP as indicator (and with the very same criteria "catching-up" of a country in comparison to others if its rate of growth is higher), but in the very same time increasing inequalities, unemployment and destruction of social rights and of environment.

[12] I develop the different forms of privatisations in particular in the article "the social stakes of east European Great transformation," Debatte, 2009. See also Jean-Pierre Page, "Europe de l'Est: économie politique d'une décennie de transition," Critique internationale, n°6, Winter 2000.

[13] Read Focus on European Economic integration, special issue 2009, Marianne Kager, "A banker's Take on Twenty Years of CEE Banking Sector Developments."

[14] The first new member states (NMT) were Slovenia, Hungary, Poland, the Czech Republic, Slovakia, and the three Baltic countries (Estonia, Latvia and Lithuania).

[15] Özlem Onaran's Working Paper n°108, "international financial market and fragility in Eastern Europe: 'can it happen here?'", September 2007, is in sharp contrast to that dominant "mood." The author stresses the fragilities of that growth associated with increasing current account deficits. Some concerns about that issue were also expressed by the IMF or the EBRD's Transition report in 2008. But the main "concerns" in such a report — as we will quote it later on

— were about the difficulty to “open” the people’s mind to privatizations of public services.

[16] Eurostats June 22, 2009.

[17] Source: EBRD (European Bank for Reconstruction and Development).

[18] Read in the Newsletter n°9 (October 2008) of the network PRESOM (Privatisation and the European Social Model) the article written in Budapest by Karoly Lorant, “Hungarian doctors and civil organisations try to resist? Healthcare privatization.”

[19] See Jason Bush, “Latvia’s Crisis Mirrors Eastern Europe’s Woes,” 03/03/2009, reproduced by Spiegel online.

[20] Conjoncture, January 2010 n°1,“PECO, Alexandre Vincent, ‘la convergence à l’épreuve de la crise.’”

[21] See on ESSF (article 13710), Capitalist crisis: Towards a Western/Eastern Europe Banking and Social Tsunami.

[22] There are no general rules concerning the impact of belonging or not to the Euro: it depends on the structure and importance of trade (with what countries, and what kind of products).

[23] Courrier International n° 1057, 3-9 February 2011: “La Hongrie menacée par la crise des subprimes”[A subprime crisis threatens Hungary] translated from Die Welt, Berlin.

[24] Ibid.