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THE ENLARGEMENT OF THE EUROPEAN UNION TO EASTERN EUROPE: TEN YEARS AFTER

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The Enlargement of the European Union to Eastern Europe: ten years after

Pasquale Tridico[1]

Abstract

This chapter deals with the process which brought about ten countries, former communist economies, of Central and Eastern Europe (CEEC) to join the European Union (EU) between 2004 and 2007. The recent development of the EU enlargement, the adhesion of Croatia in 2013, the future perspective of enlargement opened by the East partnership, and the situation of the current candidates to the EU will be analysed as well.

As far as the New Member States (NMS) of European Union are concerned, this chapter will analyse conditionality and compliance of the candidates. Recession was severe both in CEEC and in Former Soviet Republics (FSR) after the fall of Berlin Wall in 1989 and the dissolution of USSR in 1991. The transformation was very deep both from an economic and political perspective.

However, I argue, during the transformation and the economic recovery CEEC were, to some extent, favored by EU conditionality and membership, while FSR were not interested by this process. At the same time, the old EU member States (EU 15) benefited greatly from trade with CEEC and FDI directed to CEEC. In fact in CEEC labour cost is cheap and recourses along with raw materials are abundant. Very likely, EU membership was the crucial factor, which influenced transition in CEEC, and which determined better performance of most CEEC with respect to FSR.

Moreover, political transition (concerning civil rights and political liberties, democracy and traditional liberal values) was more successful in CEEC than in FSR. In this respect, the role played by the EU, where clearly these values are more advanced than in most of the rest of the world, was crucial for the CEEC, New Member States of the EU.

Key words: Eu enlargement; transition; institutions; convergence

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1. The Transition in CEEC: from the initial systemic recession to the current financial crisis

For most of CEEC the process of transition was identified with the access to the EU. Hence transition and access, for those economies were (and to some extent still are) tow faces of the same coin. As stated by Kornai (2006), the transformation of CEEC has been unique. On the one hand it took place peacefully and was an astonishingly fast process towards a western mode of development. On the other hand it was characterised by deep economic troubles. It is a process which involves successes and failures that varies considerably if we consider all transition countries (Holscher and Gabrisch 2006).

More generally, transition economies differ significantly in terms of economic performance although the economic policies advised by international organizations and implemented by national authorities are quite similar. These countries differ with regard to centralised planning, initial conditions and institutional framework. The economic structures (productive specialization, labour division, technologies, output and so forth) were diverse, as were rules, aims and planning in spite of common membership of the communist block (Falcetti *et al.*, 2000).

Economists' views on transformation policies have been quite controversial and diverse (Sachs, 1991; Kolodko and Nuti 1997; Åslund, 2001). During the 1990s, the debate among economists on the type of transformation and on mistakes of policy-makers was very intense. Briefly, some economists criticised the timing of implementation, others criticised the intensity of policies and others the need and the appropriateness. This set of policies delivered important economic shocks, provoking a huge fluctuation in exchange rates which generated effects that were greater than expected.

In many countries (Poland, the Czech Republic and most of former USSR), the transformation recipe was implemented through a shock therapy strategy. In others (Hungary, Slovenia) a more gradual approach was adopted. Nevertheless, the aim in both cases, was to introduce a market economy and to reduce or eliminate the role of the State in the economy. It is important to stress that countries that adopted a gradual program of macroeconomic stabilization such as Hungary and Slovenia achieved similar results to those as in Poland and the Czech Republic, which implemented a shock therapy program. By contrast Russia and Bulgaria, which also implemented a shock therapy program, had very negative performances. Moreover, it has to be said that if it is true that Poland's performances were the best among transition economies, it is also true that "…Poland did not completely implement shock therapy". Although prices in Poland were liberalised, most of its large SOEs have yet to be privatised" (Lin, 2005: 241)[2].

[2] The same opinion is shared by the World Bank (1996), Dabrowski (2001), Balcerowicz (1993).

This seems to confirm that macroeconomic policies are context dependent. They depend on the country or region where they are implemented. Their success or failure depends on several factors including initial conditions, local institutions, agents' behaviour and reaction to implemented policies, social context and culture, acceptance by agents, legality and trust, appropriateness of policies and so forth. Most economists today seem to converge towards the idea that very little attention was paid, at the beginning of transition, to all these institutional factors and to the institutional framework of countries in general (Stiglitz, 1998; McArthur and Sachs, 2001; Kolodko, 2004; Rodrik, 2004).

The following table shows which kind of macroeconomic strategy, in general, transition economies adopted during 1990-2000.

Table 1 - Transition and macro-policies

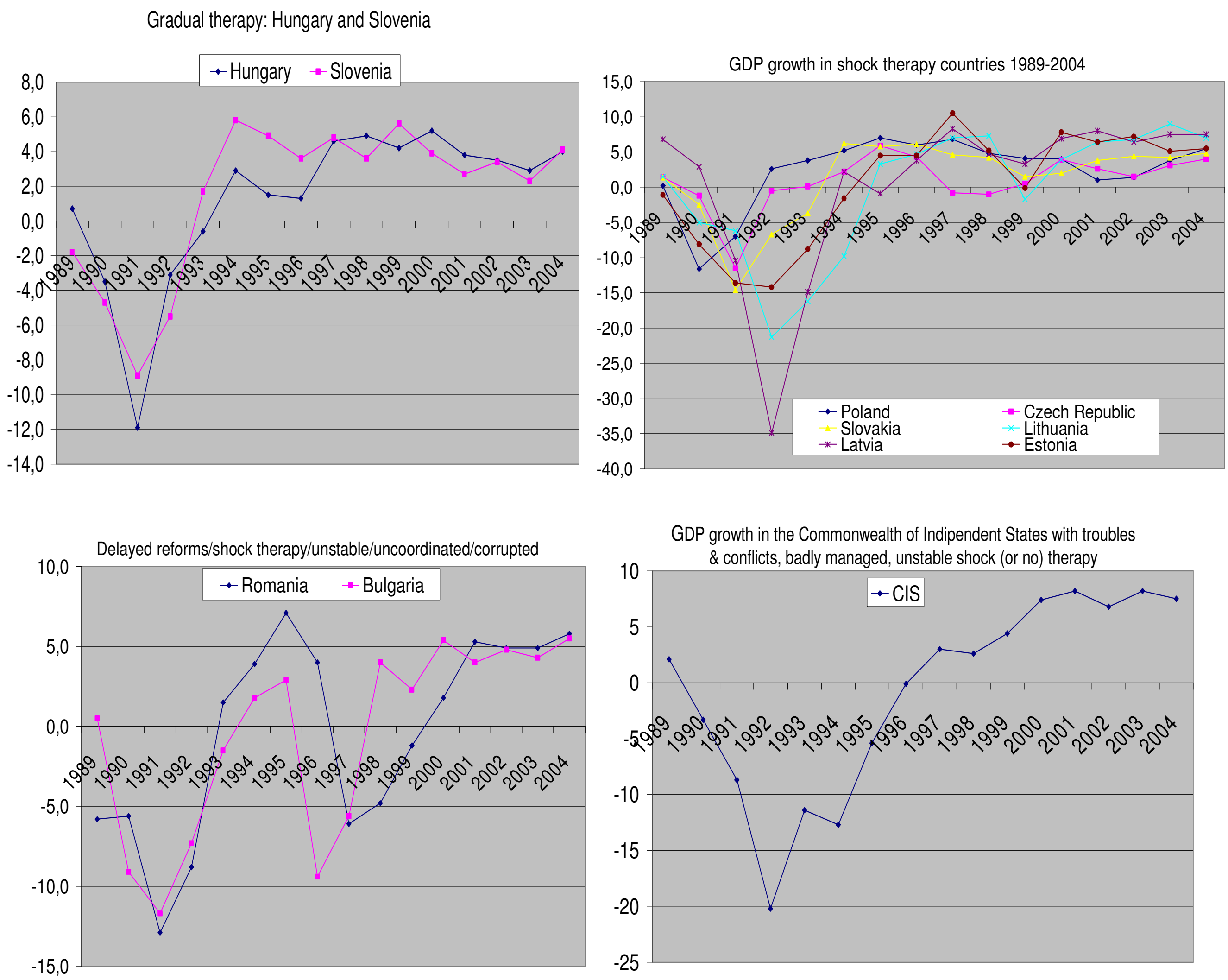
COUNTRIES	TYPE OF MACROECONOMIC STABILIZATION
Eastern Germany	Immediately united to West Germany (particular kind of "shock therapy").
Poland. Czech Rep., Slovakia, Estonia, Latvia	Speed reforms, started with a macro stabilization. Implementation of privatisation, liberalisation and trade openness policies ("shock therapy" program).
Hungary and Slovenia	"Gradual" macro stabilization; strong institutional framework, gradual privatisation.
Bulgaria and Albania	Reforms started very late but then implemented through a "shock therapy "; corruption.
Romania and Russia	Reforms started but then stopped, uncoordinated, badly managed; corruption.
Ukraine and Belarus	None or insufficient reforms, hyper inflation, unstable economies and politics; corruption.
Former Yugoslavia (except Slovenia). Georgia, Armenia, Azerbaijan.	Military conflicts, civil wars, instability of politics and economies, no reforms, except for Croatia which later started a gradual and successful transition.
Other Asian Republics of the CIS	Political instability, no reforms, longer and deeper economic recession; corruption.

Source: Lavigne, 1999

It is widely acknowledged that despite some measurement problems that could have occurred during the transformation from a planned to a market economy, such as the existence of an informal economy, statistical problems, coherence of the accounting system and so forth (see Nuti, 1999; Åslund, 2001), the great transformation was concurrent with a huge recession (Kornai, 1994; Svejnar, 2002).

As depicted in the graphs below, in the CEEC at the beginning of the 1990s cumulative recession was from 20% to 40% of GDP whereas in the former Soviet Republics it was even worse and GDP fell in some cases by 60% (Transition Report, 2001). At the same time, economic recovery was faster and more consistent in CEEC (except for Bulgaria and Romania) than in CIS (the Community of Independent States – mostly former USSR). The reasons for different performances probably lie in the diverse initial conditions, different policies and institutions and the mistakes of policy-makers (Gomulka, 1995; Falcetti *et al.*, 2000; Nuti, 2001; De Vincenti, 2002).

Figure 1 – Recession and recovery of GDP in CEEC and CIS 1989-2004



Source: Transition Reports

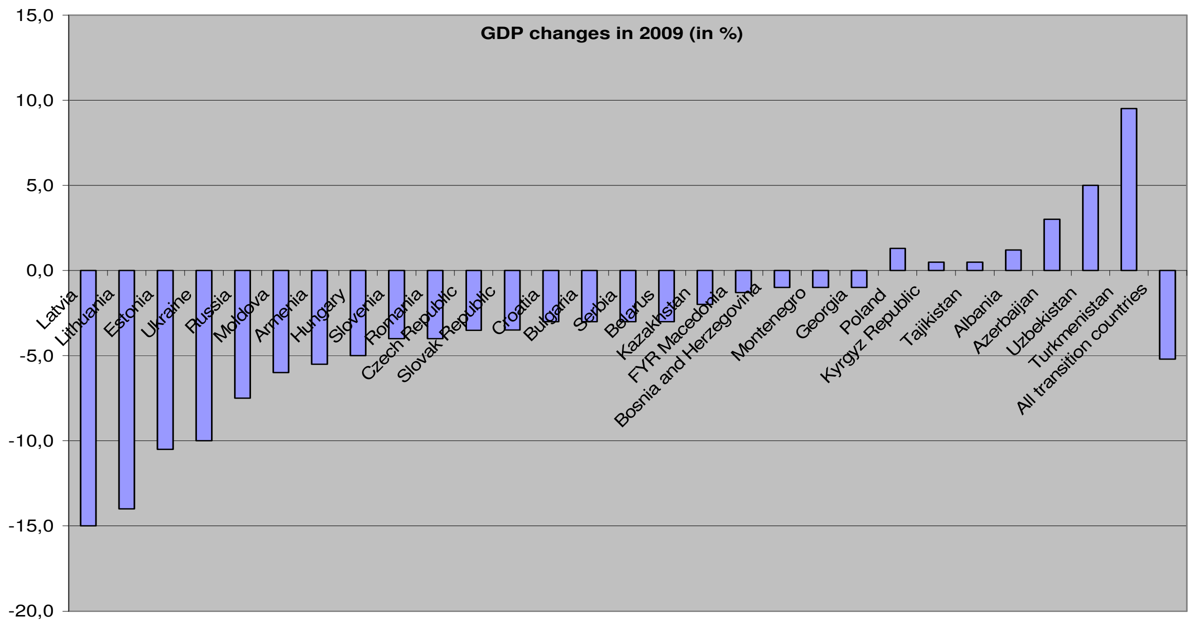
After ten years of transition, taking a starting point in 1989[3], only a few States reached or exceeded the 1989 level of GDP (Poland, Hungary, Slovakia and Slovenia). After 15 years, the Czech Republic, Estonia and Albania joined this club. Among the CIS the situation was severe, and all former Soviet Republics, in 2004, were still below the 1989 GDP level, apart from Uzbekistan,

[3] Indeed, in most former Soviet Republics, a transition process did not start before the dissolution of the Soviet Empire in 1991.

Belarus and Turkmenistan. The reason for such an exception has to be found in the fact that these three countries are basically still planned economies and never started a true transition process; therefore they did not undergo a transformation recession as experienced by all the other transition economies. After 20 years of transition, the situation in most former communist countries did not stabilize. Moreover, the current economic crisis shows how vulnerable transition economies are with respect to external shocks, with few exceptions. I will not explore in detail the current economic crisis. However, it has to be said that the twentieth anniversary of the fall of the Berlin Wall, in 2009, brought about in almost all Transition Economies (TEs), a similar slump of the one in 1989-90. Reasons for the current recession are very different. As the figure below shows, the Baltic States, which are open and small economies (which could be classified as Competitive/liberal Capitalist economies), are the most hit by the current recession, with a slump in the GDP of around 12-15%. The extreme export-led model and the uncontrolled openness to FDI seem to be the major causes for this huge slump (Myant and Drahokoupil, 2010). Turkmenistan and Uzbekistan, which on the contrary could be classified as State Capitalist economies, have high GDP rates of growth. Other countries such as Poland (1.3%) which have a sort of Corporative Capitalist model, similar to the one in place in Germany, managed the recession relatively better. Average rate of recession in TEs in 2009 was -5.2%. In 1990, the first year of transition and integration in the world economy for almost all TEs, recession was about -4.6% (Tridico, 2007).

Rodrik (2008) claims that integration in the global economy can be positive and negative, depending on institutions and governance that the country is able to put forward when opening to the world economy. Weak domestic policies and institutions would increase the political vulnerability level with negative consequences on the economic volatility of a country. Hence when opening to the world economy, a country would need appropriate institutions of conflict management, international governance, trade strategies and policies, specialization, and state support. This would help to cope with external shocks and crises (Rodrik, 2008).

Figure 2 GDP growth in 2009



Source: EBRD, 2009

The average GDP level in 2008 at 117 (with 1989=100) was approximately the 1989 level considering all the TEs together. However, the current economic crisis hit all TEs dramatically, and at the end of 2009, their GDP levels was lower than in 2008. Consecutively the average level is lower than 117. Many countries, such as Russia, Ukraine, Georgia, Kyrgyzstan, Moldova and Tajikistan among CIS, and Serbia, Bosnia & Herzegovina, Lithuania and Latvia, among CEEC, also in 2008 had a GDP level still below the one of 1989 (with Croatia, Montenegro, Romania and Bulgaria just around 100). In 2014, after 25 years of transition, the situation looks a bit different: only three countries among CIS are still below the GDP level of 1989: Ukraine, Georgia and Moldova. While among CEEC Latvia, Croatia, Serbia, Bosnia & Herzegovina are below 100, while Lithuania and Montenegro just above it. Among NMS only Latvia is still below the level of GDP that it had in 1989.

Table 2 Levels of real GDP in 2014, in 2008, and in 2004 (1989=100)

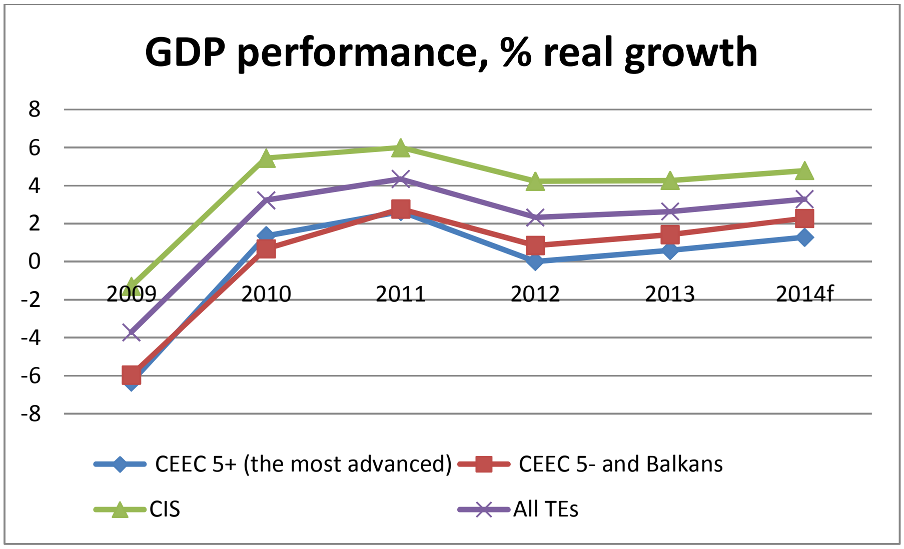
CEEC and Balkans	Level 2004	Level 2008	Level 2014	($) GDP per capita 2008	CIS	Level 2004	Level 2008	Level 2014	($) GDP per capita 2008
Slovenia	120	136,5	124	27.168,4	Russia	77	97,0	106	12.074,5
Czech Republic	108	126,7	120	25.395	Belarus	100	134,5	155	6.285,5
Estonia	102	113,7	121	16.508,4	Ukraine	51	60,7	58	3.937,0
Poland	135	156,5	171	13.838,9	Kazakhstan	94	124,5	156	8.736,4
Hungary	115	119,6	114	15.326,1	Armenia	89	131,3	140	3.711,2
Lithuania	84	99,8	102	14.017,8	Turkmenistan	105	160,3	217	2.915,6

Slovakia	114	142,4	150	18.248,9	Azerbaijan	71	163,0	187	5.507,4
Croatia	91	104,8	97	15.552,4	Georgia	41	73,5	98	2.845,0
Latvia	83	98,0	97	14.909,1	Uzbekistan	107	144,8	191	1.007,4
Albania	129	154,5	170	4.066,1	Kyrgyzstan	75	94,2	112	952,5
Bosnia & Herzegovina	57	78,9	76	4.833,5	Moldova	41	57,5	70	1.766,0
Serbia	60	81,1	83	6.761,0	Tajikistan	62	91,9	127	794,8
Montenegro	72	101,1	101	6.509,0	CIS	76	111	134	4211
Romania	92	113,2	111	9.186,5	All TEs	94,7	117	129	12013,9
Macedonia	78	95,7	104	4.761,3					
Bulgaria	84	105,7	107	6.561,1					
CEEC 5+ (the most advanced)	116	131	131	19647,35					
CEEC 5- and Balkans	86	107	109	9.582					
All CEEC + Balkans	96	119	120	14.614,9					

Source: Transition Reports 2004, 2009, 2013.
Note: **CEEC 5+** are the most advanced 5 CEEC: Poland, Czech Republic, Hungary, Slovenia, Estonia. **CEEC 5-** are the least advanced 5 CEEC: Bulgaria, Romania, Lithuania, Latvia, Slovakia. Balkans: are the rest of Balkan Countries including also Croatia, Serbia, Macedonia, Montenegro, Albania and Croatia. **CIS** are the Former Soviet Republics being today part of the Commonwealth of Independent States (the rest of TEs).

However, the situation among CEEC (and among NMS) worsened, relatively to other TE, during the past 5 years. In fact the GDP performance since the economic down turn of 2009 were worse in CEEC than in CIS and in particular in the most advanced CEE. This can be easily explained. After 1989 CEEC entered in, and integrated to, the economic and financial system of Western countries (EU 15 and north America in particular). The financial crisis which started in 2007 in USA and propagated in Europe, affected negatively CEEC, which then had lower recovery and negative performance, similarly to most of EU 15 countries. The Figure below show better this dynamics.

Figure 3 - GDP dynamics after the 2009 recession



Source: Own elaboration on EBRD and Eurostat database

More generally, the financial crisis had very bad effects on real economy among all transition countries. Both political vulnerability and economic volatility seem to be better avoidable in countries which built in pre-crisis time *stronger* institutions, and *better* and more appropriate integration in the global economy. That is: countries that have social institutions and can rely on a domestic aggregate demand like Poland (which is, very interestingly, one of the very few countries among TEs which had positive growth during this international crisis); and countries that did not adopt an extreme export-led model with an uncontrolled openness to FDI (unlike Estonia, Latvia and Lithuania, who had a fell in the GDP of around -15%). Among CIS, crisis was very deep in Russia Ukraine, Georgia and Armenia. On average, it was deeper in Eastern Europe and Caucasus (-9%) than in the rest of CIS (+0.8%) and in CEEC (-5%). Obviously, the three countries relying more on a sort of State capitalist model (Turkmenistan, Uzbekistan and Belarus) were even able to growth consistently during the current crisis, thanks to public investments improvements and less exposure to the credit crisis (Tridico, 2011). Their cycle is not depending on the fluctuations of the financial markets. As a general assessment the crisis was better managed were countries showed stronger maturity of pre-crisis institutions, external anchors, and greater social cohesion.

2. The impact of EU enlargement on transition of CEEC

In Central and Eastern Europe (CEE), the EU membership promise, which became then a reality for all candidates from CEE in 2004 and in 2007, was definitely a beneficial anchor and a strong guide during the transition from planned to market economy. Croatia joined the EU on 1st July 2013. Macedonia, Montenegro, Serbia plus Iceland and Turkey are candidate countries, while Albania, Bosnia-Herzegovina and Kosovo have officially the status of "potential candidate" (i.e., they were promised the prospect of joining the EU when they are ready). EU enlargement in some of the former Yugoslavian Republics (Montenegro, Macedonia, Serbia, Bosnia-Herzegovina and Kosovo) and in Albania remains difficult and remains uncertain for the next future, although all of them are officially classified as candidate or potential candidate. Former Soviet Republics are not interested by the EU enlargement process, apart perhaps from Ukraine which is strongly supported by Poland and to some extent Georgia and Armenia, whose future relations with EU depends largely on the future adhesion of Turkey (another EU's candidate country). Finally in 2013 the EU Council of Vilnus agreed to sign the association agreement i.e., the "Eastern Partnership" with six post–soviet Republics: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. In general an association agreement is signed with potential candidates to EU. Hence, with the Eastern Partnership EU is opening an opportunity for future membership to those countries. Georgia and Moldova signed fully the agreement. The agreements will contribute to creating deeper political and economic relations between the EU and these two countries and will include deep and comprehensive Free Trade Areas covering both goods and services. While Azerbaijan and Armenia limited the agreement to specific sector like Visa-facilitation. The final signature of the Eastern Partnership proved to be particularly problematic with Belarus and Ukraine which stopped the negotiations for further agreement. Both these countries, along with Kazakhstan, were offered simultaneously an agreement by Russia for the creation of a Euro-Asian Free trade area. Mass protests started in November 2013, when the then Ukrainian President Viktor Yanukovich refused to sign the Eastern Partnership with the EU. The development of these protests managed from one side to dismiss Yanukovich and from another side caused a negative reaction of Russia. The situation is still very uncertain, and while we write, tensions and "war risks" between Russia and Ukraine started. Russia invaded the territory of Ukraine and sent Army to Crimea, which is a region where Russia has special interests along with a very important military basis.[4]

The enlargement process of the EU to ten former communist countries i.e., Poland, Czech Republic, Slovenia, Estonia, Hungary, Lithuania, Latvia, Slovakia (which joined the EU club in May 2004) and to Bulgaria and Romania (which joined EU in January 2007) represented a very important condition during transition and a goal which all of them aimed to reach as soon as possible. The negotiation process and the adoption of the *acquis commaunitaire* has played an important role for the transformation of institutions and rules in CEEC, and was one of the main conditionality during the transition (Carlucci and Cavone, 2004; Prausello, 2003). In fact one of the

[4] It is not this the place where to explore in details these tensions which involve economic, military and geopolitical interests in the region. However, the situation reached a very critical stage and further development are difficult to forecast today.

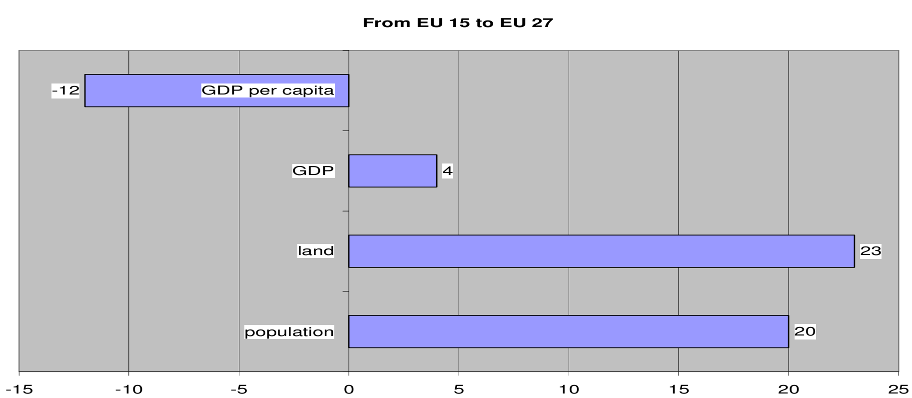
most important steps in the process was the European Council of Copenhagen which established rules for Former Communist Economies of Central and Eastern Europe to become part of EU. These were three: a political criteria, an economic criterion and an institutional criterion.

1. The presence of stable political institutions to guarantee democracy, the primacy of the rule of law, human rights, and minority protection.
2. The existence of a vital market economy able to cope with competition pressure and market forces within the European Union.
3. The institutional capability for the new member states to respect communitarian obligation and to adopt the European law, i.e. the so called *acquis communautaire*

These three criteria were a strong conditionality during transition for CEEC. It would be reasonable to argue that, to some extent, most of CEEC performed better during transition because of the EU conditionality. At the same time however, one could argue that most of CEEC had better initial conditions than FSR and fewer corruption and institutional problems. This allowed them to attract FDI and therefore to grow faster.

The EU enlargement towards East of Europe has some immediate consequences for the EU and for CEEC as the table below shows. For the EU, first of all, the population (and the size of markets) increases; secondly, per capita GDP, which in average changed consistently, decreased; then, most importantly, distribution of Structural Funds, with a shift from poor regions of old European Member States towards poor regions of New Members States (basically all the new members).

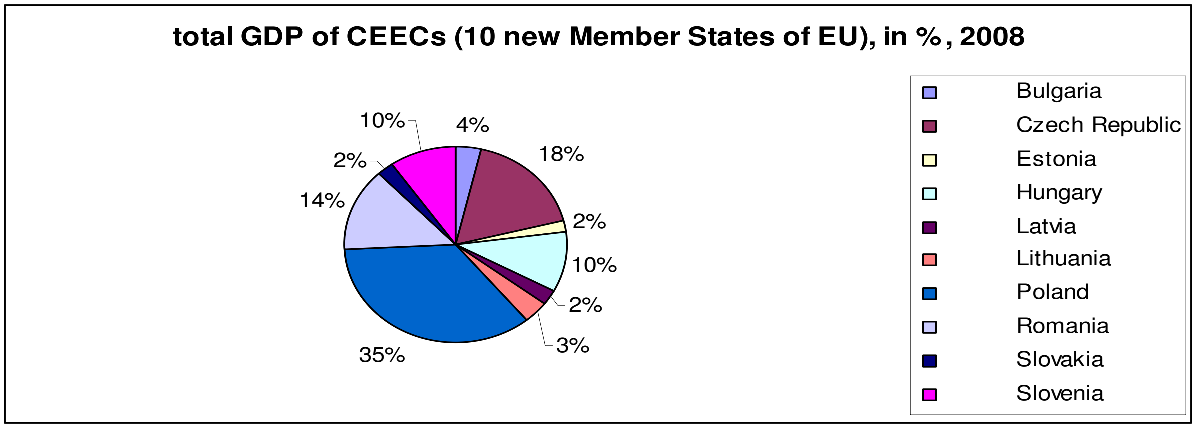
Figure 4 Evident implications of EU enlargement to CEEC, 2004-07 (values in %)



Source: EU Commission

Among CEEC, Poland, Hungary and the Czech Republic represent 63% of the whole GDP of the ten EU new member States. They are among the most advanced TEs, in terms of reforms and steps towards marked (Transition Report 2011) and therefore, among the most attractive countries for foreign investors. Hungary and Poland were the first, in 1991 to sign an Association Agreement with EU, the first step for membership. The Czech Republic signed the Agreement in 1993.

Figure 5– Biggest countries (in terms of GDP share): percentage of CEEC



Source: Transition Report, 2009

A very sensitive issue for the relation between NMS and old EU is the Common Agriculture Policy (CAP). The agriculture sector is very important for all CEEC, because it still plays an important role in terms of employment and GDP contribution. Therefore, CAP subsidies are very consistent for NMS. The Mac Sharry reform in 1992 was further modified in June 2003 in order to reduce the agriculture budget and to link subsidies not any more to production levels but to land dimension, with the form of the unique direct payments to agriculture firms which respected some criteria such as cross-compliance (i.e., sustainable environment conditionality), productivity improvements, green innovation etc (De Filippis 2002).

As regards cohesion policies, the old objective 1 of EU Cohesion Policy Program states that regions having average GDP per capita below 75% of the EU income would get EU Structural Funds. Therefore, these funds were mainly dedicated, for the 2007-2013 EU Program and for the one which just started (2014-2020) to NMS. Until 2004 (2007 for Bulgaria and Romania) NMS received pre-accession funds (see table below). This was not, for the consistency of the funds, a "Marshall Plan" as many politicians claimed. It was an important funding plan which helped new member states with EU conditionality in several sectors i.e., transport, agriculture, technology, environment etc. On the other hand, EU, and in particular EU firms, enjoyed great advantages in terms of delocalisation of production towards CEEC, new investments with high profits, lower labour cost, economies of scale towards new markets and consumers, along with increase of exports.

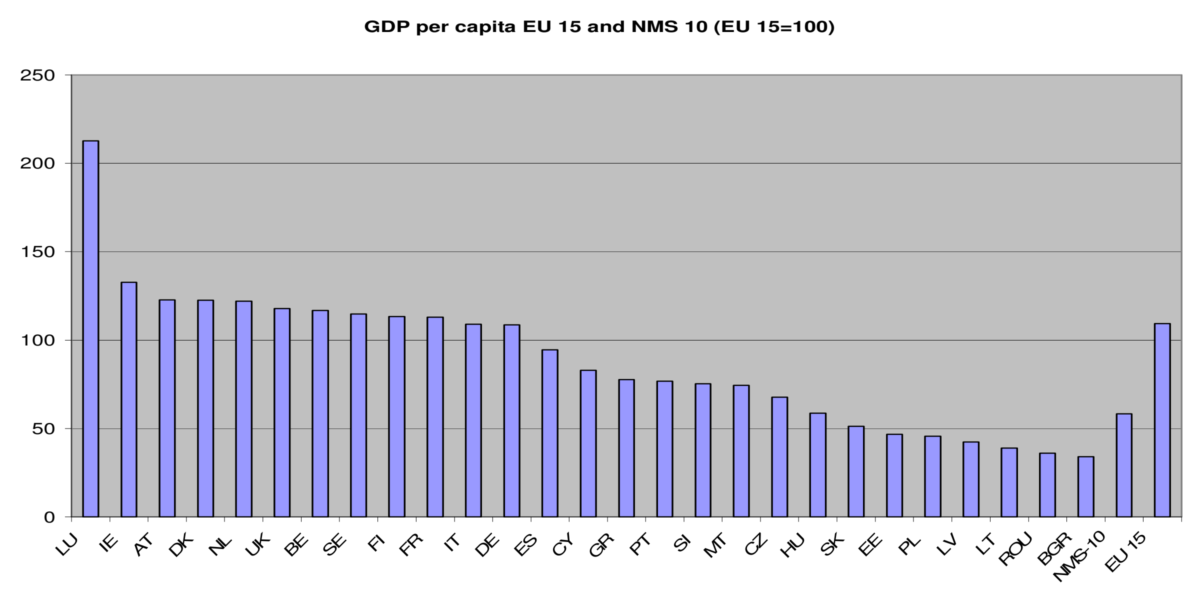
Table 3 - EU Pre-accession funds to CEEC (million of Euros)

CEEC	Phare	Sapard	Ispa	Total
Bulgaria	100	52,1	105,8	257,9
Czech Rep	79	22	71	172
Estonia	26	12	29	67
Hungary	97	38,2	90	225,2
Latvia	30	21,8	47,6	99,4
Lithuania	44	29,8	53	126,8
Poland	398	168,7	354	920,7
Romania	242	150,6	243,3	635,9
Slovakia	49	18,3	47,6	114,9
Slovenia	25	6,3	15,8	47,1
Total	1090	519.8	1057.1	26669.9

Source: EU Commission
Notes - **Sapard**: Special accession programme for agriculture and rural development;
Ispa: Instrument for Structural Policies for Pre-Accession;
Phare: Poland and Hungary Assistance for Restructuring their Economies

However, all this was no longer sufficient *per se* to boost economic development. Empirical evidence among new member states is different. Bulgaria and Romania are typical examples of membership without strong economic development. The lack of this relationship can be traced also in Lithuania and Latvia. The average GDP per capita among CEEC is a fraction of EU 15 income, and EU conditionality needs to be accompanied by a process of development and of institutional change, to enable informal rules, which may otherwise inhibit economic development, to change.

Figure 6 Levels of GDP per capita in the new EU (2007)



Source: Eurostat

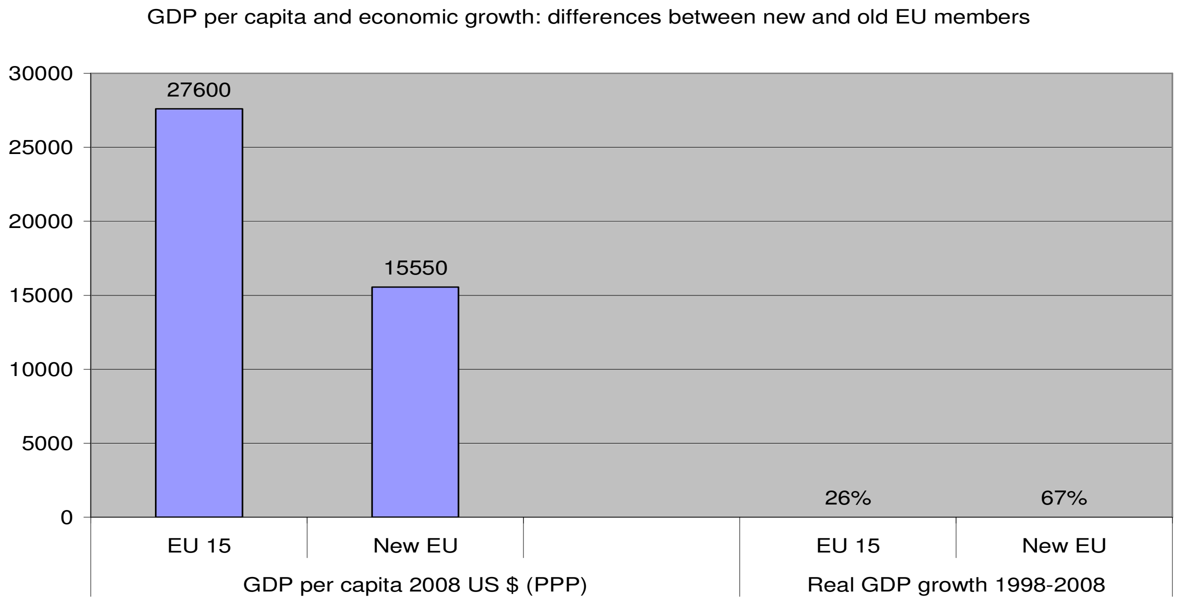
The transition is a complex and gradual process which includes institution settlement, property right allocation, certainty of economic relations, and interaction of these factors with many other social, economic and political variables such as education, health, technology improvement, political rights and participation, capability and social opportunities. Moreover, during the transition the evolution of these institutions must be coherent, and the economy must be organised and governed with an appropriate governance, without an ideological approach and with proper political decisions and collective actions which would benefit the collectively of people and their needs, because in the end, need satisfaction means development.

As regards differences in terms of GDP between new and old member states, one can say that they are still very big, and a catching up within the enlarged EU 28 is very difficult to imagine at least for all the new member states.

Apart from the case of Luxemburg's GDP per capita of 75,800 Euros at current 2009 prices, which has remained steadily very high in Europe, the tendency is to find high variability in GDP numbers across Europe. For example, Bulgaria, the poorest of the 28 EU countries, has a GDP per capita hovering around 4,400 Euros (6600 $US) and Romania is not too far from that with 5,500 Euros at current 2009 prices. Macedonia, an EU candidate, could potentially be the poorest member nation with an income of 3,100 Euros at current 2009 prices (Eurostat, 2009). This contrasts with the current average income per capita in the EU 27 which is 24,300 Euros, and that of the EU 15 averaging 28,200 Euros again at current 2009 prices. The new 10 member states, which joined the EU between 2004 and 2007 plus Croatia, which joined in 2013, and Macedonia and Turkey, the last two EU candidate countries, have an average GDP per capita equal to 9,125 Euros (current 2009 prices). And yet, there are substantial differences across the board. For instance if one were to compare Slovenia, the richest among the NMS to Portugal, the poorest of the EU 15, Slovenia interestingly enough ranks higher in terms of GDP per capita. In fact it is almost as rich as Greece, the second poorest among the EU 15.

The figure below tries to express these differences in a more accurate way, using US $ in Purchasing Power Parity (PPP). In this way income in NMS is actually higher than at current prices, since purchasing power of those countries is higher, given the lower national level of the prices.

Figure 7 - A comparison between old and new MS of EU



Source: Eurostat 2008

Obviously cumulative economic growth in the last ten years among NMS was higher than among old EU. However, as we will see later, it is controversial to state that this represents a clear process of catching up, as we will see later.

4. The impact of EU enlargement on democracy and political transformation

As far as political system and democratic transition is concerned, the situation looks very divided between NMS and FSR. Here, perhaps more than in the sphere of economy, the influence and the conditionality of EU membership was stronger: CEEC reached higher level of democracy, political rights and civil liberties (as defined by Fredom House 2009) than FSR.

One of the contemporary pioneers among political scientists, who tried to establish a relationship between democracy and development, was Lipset (1959). He points out two factors relevant for democracy: economic development and political legitimacy. Both these factors are associated with democracy. He argues that democratic states tend to have higher levels of socio-economic development than non-democratic ones. Moreover, he states that the stability of a democratic system also depends on the effectiveness (an efficient bureaucracy and decision-making system) and legitimacy of the political system (maintaining the belief that existing political institutions are the most appropriate for the society).

On a similar line Przeworski et al. (2008) argues that economic development does not tend to generate democracies, but that democracies are more likely to exist in richer societies. Moreover, they found that the type of political regime has no general impact on economic growth. Both these findings, which are tested through wide cross-countries analyses, seem very reasonable and can also be verified among transition economies. However, in general, in transition economies, political and economic liberalization seem to be positively correlated whereas the relation between democracy and development remained unclear (Apolte, 2010).

Huntington (1991) who classified three "waves of democratisation" considers part of the post-communist transition as being part of the third wave of democratisation (1974-1991) in which he includes countries from Southern and Eastern Europe, Latin America and parts of Africa. Spain, Portugal and Greece. The first wave (1828-1926) involved North America, Britain, France, and some other Western European countries; and the second one (1943-62) involved countries like India, Israel, Japan, West Germany, Italy.

Former Soviet Republics remain outside the third wave of the Huntington classification, although Central Eastern European countries are included. However, following the Huntington approach, it would be possible to classify further post-communist transition in the following way: first wave of post-communist democratisation (1989-91) which concerned most of the CEEC; the second wave of post-communist democratisation (1995-2005), known also as the "colour revolutions" which concerned the removal of autocrats such as Iliescu in Romania and Meciar in Slovakia; Serbia's Bulldozer Revolution of 2000; Georgia's Rose Revolution of 2003; Ukraine's Orange Revolution of 2004; and the Kyrgyzstan Tulip Revolution of 2005. The remaining TEs are still unvisited by consistent waves of democratisation, and in particular there are no free and fair electoral regimes. Moreover, situation worsened, in the last years after in political terms, in Russia and in Ukraine, where respectively Putin and Yanukovich leadership ad administrations brought about their respective countries back in political terms, restrictions of freedom and democracy, illiberal practices and collusion with oligarchy.

According to Freedom House three levels of democratisation among TEs can be identified: 1) Free democracies; 2) Partly Free Defective democracies/Semi-authoritarian regimes; 3) Not Free, Authoritarian regimes.

Table 4 - Freedom House classification

Free (Democracies)		**Partly Free** (Defective democracies/Semi-authoritarian regimes)	**Not Free** (Authoritarian regimes)
Czech Republic		Albania	Azerbaijan
Estonia		Macedonia	Kazakhstan
Hungary		Montenegro	Russia
Lithuania		Bosnia-Herzegovina	Tajikistan
Poland		Georgia	Belarus
Slovakia		Moldova	Turkmenistan
Slovenia		Kyrgykistan	Uzbekistan
Latvia		Armenia	
Bulgaria		Ukraine	
Croatia			
Romania			
Serbia			
13 countries		8 countries	7 countries
HDI 2012	0,859	0,776	0,757
Per capita GDP in ppp 2012 ($)	15284	5563	6795

Source: Freedom House 2012 and UNDP (2012)

Møller and Skaaning (2009) found that a modernization process is needed first and then democracy will be improved. As an indicator of modernization they posit an economic development threshold of about $5,300. However, most TEs have already overcome that income level. Way (2008) found that politicians and autocrats control oil and gas rents in countries like Russia, Azerbaijan, Kazakhstan, Turkmenistan and this is detrimental for democracy. They use in fact these rents to pay friends, to create political consensus and to eliminate opposition. Finally vicinity to Western Europe and implementation of political and economic reforms are both indicated as important factors for development of democracy (Schimmelfennig and Scholtz, 2008). The EU sets the adoption of democratic rules, anti-corruption policies and institutions, and practices as conditions to be fulfilled by the target countries in order to receive such rewards as financial assistance, some kind of institutional association or ultimately, even membership (Schimmelfennig and Scholtz 2008). This contributed to the more successful democratic transition of CEEC vis-a-vis FSR.

In this context one can notice that democracies are always better associated with less corruption, and to some extent with education, and descriptive statistics confirm this trend. The correlation matrix and the figure below show this better[5].

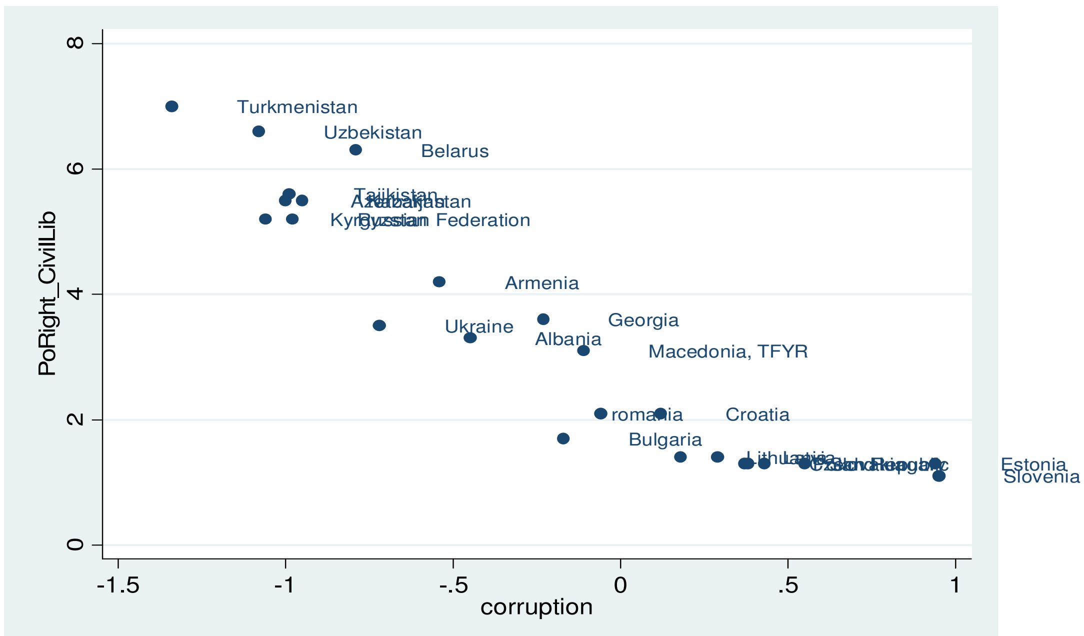
[5] Is important to recall that the variable used is Control of Corruption (-2.5 high corruption; +2.5 low corruption). While the variable Political Rights and Civil Liberties (for democracy) rank between 1 (the most free) and 7 (the least free). Hence in the relation above high levels of corruption are associated with higher index of democracy.

Table 5 – Correlation corruption-democracy

	corrup	P.Righ_C.Liberty
Corruption	1.0000	
P.Righ_C.Liberty	-0.9349	1.0000

Source: own elaboration on EBRD data

Figure 8 – Scatter plot, Corruption-Democracy (Political Rights & Civil Liberties)



Source: own elaboration on EBRD and Freedom House data

The link between corruption and democracy (Political Rights and Civil Liberties) appears clear because corrupted governments by definition cannot be considered free, and corrupted politicians try to reduce democratic means to eliminate any control over their actions. Investing in health and education contribute to the creation of a more educated and healthier middle class which would therefore be more able to control its government.

A comparative analysis among CEEC and FSR shows that the first performed better in terms of democratisation because of several reasons: 1) the EU membership, 2) a better endowment of social capital, 3) implementation, during transformation, of policies and institutions better able to reinforce middle class and reduce inequality (Tridico, 2011). On the contrary, in most former Soviet Republics transition occurred in the beginning in a sort of systemic vacuum. This vacuum favoured anti-social behaviour, perverse attitudes such as lobbying and corruption, increased egoism, a threat to trust and increased inequality, and favoured personal privileges, power groups, and the rent-seeking behaviour of oligarchs, with further negative effects on social capital and development. In these circumstances, democratic institutions, and control of corruption, are discouraged too, and in fact FSR tend to be not only poorer but also dominated by authoritarian regimes.

3. Convergence and divergence processes among EU and the New Member States

The New Member States, after the recession of the early 1990s grew more than the old European Union (EU15), at least until before the beginning of the current global crisis which started in 2007/08. Average growth in CEEC (10 NMS) and in Croatia (new EU member in 2013) and Macedonia (EU candidates) between 1997 and 2008 was around 4.6% annually. This is higher than average EU 15 growth for the same period, below 3%, and even smaller if one excludes Ireland which experienced an extraordinary growth in the last two decades, before the current crisis. Therefore, on average, GDP per capita in NMS increased more than in EU 15, and it passed from 45.5% in 1997 to almost 61% in 2008 as the table below shows. This convergence analysis does not take into consideration both: the last 5 years (2009-2013) because they were years of recession and of instability in the whole Europe, and the period of systemic recession (the first half of the 1990s). Hence, a more pure trajectory, "cleaned" by crises, could be represented by the period 1997-2008.

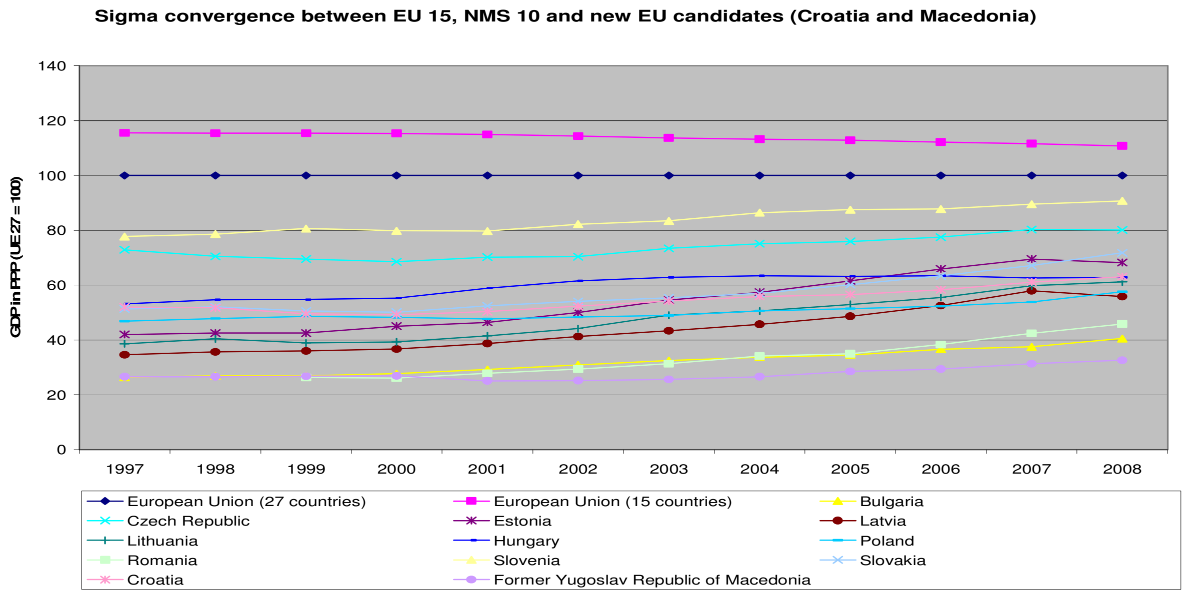
Table 6 - GDP per capita (at PPP) in EU and candidate countries, average

Group of Countries	1997	2008
European Union (27 countries)	100	100
European Union (15 countries)	115.5	110.8
Standard Deviation of income in EU 27	25.5	20.9
GDP per capita in NMS 10 plus Croatia and Macedonia	45.5	60.9

Source: Eurostat 2009

Standard deviation of average income declined and to some extent one can notice a so-called Sigma convergence (the reduction in income dispersion among countries). The figure below shows data for the ten NMS which joined in 2004-2007 and for Croatia which joined the EU in 2013 and for Macedonia (still a EU candidate, very likely the next country to join).

Figure 9 - Income differentials within the New European Union



Source: own elaboration on Eurostat 2009

During this period we could see a limited catching up process between the Old EU and NMS. Interestingly enough, this limited convergence is observable only for NMS and not for the rest of transition economies, where, tests shows, the sigma coefficient did not decline. Very likely, the role of the EU conditionality, before the membership in particular, and the stimulus to reach EU standards had an important impact in the NMS.

However, we have to keep in mind that there are several limitations which stands against the evidence of the absolute convergences. Firstly, we are considering only the period of fast growth of CEEC, after the second half of the 1990s, and excluding the recession period at the beginning of the 1990s which was very consistent throughout ransition economies. As the table below shows, paying attention to the fact that in 1989 the conformation of several countries was different, average GDP in 1989 among CEEC with respect to EU 15 is higher than it was in 1997 (45.5%). Therefore standard deviation, which declined in the last decade, remained at the same level during the previous decade.

Table 7 - GDP per capita (PPP) among Former Communist Economies in % of EU 15

Countries	1989
Bulgaria	35
Czechoslovakia	65
Hungary	57
Poland	38
Romania	39
Yugoslavia	45
Average (of above)	47

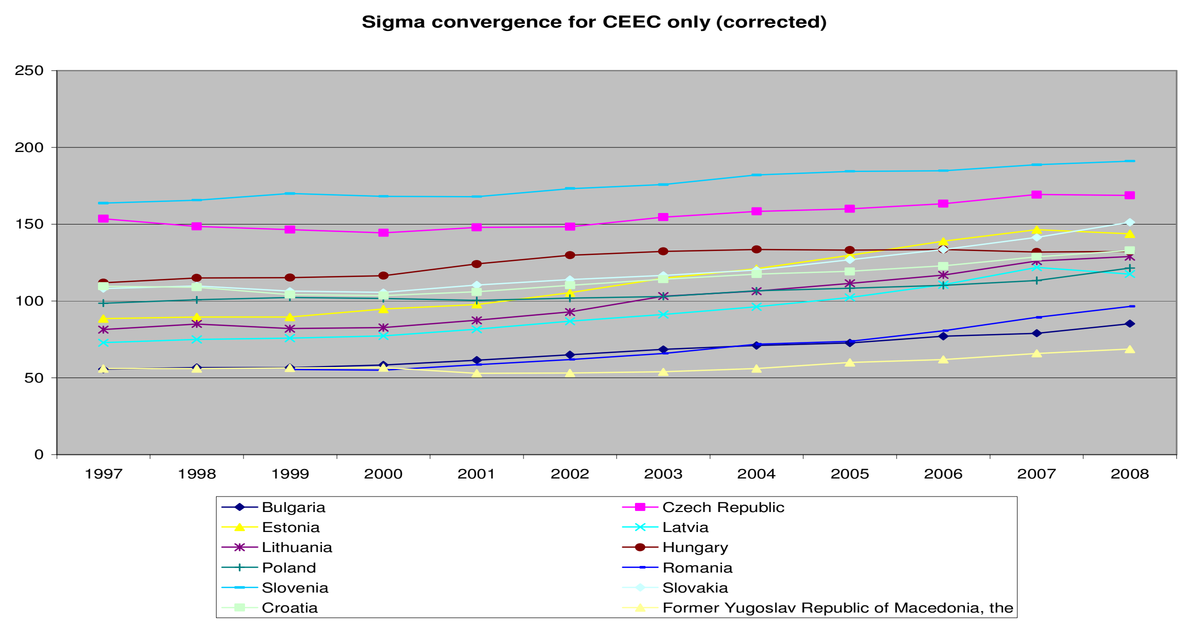
Soviet Union	49

Source: Berend, 2006

Secondly, one could argue that, apart the case of some fast growing countries in the EU15 (such Ireland, Spain, Finland and Greece), the old EU experienced a process of slow growth over the period considered (1997-2008). Hence, the decline in the standard deviation between Old EU and NMS maybe attributed more to EU stagnation than to NMS catching up.

Moreover, on average CEEC increased their GDP per capita, but income differentials among them remained the same. Standard deviation in 1997 among CEEC only, was around 17.3 while in 2008 it was around 16.5. Countries like Czech Republic and Slovenia, with better initial conditions in 1989 are still today much richer than other CEEC, because they grew consistently over the last 2 decades. Countries like Romania and Bulgaria, which were much poorer, are still poorer today. Similar stories apply to Macedonia, Latvia, Lithuania. Poorer countries did not grow faster.

Figure 10 - Income differentials within the New Members States and candidates



Source: own elaboration on Eurostat 2009

Finally, any form of correlation between lower level of GDP and faster growth can be excluded. Such a statement, that poor countries did not grow faster, would be confirmed by a simple regression model which considers the initial GDP per capita of countries (GDP1989) as an independent variable and the rate of growth (*g*) as a dependent variable over the last two decades. A term of error 'ε' and a constant '*a*' is considered in the model, as t is shown by the equation below:

$$g = a - \beta \cdot GDP(1989) + \varepsilon$$

In general, according to neoclassical models of growth, an absolute 'Beta' convergence (i.e. a convergence in the rate of growth) would occur among countries. Poor countries are supposed to grow faster than richer countries. If the results are statistically significant and the Beta coefficient of the model is negative, then an absolute convergence would occur (Sala-i-Martin, 1996): countries which have an initial higher GDP level would grow more slowly than countries with an initial lower level of GDP.

The model above would need to be tested for causality. However, empirical studies across the world and countries on this issue show very controversial evidences and unclear results (Boggio and Serravalli, 2003), and this applies also when transition economies are included in the analysis (Andreff, 1998; Manzocchi and Beatrice, 2001a; Montalbano, 2002; Sarajevs, 2003; Falcetti et al 2006). It is not the objective of this paper to test for causality or to analyse deeply the convergence, which was however excluded by many studies. It is sufficient here to state that correlation between var. GDP1989 and growth 1989-2009 is very weak.

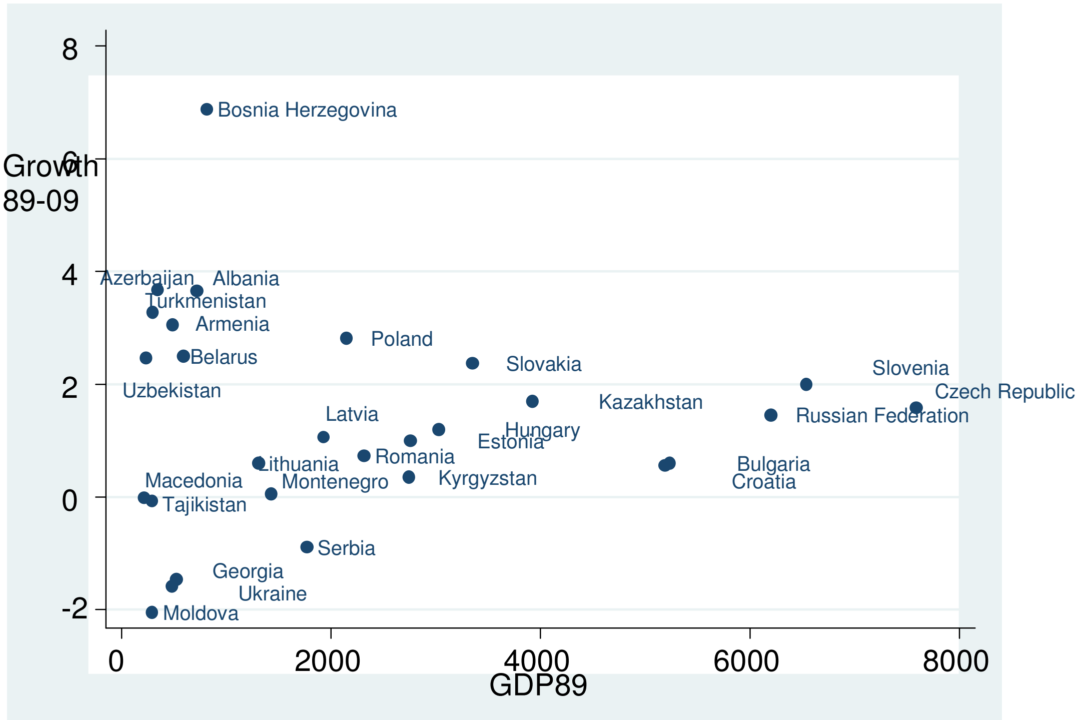
Table 8 – Correlation GDP 1989 and GDP growth 1989-2009

	GDP89	growth 1989-09
GDP89	1.0000	
Growth 1989-09	-0.0088	1.0000

Source: own elaboration on EBRD data

The scatter figure below confirms that an inverse decreasing relation cannot be characterized.

Figure 12 – Scatter GDP 1989 and avg. growth 1989-2009

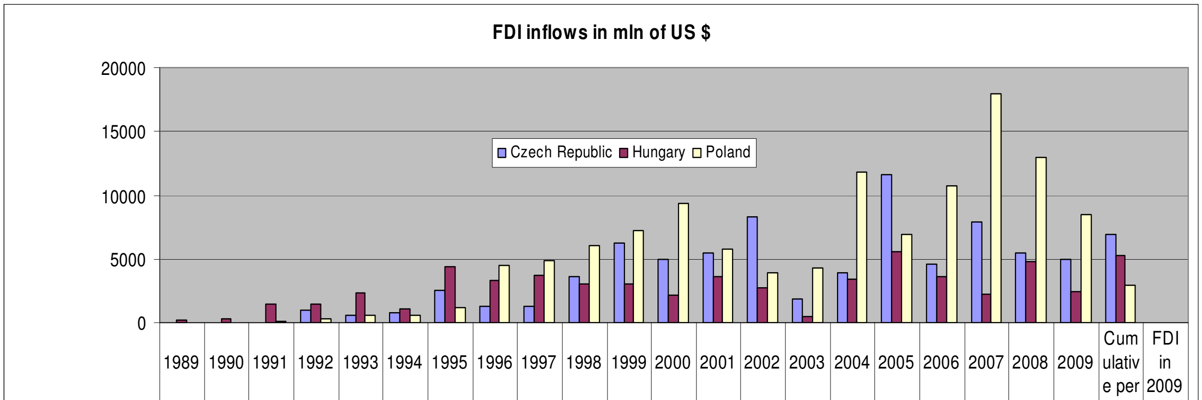


Note: data for Bosnia-Herz. refer to 1996-2008. Source: own elaboration on EBRD data

4. Foreign Direct Investments and international organization constraints

The promise of membership to the EU was a guarantee for foreign entrepreneurs to move their capitals and to set up their business. First of all in Poland, Hungary and the Czech Republic and later in all of CEEC. Hungary, which initially was considered an economically safer country, started first to attract FDI. However, in the second half of the 1990s, when Poland also became a more stable country, together with the Czech Republic, attracted the biggest share of FDI. The graph below describes the evolution of FDI in the three countries which attracted more of them.

Figure 13 - FDI in Poland, Hungary and the Czech Rep during the 1990s and 2000s



	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Cumulative per	FDI in 2009
Czech Republic				983	563	749	2526	1.280	1.259	3.575	6.220	4.942	5.474	8.282	1.814	3.941	11.63	4.598	7.930	5.500	5.000	6.954	4,6
Hungary	187	311	1459	1471	2328	1097	4410	3.335	3.715	3.070	3.060	2.151	3.573	2.722	479	3.405	5.586	3.640	2.197	4.763	2.400	5.314	3,1
Poland			117	284	580	542	1134	4.445	4.863	6.049	7.239	9.327	5.804	3.901	4.284	11.76	6.951	10.72	17.97	12.95	8.500	2.967	2,5

Source: Transition Report, 2001.

Poland is the first country in terms of cumulative FDI, while the Czech Republic has the supremacy in terms of FDI per capita, followed by Hungary. The same can be said with respect to FDI as a percentage of GDP. With regard to the origin of FDI, 39% of cumulative EU flows come from Germany, which was a strong supporter of the eastern enlargement; 15% come from Netherlands and 12% from France. The Italian share is 4%. In terms of number of investment projects, Italy is in second place, with 19% of the total share, while Germany remains in first place with 27% of projects.[6] French flow is mostly concentrated in Poland and Romania while German and Dutch FDI go mainly to Poland, Czech Rep., and Hungary. In the three Baltic countries are mainly concentrated the Scandinavian FDI, while the Italian flows are concentrated in the Balkans and Romania.

FDI have two objectives: 1) to conquer new markets and 2) to use them as productive basis for their further exports. Many multinationals in fact, invested heavily in CEEC during the 1990s in order to build a competitive advantage based on lower labour costs, skilled labour force and marketing positioning. CEEC in less than 10 years became a place for old EU firms, where to delocalize and internalize production (Manzocchi and Beatrice, 2001a; Montalbano, 2002).

International specialization changed consistently thanks to these new flows of FDI in former communist countries. An interaction between job destruction and job creation in EU and in CEEC took place and the effects of it are still taking place. CEEC are countries very close to the core of the old Europe, with a skilled labour force and a mature industrial structure, although it was

[6] This underlines also the pattern of FDI, mainly characterized by small and medium firms in the Italian case.

obsolete at the beginning of the 1990s. A relatively low country risk and the EU membership made these countries very attractive for European investors who enjoy there labour cost equals to half or one third of EU-15 average (Markowski and Jackson 1993). Multinational firms in CEEC are interested to exploit profits coming from different sources such as market size, cheap labour, and natural resources. In the first case, the objective is to conquer new domestic and profitable markets. In the second case, FDI are mostly concentrated in the industrial sector, exploiting lower skilled labour costs. In the last case, the advantages come from investing in the heavy industry where natural resources and raw material can be exploited. In all three cases, the production often is turned towards the exporting sector.

Moreover, CEEC policy to attract FDI was very incisive since they were able to create strategically, special zones where FDI could enjoy advantageous fiscal tax conditions (PAIZ 2001).[7] However, despite the special zones, many FDI go to central zones and capital city/area, where they can also enjoy better infrastructures and higher human capital levels (Litwack and Qian, 1998).

FDI contribute to institutional and structural change. New FDI bring about new forms of management, knowledge, organization, strategies and marketing, new know-how and agencies.[8] They bring new rules to the business and have a huge impact of the economic organization in general. On the basis of the huge literature (Krugman,1998; Rodrik 1995; Irvin and Kroszner 1999; Bevan and Estrin 2000; Helpman, 2006) we can summarize the impact of the FDI in the following ways:

1. Contribute to the surplus in the Balance of Payment
2. Increase exports, because usually FDI are competitive on the market and produce in the exporting sector
3. Increase productivity and competitiveness
4. May have spill over effects and can influence the starting up of new domestic investments and market segments
5. Affect new human capital formation
6. Contribute to change power relation, lobbying systems and challenge business clubs and their organization
7. Contribute to change agent's behaviour, economic rules and institutions.

Together with the attraction of FDI CEEC, in particular Poland, Hungary and the Czech Rep. increased their trade flow with EU. These two factors, FDI and trade, are reported as key factors for

[7] Paiz stands for *Państwowej Agencji Inwestycji Zagranicznych*, in Polish, (Polish Agency for Foreign Investments).
[8] For instance, the Paiz and the PAI (*Polskiej Agencji Informacyjnej* – Polish Agency of Information) were set up with the aim of attract and channel FDI in Poland.

the further development of these three countries in some articles (Manzocchi and Beatrice, 2001a; 2001b). Clearly, evidence is controversial on this topic, and there are economists who argue that FDI contributed to an increase in commercial deficit in some TEs, because foreign investors imported capital goods, technology and other services from their own country in massive amounts (Weresa 1999). However, FDI definitely contributed to integration in the world economy of the new EU member States, which were also affected by other international organizations and international conditionality such as World Trade Organization (WTO) and International Monetary Fund. In fact the new EU member states during the 1990s experienced also a transition towards membership in those organizations as the table below shows. Moreover, during the 2000s new EU member States became also member of NATO.

Table 9 - International Agreements of CEEC during 1990s

	GATT/WTO	**IMF (art.VIII)**	**European Association**	**EU full membership**
Bulgaria	Dec-96	Sept-98	Mar-93	Jan. 2007
Czech Rep.	Jan-95	Oct.-95	Oct.-93	May 2004
Hungary	Jan-95	Jan-96	Dec-91	May 2004
Poland	Jul-95	Jun-95	Dec-91	May 2004
Romania	Jan-95	Mar-98	Feb-93	Jan. 2007
Slovakia	Jan-95	Oct.-95	Oct.-93	May 2004
Slovenia	Jul-95	Sept-95	Jun-96	May 2004
Estonia	Nov-99	Aug-94	Jun-95	May 2004
Latvia	Feb-99	Jun-94	Jun-95	May 2004
Lithuania	May 2001	May-94	Jun-95	May 2004

Source: Transition Report 2001 and European Commission

The European enlargement, according to the Regular Report on Enlargement of 2002, should have initially followed the differentiation between CEEC-Helsinki and CEEC-Luxemburg. According to this differentiation, enlargement to CEEC should be accomplished in two phases. The first phase should include 5 countries as established at the European Council in Luxemburg in 1997.[9] The second phase should include the remaining 5 countries, less advanced in the reform process, as decided at the European Council in Helsinki in 1999[10] (European Commission, Regular Report on Enlargement 2002). However, in the end, the Copenhagen Council in December 2002 decided to extend the first wave of enlargement to CEEC-Luxemburg plus Slovakia, Latvia and Lithuania, in 2004, and to postpone at 2007 the enlargement for Romania and Bulgaria.

[9] Poland, Hungary, the Czech Republic, Slovenia, Estonia.
[10] Bulgaria, Romania, Slovakia, Latvia, Lithuania.

5. The transformation of the trade pattern among the NMS of the EU

The transition of CEEC is sometimes perceived, erroneously, as a transformation towards the "standards" of the EU, meaning with this not only the reduction of gap in the GDP per capita and the convergence towards the levels of GDP per capita of EU but also the catching up in the institutional and social dimension. However, each country has his own path of development which includes transformation and acquisition of institutions and social standards different for each context. It includes also a process of institutional change which in turn contains several features such as the change of economic agents' behaviour, the understanding of particular policy and the radical change of the productive structure, of the rules of production, of the partner trades in the international economy, of the form of competition, of the wage nexus and of the form of money constraints. All this is not made in a short time neither is observed through the growth of GDP[11]. The reduction of income difference, although an important issue, seems too reductive with respect to the most general and complex problem of the economic development of Former Communist Economies.

The surface of the economic development is represented by GDP growth. The analysis of economic development means the explanation of rules, policies and variables which allow for a change in the productive structure of the country, the improvement of living conditions of people, the increasing of all the forms of capital (human, social and physical). This change would have to be accompanied by a coherent institutional change, able to manage the social conflicts and to attenuate the external and international shocks (Rodrik 1999). The institutional dimension should create the appropriate economic environment which allows for individuals to accumulate skills and to firms to accumulate capitals in order to increase output (Jones and Hall 1998), so that adverse selection and bad incentives (i.e., corruption, crime, free-riding, rent-seeking etc) are avoided, transaction costs and opportunism are reduced and greater advantages are created for all.

In CEEC, transition means also the transformation of the trade pattern, which changed radically in the past 20 years. This pattern used to be oriented towards Former Communist Economies only, while now is very much integrated into the EU. In fact in the place of the Former Soviet Union and Comecon one can find today, in the figure of Import-Export, the EU. The very example of this change is Poland, which is the biggest among CEE economies. In 1989 FSR counted for 33% of Polish imports and for 28% of the exports, today, this role is played by

[11]According to some econometric analyses, some catching-up scenario on TEs, foresee a possible convergence in per capita GDP with old EU in 15 years, on average, if CEEC would grow at 6% and old EU at 0%. If CEEC would growth at 3% then, catching up would need 30 years, with zero per cent growth in old EU. Between 20 and 30 years would be needed if EU more realistically would growth at 2% and CEEC at 4% (Montalbano, 2002).

Germany, that counted for 38% of the Polish exports and for 27% of the imports.[12] In 2007, only 5% of the Polish imports came from Russia, and 2.6% of the Polish exports were directed towards it (EIU 2007). Such a pattern, as illustrated below, is very similar to other CEEC. In a way the relation between Germany-Poland-Russia is a paradigmatic example of the European context with respect to the current European political situation and economic influence. For years Poland was alternatively under the domain or the influence of Germany and Russia (Davis, 2001). Nowadays it is "the turn" of Germany, which is the biggest and most important EU economy. Until 1989 was "the turn" of Russia; and usually in Europe, the country which controls Poland has the main influence in the Central and Eastern Europe (Davis, 2001).

Table 10 - Main trade partners of CEEC (% of total) in 2007

Export to		Import from	
GERMANY	37,1%	GERMANY	26,2%
ITALY	7,5%	ITALY	10,4%
NETHERLANDS	6,3%	FRANCE	7,8%
FRANCE	5,8%	RUSSIA	6,9%
UNITED KINGDOM	5%	UNITED KINGDOM	5,6%

Source: EIU, 2007

The structural change occurred in the economy of the CEEC made possible the change in the trade pattern and today those economies are fully part of the EU single market. However they had to change production, to restructure their economies, to transform their productive infrastructure. During the 1990s went through high social costs in term of unemployment. Most of CEEC had an international specialization functional to Comecon[13] needs and to FSR requirements. The heavy industry was the most important industry in most of CEEC. Therefore the change towards the more diversified EU pattern was very costly because it had to adjust to EU demand and technical norms.

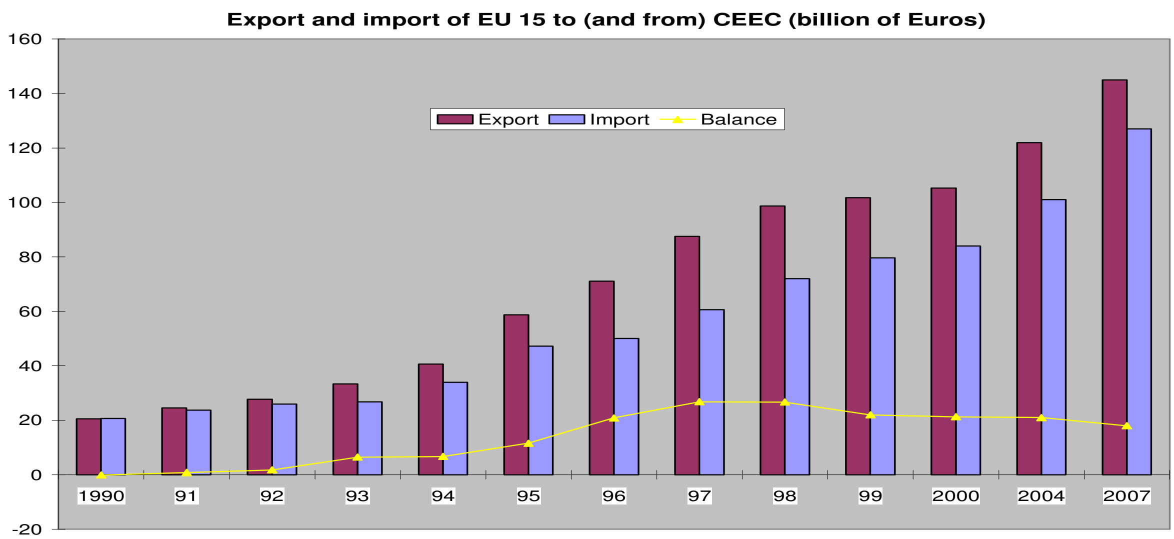
The new model encompasses the possibility to export high technology products and services with higher value added. Moreover, the EU membership requires continuously investments in innovation and organization in order to maintain high level of competition able to compete with old EU firms. For some countries such as Poland and Romania, this means also the restructuring of the agricultural sector characterised by an high levels of employment (around 25%-30%) and by a lower levels of productivity, with a percentage of the agriculture sector on GDP equal to 5%, as the one of Hungary and the Czech Republic which however employ in the agricultural sector a much smaller percentage of people (around 6%). For all new member States it meant to restructure big former SOEs and to attract foreign capitals able to innovate and to foster productivity.

[12] Economist Intelligence Unit (2001).

[13] Comecon (or CMEA) was the former communist commonwealth for free trade, similar to the European Economic Communities, among Former Soviet Republics and the other communist economies.

The EU plays today the main role in the import-export flow of CEEC (see figure below). The flow of trade between EU and CEEC has increased enormously. Already at the end of the 1990s, it represented 70% of the CEEC flows. The balance is slightly in favour of the EU. All the CEEC have been opened to the international trade and converged towards EU average tariff levels. Small countries like the Czech Rep., Slovakia and Estonia are very open economies, with a model more and more oriented towards a export-led type, while Poland Romania and Bulgaria remain a bit closer. However, all of them have abolished all the restrictions between them and EU on 1st January 2003 and have adopted a Common Foreign Tariff (CFT) towards third countries at 3%.

Figure 14 - Trade EU-CEEC, 1990-2007



Source: Eurostat

The change in the model of trade is fundamental because it involves also norms and behaviour of agents who were not familiar with new import-export rules, international demand, technical requirement, marketing, strategies of sale, etc (MacBean 2000). The impact of the integration in the EU and the world economy is therefore huge from an economic point of view and from an institutional point of view. Trade balance, as the figure above shows, is in favour of the old EU 15, which exports more than what import from CEEC. This is to underline a better competitiveness of old EU versus CEEC. The opening of trade brings about pressure and world-wide competition which modifies the domestic issues, power relations within national economic powers and policy preferences, increasing the danger for the social cohesion. Therefore, social institutions which would be able to attenuate social conflicts and to manage new power forces are necessary in order to keep social peace and to lower social costs (Rodrik 1999).

Conclusion

The transformation of TEs has been profound and recession has been severe, both in CEEC and in FSR. However most of CEEC started a more consistent process of economic development which did not happen in most of FSR. Reasons for that are several. One of the reasons which was analysed in this paper is the EU conditionality and membership which played a positive role for most of CEEC.

In fact, the impact of EU on CEEC has been very important during transition in particular in terms of FDI, trade, political transformation and democracy which were promoted by the EU perspective of membership. Likely, more FDI, and trade with EU 15, along with EU aids, contributed to a faster GDP recovery in CEEC than in FSR which were not affected by EU membership.

In terms of foreign relations, the eastern enlargement modified the EU approach towards the Former Soviet Republic too. Moreover, the access to the EU of Easter countries shifted more to the East not only the EU border but also the EU perspective and the approach towards Ukraine, Belarus, Caucasus Republics which some decade ago were not even considered part of European affairs. On the contrary, today a perspective for these countries, in particular for Ukraine and Belarus, of being part, in the future, of the European Union, is no longer impossible.

Politically, the transition from the single-party system existing in the previous regime towards the multi-party system of the current regime, was more successful in CEEC than in FSR: higher levels of democracy, freedom, political rights and civil liberties are observed in CEEC with respect to FSR. Obviously, in this sphere, probably more than in the economic sphere, the positive influence and conditionality of EU membership was stronger.

Finally, although it is possible to observe, to some extent, a sigma convergence with a reduction of income dispersion between NMS and EU 15, it is not possible to observe a Beta convergence among EU 28 Member States in the period analysed.

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