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**THESIS**

**STILL DIVIDED: SECURITY IN THE CENTRAL AND  
EAST EUROPEAN MULTI-PACED DEMOCRATIZATION  
PROCESS**

by

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STILL DIVIDED: SECURITY IN THE CENTRAL AND EAST EUROPEAN  
MULTI-PACED DEMOCRATIZATION PROCESS

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Submitted in partial fulfillment of the  
requirements for the degree of

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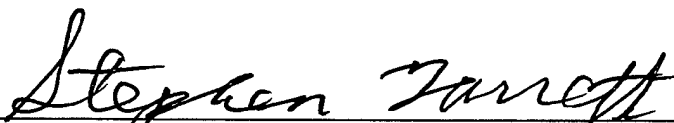
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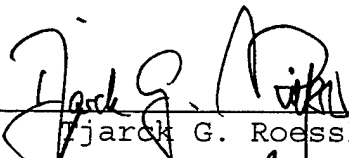


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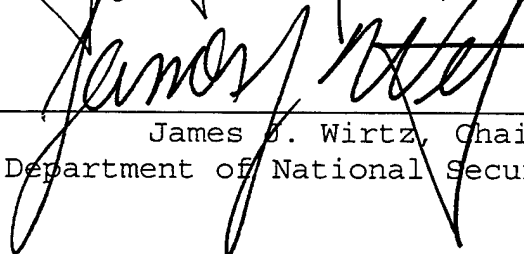
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## ABSTRACT

A few years ago it became apparent that democratization processes in East and Central Europe (ECE) diverges; both façade and consolidated democracies emerged. There are several implications of this new dividing line in Europe; this thesis focuses on the security consequences. Why did some democratic processes become successful, and others did not? What went wrong and what are the lessons learned? Experiences learned from democratic consolidations and the preceding transition period in ECE are useful not only in the further democratization in the region, but also in other parts of the world.

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## EXECUTIVE SUMMARY

The democratization processes in Eastern and Central Europe has diverges: façade democracies and consolidated democracies emerged. This thesis focuses on the security consequences of this new dividing line in Europe.

Why did some democratic processes become successful, and others did not? What went wrong and what are the lessons learned? Might they be useful for future democratic consolidations?

This thesis suggests that since strengthening democratization has positive results on the stability of the region, resources must be used effectively in order to guarantee European stability for all. This effectiveness is still missing from the decision-making process to consolidate democracies. The European Union's Stability Pact initiative is the first well-grounded, effective targeted effort in aiding the democratization process.

Experiences learned from the democratic consolidations, and the preceding transition period especially in Eastern and Central Europe, might be useful

not only in the further democratization of countries in the region, but also in other parts of the world.

There is a proposed U.S. law in May 2001 to strengthen democracy in Cuba by sending dissidents money and equipment. U.S. Senators Jesse Helms and Joseph Lieberman introduced legislation to provide \$100 million in assistance to dissident and other nongovernmental groups in Cuba over a period of four years. The legislation would authorize the president to send cash, food, medicine, telephones, fax machines and other items to nongovernmental groups in Cuba, which would then distribute the aid. Is it impossible to implement this plan as opposition leaders on the Communist island have said, or not? If not, how will these efforts contribute to the weakening of the regime, and what will be the consequences? In 1996, Hungarian members of the Parliament had secret meetings with representatives of the Cuban reform movement to examine the Hungarian transition to democracy, which might support and stabilize a possible future systemic change. More recently, Czech politicians were arrested in Cuba for the same reason.

This thesis focuses on the important elements of consolidating democracies and their security consequences.

Why are parliamentary systems more effective? Why are central-right governments in a better position in the democratization and stabilization process of the region? Why are economic preconditions more vital in Eastern and Central Europe than anywhere else? Case studies have examined the experiences of democratization processes. This thesis also examines what went wrong and how to reverse negative processes. To better understand them, the author usually examines them at the sub-state level including such topics as tendencies in societies, and personalities of the leaders.

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## I. INTRODUCTION

Ten years after the collapse of communism and the first free democratic elections in Eastern and Central Europe, the successes and failures of the democratic consolidation and their security consequences for the countries of the region are apparent. Each of these countries has made significant changes in the functions of the state: new political orientations; new economic policies; and new international relations. New inter- and intra-state boundaries have been created, while new internal and external problems and threats have arisen.

This thesis examines the three outcomes of domestic systemic changes. These are the successful transitions, which created true democracies in some countries of the region; the unfinished transitions, which resulted in façade democracies; and the failed transitions of the new authoritarian regimes. This analysis, however, is not an overall assessment of these different processes, but focuses on the main reasons for the failures and the resulting regional security consequences.

With the collapse of the socialist systems in the communist part of Europe, the West linked the future



security of the region to the effectiveness of the democratic consolidation and the stability of the new democracies. Therefore, mature Western democracies made huge efforts, and even significant financial contributions to strengthen the infant democratic institutions and state structures. Ten years have passed and a lot of work has been done, but these countries, are still far from being stable democracies. We must understand the reasons why. Our accumulated knowledge makes it possible to assess and give suggestions about the democratization processes. The last ten years have proven that outcomes of the reforms could be very different. Successful democracies can emerge, new authoritarian regimes can be born, or quasi-democracies can exist for a long time.

This analysis, based on the different experiences of the countries of the region, gives a useful tool in weakening authoritarian regimes and promoting stable democracies. In 1996, Hungarian members of the Parliament had secret meetings with the representatives of the Cuban reform leaders to examine the Hungarian transition to democracy, which might support and stabilize a possible future systemic change in Cuba. More recently, Czech politicians were arrested in Cuba for the same reason. The

aim of the thesis is to review the most important experiences and academic theories about what western democracies should or should not do to strengthen democracies, if such a comparable political change from an authoritarian or totalitarian regime into democracy is possible. The countries of Eastern Europe also can learn from these cases of successful transitions, and follow their examples in the future.

Although this thesis uses many theories from comparative politics, it also connects these results to security issues. How is this done?

A state and sub-state level analysis is used in the thesis to better understand the region and its stability problems. The international level of analysis is not capable of providing an adequate description of the problems: the future of European security is less likely to depend on NATO-Russian cooperation or landmine treaties for example, and more on the Lukasenkos, Iliescus, and Zirinovskys, their perceptions and regional, domestic policy issues. There are examples included from contemporary developments in these countries, which can be interpreted as internally destabilizing, and since they are closely linked, especially in this region to such issues as

minorities, the environment or economics, they also involve threats to external stability.

This in-depth analysis is key to better understand the region. No predictions, security analysis or investment plans can be made without it. Stable democracies are essential for the stability of the region. A new authoritarian regime, or a return to the old systems, would create a very complicated and dangerous situation, and the chance of this re-emergence of new non-democratic forms of state is likely high. Eastern Europe is on the edge, and not only its own future depends on the effectiveness of democratic change but that of the entire region and possibly the world as well.

## II. SHORT HISTORY OF THE EAST AND CENTRAL EUROPEAN DEMOCRATIZATION PROCESSES AND THEIR SECURITY CONSEQUENCES

### A. SECURITY IN THE NEW ERA

Academic publications about the origins of the failure of communism in Central and Eastern Europe give broad and detailed descriptions of the destructive processes that resulted in a new disorder by the end of the 1980s. Leading transition and democratization theorists suggest that 1985 should be considered as the turning point of the democratization processes. When Gorbachev and his supporters became convinced that the Soviet Union was in a stage of dangerous stagnation requiring deep restructuring<sup>1</sup>, the most reluctant communist satellites, Hungary, Poland and Czechoslovakia, since 1956, 1981, and 1968 respectively, had gained the most important stimulation for their long suppressed desire for self-determination and democratization. With "perestroika" and "glasnost", the possibility for military and political intervention in Eastern and Central Europe significantly decreased. From as

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<sup>1</sup> There are numerous reasons why communism failed. It is not intended to examine these in details. A wide range of studies details all the economic, political, social and cultural consequences of the planned economy and one party system, such as the huge defense expenditures (23 percent in the USSR), the lack of competition, the low R+D with relative high consumption, the role of the West in weakening these regimes, and the apathy of the people. These are just small vectors, but all lead in the same direction of system failure.

early as November 1986, Eastern and Central European communist leaders were told that the Soviet Union would not use force to uphold their rule.<sup>2</sup> The reason for this was that the Soviet Union had lost its legitimacy to stop the reform communists or resurgent civil society in the satellite countries. Earlier, Soviet troops were "asked" to intervene, which made it legitimate to stop the revolutions<sup>3</sup>, but the success of perestroika and glasnost had priority. The survival of communism itself depended on reforms, which established the system's new limitations. Robert Dahl stated this important factor in his famous axiom: "the cost of intervention was greater than the cost of toleration."<sup>4</sup> With the disappearance of the legitimacy of Soviet intervention, by the end of 1988, only two factors remained which could have altered the democratization in the satellites. These were the leaders of the communist regime in the given country, or the hard liners in Moscow in case of Gorbachev's fall. From that time onward, the

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<sup>2</sup> "Gorbachev gravely underestimated how illegitimate and unpopular many of the regimes were and how destabilizing the combination of his statements in favor of glasnost and perestroika and against Soviet military intervention would be." Linz and Stephan: "Problems of Democratic Transition and Consolidation" (p. 242).

<sup>3</sup> Politically, it became official ideology with the Brezhnev Doctrine in 1968: "The sovereignty of independent socialist countries can not be set against the interest of world socialism and the world revolutionary movement" (Mark Kremer: "Beyond the Brezhnev Doctrine: A new Era in Soviet-East Relations?" International Security, Winter, 1989-90).

<sup>4</sup> Robert Dahl: "Polyarchy: Participation and Opposition" (Yale University Press, 1971).

outcome of democratization in each country depended mostly on internal developments.

The events of the transitions unfolded in a fortunate manner, and the Eastern and Central European process is a more or less successful part of the fourth wave of democratization. In the last decade, several studies have analyzed all aspects of the systemic changes in the new, infant democracies. None of these analyses, at the same time, forget to mention the fact that euphoric expectations, which predicted a great new era with democratic transition, and calm, balanced, peaceful development, quickly became illusions rather than probable futures. These visions had resulted in the same optimism among security analysts. Fukuyama's argument that democracy's extension was leading to "the end of history" and the "diminution of the likelihood of large-scale conflict between states"<sup>5</sup> was based on the 'Peaceful

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<sup>5</sup> Francis Fukuyama: "The End of History?", National Interest 16, (Summer, 1989. p. 18.)

Democracies' theory, and overall was accepted by the academic world.<sup>6</sup>

The proposition that democracies are more peaceful in general was first put forth by 18<sup>th</sup> century German philosopher Immanuel Kant, who observed: "citizens... will have a great hesitation in... calling down on themselves all the miseries of war."<sup>7</sup> Bruce Russett plumbed the democratic peace theory with statistical tests, and found that "the more democratic [two states are] the less likely is conflict between them."<sup>8</sup> He also found, that while democracies rarely fight one another, they often go to war against authoritarian regimes.<sup>9</sup>

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<sup>6</sup> George Kennan made a quite contrary claim, stating, that once it made up its mind, "a democracy... fights in anger to the bitter end", but is quick to compromise and to forgive (Kennan: *American Diplomacy, 1900-1950*. p.59). Gottfried and Buchanan have both cited democratic England's declaration of war against democratic Finland in WWII, but no fighting ensued between them, therefore this formal act proves the rule. (Joshua Muravcik: "Promoting Peace Through Democracy" in "Managing Global Chaos", US. Institute of Peace, 1999. p. 574.) The commitment of democratic Lebanon in the Israel-Arab conflict of 1948 gives another example of peaceful democracies. Lebanon did only a little fighting, since it was dragged into the conflict by its authoritarian allies.

<sup>7</sup> Cited in Michael W. Doyle: "Liberalism and World Politics" (p.1160), *American Political Science Review* (December, 1986).

<sup>8</sup> Russett: "Grasping the Democratic Peace" (p.86), Princeton, N.J.: Princeton University Press, 1993). Colonialism is a great example of this. The European powers conquered most of Africa and Asia and continued to hold their prizes as Europe democratized. This democratization process just strengthens the 'peaceful democracies' theory: colonialism was a legacy of Europe's pre-democratic times, and it was abandoned after WWII.

<sup>9</sup> The problem with this, and other similar statements is that they do not examine the question of who started or caused the war. Therefore, the Gulf War, for example, besides the American interests other than promoting and defending stability, does not contradict the peaceful democracies theory.

In history, there has been no case where liberal democracies have initiated warfare without significant provocation or for reasons of sheer aggrandizement.<sup>10</sup> Please note, however, that it is important to distinguish mature, well-consolidated liberal democracies from other façade ones which are electoral or delegative in nature. This recognition is clearly made by Edward G. Mansfield and Jack Snyder, who claim statistical support for the proposition that while fully-fledged democracies may be pacific, "in the transitional phase of democratization, countries become more aggressive and war-prone, not less."<sup>11</sup>

Based on this theoretical approach of 'peace-making', stability in those regions where democracies are not consolidated might be successfully guaranteed with further democratization. The Eastern and Central European experiences in the last decade also prove the relevance of the peaceful democracies theory, both from negative and positive perspectives. The most successful countries enjoy (three of them are even members of NATO) and contribute to

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<sup>10</sup> Juan Linz states that these democracies are the form of government least likely to violate human rights, but they may do so under stress or when confronted with terrorist or antisystem challenges. They need to act early and creatively to meet potential challenges if they are to preserve their liberal character. Linz: "Types of Political Regime and Respect for Human Rights: Historical and Cross-National Perspectives", Scandinavian University Press, 1996), p. 186.

<sup>11</sup> Mansfield and Snyder: "Democratization and War", Foreign Affairs, no.3. (May-June 1995).



the stability and security of the region, while others faced or still face internal and external conflicts. This difference originates from the multi-paced democratization process, which created a new dividing line in Europe during the last ten years.

It can be said that Europe today is a geographically defined continent consisting of nation states, sharing (a) a common history of different cultures and languages, (b) universal norms of civilization, human values and (c) a leading but not homogenous religion (Christianity). They are an economic and political entity of democratic and secular countries under an inward and outward unification process.

Due to some of these particulars, Europe has always been, and still is divided. This multi-paced democratization process, which means a different efficiency in democratic consolidation in the relevant countries, is happening today. The new Central Europe<sup>12</sup>, formed by Poland, the Czech Republic, Slovakia, Hungary, Slovenia and the

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<sup>12</sup> A decade after the hegemonic and ideological division of Europe, just like during the Cold War, the terms of "Western", "Central" and "Eastern" Europe are emotional, and not geographical attributions, reflecting the democratic "gap" among these regions. This is clearly expressed, although arguable by all the comparative politics theorists: "Freedom levels recede as one moves east and south... As one moves toward the rim of the former Soviet Union... elections themselves become increasingly hollow and noncompetitive." Larry Diamond: "Developing Democracy Toward Consolidation", p. 53-54, The Johns Hopkins University, 1999.

Baltic States could transform into stable democracies, while countries of the Eastern and South-Eastern part of the continent still face different difficulties during their systemic change.

#### **B. THE SUCCESSFUL TRANSITIONS**

The democracies of the world are counted every year by different organizations and publications, based on electoralism, i.e., on the minimal precondition of "free elections". Even the simple fact that the number of democracies may change year by year shows the absurdity of this approach. Electoralism as a definition of democracy cannot avoid leaving a "gray zone" of "dubious" democracies against "genuine" democracies with "fairly elected governments." To avoid the trap of electoralism with façade democracies, Bingham Powell has introduced the term of "working democracies" with a set of precise preconditions<sup>13</sup>. Based on factors other than free and fair elections<sup>14</sup>, Freedom House annually rates political rights and civil liberties for the nations of the world, using a seven point

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<sup>13</sup> Bingham Powell: "Contemporary Democracies, Participation, Stability and Violence" (Cambridge, Mass.-London: Harvard U. P., 1982, pp. 3-4).

<sup>14</sup> These factors construe numerous characteristics of the given state, like minority rights, women in the society, individual freedoms... These factors are not constant. As democracy penetrates into new areas the Freedom House adopts them. In their latest assessment, the freedom of the Internet was introduced as a new factor.

scale system.<sup>15</sup> The Eastern and Central European processes in the last ten years resulted in different outcomes (See Appendix A). The Czech Republic, Hungary, and Poland are the most successful countries in this transition process, but others, such as Slovenia, Slovakia and the Baltic States, are also ranked as 'free' countries by Freedom House. Democratic evolution has always included some back and forth movements, rather than a smooth progression. During the euphoric years of the 90s, many theorists argued the faster the better, but this idea has failed.

Freedom scores of the most successful ECE countries during the last ten years have radically decreased (the smaller number means more democracy), reflecting their achievement in the consolidation process. Which components, however, result in success, and which ones are preventive?

Juan J. Linz and Alfred Stepan identified "five reinforcing arenas of a modern consolidated democratic polity concerning civil society, political society, rule of law, the state apparatus and economic society."<sup>16</sup> Are these arenas also weakening consolidated, totalitarian and

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<sup>15</sup> Number 1 indicates the most free and 7 the least free. Under 2.5, the given country is considered free, between 3 and 5.5 partly free, and between 5.5 and 7 "not free". [Http://www.freedomhouse.org](http://www.freedomhouse.org).

<sup>16</sup> Linz and Stepan: "Problems of Democratic Transition and Consolidation" (p. 244), Hopkins University Press, 1996.

authoritarian regimes? How important are transition periods (first phase) to well-grounded consolidations (second phase)?

From this prospective, in the embryonic period of these democracies, the prospect for a successful transition depended on a limited liberalism of the system<sup>17</sup>. In Hungary, when the Hungarian Working People's Party, which was the name of the ruling party after the absorption of Social Democratic Party, and the remaining bigger parties, such as the Independent Smallholders' Party and the National Peasant Party, as well as the big social organizations such as the Trade Union Federation, the Association of the Working Peasants, the Democratic Women's Association and the Federation of the Working Youth, were merged into the Hungarian People's Independence Front in 1949, all formal legal features of the previous multiparty system disappeared. In Czechoslovakia, the National Front incorporated the remaining parties of the Czechoslovak Socialist Party, the Czechoslovak People's Party, the Slovak Reconstruction Party and the Slovak Freedom Party, and the trade unions as well as the youth and other social

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<sup>17</sup> Communism was not totally suppressive everywhere. There were, although limited in numbers, participants, other than the Communist Party, which could influence the decision-making processes (Academy of Sciences, Economic University...) specially in Poland and Hungary.

organizations under the leadership of the Communist Party of Czechoslovakia. However, these parties retained their social and political existence and would later play a role during the democratic transition. This was even more so in Poland, where the multiparty system had its most open manifestation in the Eastern and Central European countries. The 1983 Constitution defined the position of the political parties as follows: "The alliance and cooperation of the Polish United Worker's Party with the United Peasant Party and the Democratic Party in the construction of socialism and their cooperation with those social organizations and associations that are grounded in the principles of the system of the Polish People's Republic form the basis of the Patriotic Movement of National Renaissance."<sup>18</sup> The PRON, previously the National Unity Front, played the role of the umbrella organization in Poland, but the parties had more social and political functions and visibility than in other countries, so their role was also more marked in the long political transition.

Although communist regimes in these three countries were hegemonic, the limited democracy gave some minor and fragile autonomy for the Civil Society (first arena of Linz

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<sup>18</sup> The Statesman's Yearbook, 122nd edition (edited by J. Paxton), London: Macmillan, 1985, p. 993.

and Stephan) and a possibility for a political opening. This is the main reason why there could be a turn towards democracy. In the beginning, informal political groupings and emergent organizations were defined around ideological and interpersonal questions rather than in terms of a struggle between the ruling elite and its opposition. These groups did not directly attack the ruling élites, but by raising consciousness, they effectively undermined the legitimacy of the regime and deepened the anti-regime feelings of the population.<sup>19</sup> The Hungarian and Polish examples prove that democratic change does not necessary originate from political or ideological opposition or the Political Society itself (second arena), but that there are other factors which might hurt the non-democratic elite (raising consciousness within religious groups in China). Later, of course, human rights and democratic freedoms were the central ideological demands of the opposition, but non-ideological and non-political debates significantly weakened the communist regime. These experiences prove that the western policy of criticizing human rights issues in China, North Korea, Cuba, or other countries will not be

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<sup>19</sup> In Hungary for instance, organized monthly cultural programs, fund raising activities to distribute them to the poor, environmentalist movements against the planned dam on the Danube and new highways through living areas raised the population's consciousness and demand for more democratic decision making.

effective without using the principle of gradualism and the strengthening<sup>20</sup> of the internal democratic forces of the Civil Society.

The slow process of democratization provided several advantages for Czechoslovakia, Hungary and Poland, and it proved the irrelevance of the "faster the better" idea. First of all, there was enough time to "produce" new leaders who were real democratic "enthusiasts". The fact that transitions were in the hands of the intelligentsia guaranteed that the process of democratization in these countries was well considered, gradual and most of all stable, without any sign of violence<sup>21</sup>. Although much slower than in other countries of the region, this slow transformation also resulted in another important element of a stable democracy. The "no other alternative" principle concerning capitalism and democracy was well planted in the

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<sup>20</sup> Strengthening these democratic forces is not as hard as many analysts suppose. Radio Free Europe had significant results in weakening the regime, but the Semizdat culture, the 'Flying Universities' and other domestic initiations were highly motivated. Networking opposition forces in the age of information technologies is also effective, because it increases their power. As early as 1987, there were 10,000 people, and not only environmentalists of course, demonstrating in front of the Hungarian Parliament against building a dam on the Danube. Connecting opposition forces in the age of information technologies is very simple.

<sup>21</sup> Reform parties, with changes in their support from the population of course, are still in the National Assemblies today, which provides one of the most important stabilizing factors of the successful democracies: the political elite is full of the guardians of democracy. In the case of Hungary, even the most nationalist force, the Hungarian Truth and Life Party, with 5% of the electoral votes in the Parliament, is led by Istvan Csurka, a key figure in the transition process.

people's mind, which determined their positive attitudes towards democratization and against extremist and non-democratic ideas. This sociologically deeper transformation of the population in the previous decades gave them a head start towards the transition and guaranteed stability later on.

The next positive result of the slow reform is the increase in more democratic forces, parties and more charismatic leaders. Therefore, infant democracies became multiplayers in nature<sup>22</sup>, effectively preventing a new totalitarian or authoritarian regime. Bingham Powell has emphasized the close correlation between democracy and party systems: "a strong system of political parties is essential for a strong democracy."<sup>23</sup> In the new wave of democratization, the experiences have shown that the particular political system - parliamentary versus

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<sup>22</sup> In many scholars' view, the reason why these countries chose parliamentary, instead of presidential systems is historical. Before communism, in the short-lived democracy, several parties participated in the political arena, which, with the weakening of the regime, reestablished themselves at the end of the eighties. However, the real reason is that the opposition had enough time to fragment based on their ideologies (liberalism, social-democratism, conservatism...).

<sup>23</sup> G. Bingham Powell: "Contemporary Democracies, Participation, Stability and Violence", Cambridge, Mass.-London: Harvard U. P., 1982, p. 7.



presidential - makes a big difference<sup>24</sup>. Those countries, which have succeeded in creating a working parliamentary democracy, have been consolidated<sup>25</sup>. The other ones, however, which have chosen the presidential way of transition, have failed (Ukraine, Belarus). For the ruling parties, the presidency was a model for maintaining a strong role in the face of parliamentary politics as in the cases of Byelorussia and the Ukraine. "Latin-American type" presidents with weak parliaments lead to submissive legislatures, façade democracies and finally to the breakdown of democracy. Strong parliaments and weak governments, in turn, can produce unstable, chaotic transition processes.

The issues of parliamentary versus presidential democracy and the right checks and balances therefore will

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<sup>24</sup> The advantage of a consensus democracy vs. majoritarian has been discussed in the 1980s, first of all by A. Lijphart: "The presidential election 'game' has a zero-sum character, whereas a parliamentary system offers the possibility of dividing the outcomes. Parliamentary elections present many options: formation of coalition governments; cooperation between government and opposition in the legislative process, either overtly or covertly; and the potential gains by opposition parties in successive elections... This reduces the frustrations of the loser, creates expectations for the future, and often allows the loser a share in power. In the presidential system, in which the winner of a plurality of 33.1 percent gains control of the executive office... the opposition is likely to feel impotent and even enraged." Cited in Attila Agh: "The parliamentary way to democracy the case of Hungary", Budapest Papers on Democratic Transition No. 2. 1991.

<sup>25</sup> The presidential elections are not direct elections in most of the successful reform countries such as in the Czech Republic, Hungary, Latvia, Estonia, Lithuania, Slovakia. Only in Poland and Slovenia do people and not the legislatures elect the president. At the same time, a strong government and a prime minister is not an overall solution in the case of the powerful Slovakian Prime Minister Meciar for instance. The emphasis is on the right checks and balances.

be, no doubt, decisive also for the fate of the emerging democracies in Eastern and Central Europe and in the Third World. The successful countries could fulfill these two tasks in different ways. In Hungary, the goal of the agreement between the parliamentary parties was to stabilize the new democracy and make governability smoother. Therefore, the scope of the legislation requiring a two-thirds majority in the Parliament was significantly reduced, so the government strengthened significantly relative to the parliament. Second, they agreed to the election of the President of the Republic by the Parliament, which created a weak presidency.

Of course, multiparty systems need parties. The most difficult, but very important compromise between the ruling elite and the opposition was to establish the legal framework for these new parties. This meant the end of the one-party system<sup>26</sup>, and only the Hungarian and the Polish cases offer such a characteristic of democratic change. With this document, it became more advantageous for all the political actors to get registered as parties and not to remain socio-political organizations of any other type. The

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<sup>26</sup> At a relatively early date, in October 1989 a law was passed by the Hungarian parliament regulating the workings and finances of parties. This law provided a legal framework for giving substantial financial assistance to all registered parties according to the size of memberships. Scholars refer to this event as the "death warrant" of the communist parties, signed by themselves.

situation of the new parties, in general, was worsened by the small groups of émigrés returning home with the "radical" slogans of the elderly who had been isolated from their native countries for decades and had outdated, "frozen" ideas, but sought revenge and recompensation<sup>27</sup>. These "few men shows" created many marginal mini-parties, jaded political life, and in most cases, deterred people from politics.

The most obvious problem with "controlled" transitions was that elite-parties were too far from the population, and therefore, the first democratic elections created a new elite - although democratic in nature -, rather than the people's rule. The genetic defect of the new party systems was that almost all parties claimed to represent the whole nation directly and without any attention being paid to special interests groups, strata and classes. Therefore, they were exclusionist and over-competitive, faceless enough to the population to not identify with a solid party, which increased the level of apathy of the population towards politics. Parties have evolved since and created their "faces" representing their voters, but for a

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<sup>27</sup> The role of immigrants in the systemic change is one of the most important undiscovered research areas, which should provide further lessons. There are large Cuban, Vietnamese, Chinese immigrant populations, and their role in the transition or consolidation process would be decisive.

couple of years, they could not really manage their penetration into the social life by mobilizing the masses into their parties or by engaging in a dialogue with different strata and classes. The "movement-party", which is a term used widely in the political science literature for Poland and the former Czechoslovakia, expresses also the contradiction that these huge national liberation movements could mobilize the population for national priorities but not for particular party interests.

After the first democratic elections, the survivors reacted angrily, essentially in all cases. They turned fiercely against all the other actors, parties or political organizations of any type. They monopolized the political scene legally-constitutionally by establishing prerogatives for the parliamentary parties, concentrated all the resources in their own hands, and secured their privileged access to the media, knowing all too well that visibility and publicity are the crucial issues for the new parties. Although it eliminated the biggest danger of overfragmentation for the emerging party system<sup>28</sup>, which was

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<sup>28</sup> At the end of 1991 in Czechoslovakia, there were 79 registered parties, out of which 29 were active in the whole country. In Hungary, at the end of 1989 about 120 parties, out of which 66 registered and finally six have become parliamentary parties. On the contrary, the overfragmented polish party system after the elections began a coalition-building exercise to unify some parties. After the parliamentary elections, 29 parties and groupings took their seats in the Sejm and the formation of a stable government became a fundamental problem.

only lessened by and after the elections in the Czech Republic, Slovakia and Poland and solved only in Hungary, this cruel natural selection of the political organizations was necessary and unavoidable (it endangered the stability of the government, as it happened in Romania - see later) but excessive and counter-productive. The selfishness of the parliamentary parties and their eagerness to become the only actors in the political game isolated them even more from their societies<sup>29</sup>. As another consequence, this "political cleansing" hardens the acceptance of the defeat, which is a key issue in stabilizing democracies. It increased the frustrations of the losers of the first elections, forcing them to use the same method of unfairness to protect themselves.

It is more threatening, however, that since these parties were so weak in the social "wilderness", they preferred their privileged existence in the parliament, turning it into a political theater of sensational political fights. It not just significantly weakens its effectiveness, and thereby jeopardizes the democratic consolidation (see the Romanian case later), but in the

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<sup>29</sup> As a result of this, and the distance between the elite and the population, in 1990 the most frequent answer for the question "Why you have interest in politics?" in Hungary was that "I have interest in politics because of my worsening standard of living." (56 per cent) and only 8 per cent answered with a general interest in politics.

worst-case scenario, the parliament is unable to fulfill one of its most important tasks, which is that of representing all segments of the population. This can lead to instability and civil wars. (See the Moldovan case in Chapter II.)

Moreover, re-establishing the legislature is a very significant factor for Eastern and Central European democratization. It could be said that democratization equals parliamentarization. During the communist regimes, the National Assemblies played a very limited "puppet show" role, and were subordinated to the ruling party. After the first elections, parliaments started to work, and tried to realize their five major functions in the democratic transition:

- The legislative function, first of all in the constitution, makes and establishes the rules of the game for the entire transition process and consolidated democracy
- The controlling function plays its role in the distribution of powers and mutual balancing in order to prevent the rise of the new power monopoly
- The conflict management function is particularly important in the period of acute conflicts and their cumulative effects and in the absence of the effective institutions and procedures of conflict resolution
- The socialization function, which instructs the new elite after its recruiting process, provides

an "arena" for its selection and establishes the rules of behavior

- The legitimization function may be the most important since the new democratic regimes have emerged from a "legitimization gap or vacuum" and the new political actors have legitimated themselves mutually by accepting and elaborating on the parliamentary framework of the democracy, and building a bridge, at the same time, to the population

The first years for the legislatures were hectic, and the effectiveness of the legislatures had serious consequences during the process of strengthening the democracies (between 1990 and 1992, the Hungarian Parliament made 134 laws, 128 amendments, 220 resolutions). Democracy and a market economy need new rules and regulations to follow as soon as possible. However, this "sooner the better" is relevant only in the consolidation period of building democracies.

Although parliaments were real 'law-factories', the governments, even when empowered against their legislatures in order to be effective, failed to solve the tremendous problems of the economy, which formed the most dangerous threat to the young democracy and had serious consequences. This economic threat will be discussed in Chapter III.

During the years following the first elections, and when establishing the basic elements, regulations, and

institutions of the new democracies, the governments had to face the problems of further consolidating and strengthening their state structures. It is a long process to reach to a well functioning liberal democracy, which means a longer period of uncertainty but at the same time, it ensures the irreversibility of democratization. In 1999, the U.S. closed down its SEED (Support for Eastern European Democracy) program for Poland, Hungary, the Czech Republic, Slovenia, Slovakia, Estonia, Latvia and Lithuania, believing these countries had reached the highest level of democracy<sup>30</sup>.

By the millennium, these most successful transition countries are internally and externally, politically and economically stable democracies, contribute to the stability of Europe, and try to promote further democratization. Their politicians help other governments of the region through their experience and knowledge, which should significantly contribute to the effectiveness of the consolidation funds provided by the West. Their democratization processes are irreversible; they are on their way to integrate into the western institutions, most importantly the EU and NATO.

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<sup>30</sup> Freedom House also rates these countries as liberal democracies. See Appendix A.



Although there are several problems, the consolidation process has created stability for these countries so far. Only minor corrections are necessary, such as the arrangement of the status of the state owned broadcasting stations which culminated in the "media crisis" in the Czech Republic and Hungary last month, or the resolution of the situation of the gypsies<sup>31</sup> in the region. The most important task is to identify those possible changes, which could promote further consolidation, such as transforming the Hungarian Parliament from unicameral to bicameral in nature, as in Poland or Czech-Slovakia in order to better represent different kinds of minorities on the national, cultural, or religious level, and also those of organized interests. As their financial revenues allow, they should promote the new technologies, to strengthen their civil society and introduce the information society in order to ensure a better resource allocation, fast information flow to the highest policy-makers and between groups, associations, political parties. They must allow greater independence for the local governments, which also results in the political consciousness of the population. In one word: their task is to spread democracy in all segments of

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<sup>31</sup> France, giving political refugee status for a dozen gypsies leaving Hungary because of police abuse last month, signaled that the West requires more responsible behavior from mature democracies.

life. They are and will be judged upon many more democratic criteria than the less successful ones, like the EU harmonization (legal, environmental, labor, market... laws adaptations), which will further promote their democratic change.

### **C. FAÇADE DEMOCRACIES AND NEW AUTHORITARIAN REGIMES**

In the East and Central European countries, the general impression is just the opposite of the previous democratization experiences (Latin America, Southern Europe). The transition period (1980-1990) is the most difficult and vulnerable and the consolidation period can be relatively short and easy, if it is careful, well-grounded reform. This seems to be relevant for future transition processes, therefore any experiences, successes and failures will give useful guidance both in weakening non-democratic regimes and guiding reform countries towards stable democracies. As the different cases of post-communist countries proved, while there are various ways to transition power, the period following the strengthening of democratic institutions has common particulars and procedures.

Larry Diamond argues that the very minimal requirement which makes democratic consolidation possible is an era where

no significant collective actors challenge the legitimacy of democratic institutions or regularly violate its constitutional norms, procedures and laws... Antidemocrats must be truly marginal.<sup>32</sup>

Huntington has the same point of view:

...serious threat to democracy is executive arrogation, which occurs when an elected chief executive concentrates power in his own hands, subordinates or even suspends the legislature, and rules largely by decree. This has happened in some measure in Russia, in Belarus...<sup>33</sup>

Furthermore, Diamond revealed that other actors also play key roles. He consequently believes that consolidation takes place in the two dimensions of norms and behavior on three levels. The elite level which is the crucial role in signaling what kinds of behavior are proper and improper, the parties, organizations and movements level, and the mass public level. Analyzing the East and Central European changes, it is obvious that these factors are crucial in the transitions. The main argument of many analysts is that the growing democratic gap between the first, successful

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<sup>32</sup> Larry Diamond: "Developing Democracy Toward Consolidation", p. 67. The Johns Hopkins University Press, 1999.

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[Http://muse.jhu.edu/journals/journal\\_of\\_democracy/v007/7.2huntington.html](http://muse.jhu.edu/journals/journal_of_democracy/v007/7.2huntington.html).

and the second, façade groups of democracies<sup>34</sup> originates from the different perceptions of the three levels identified by Diamond.

From this point of view, the former elite's power transformation to the new system is a key issue in the democratization process. In Eastern and Central Europe, the communist elite, the leaders, high-ranking bureaucrats, officials, directors of state owned firms everywhere tried to adapt and save their power, survive the changes, and their positions combined with the weaknesses of the infant democracies could ensure the success in doing so. The most decisive factor in this power "transportation" was the efficiency and the duration of the transition itself. One should assume that fast, radical revolutionary changes result in an effective, deep reorganization, but the outcomes in Eastern and Central Europe were quite contradictory. It is certain that slow processes resulted in positive outcomes, while fast changes did not.

The way representatives of state-socialist leading groups were replaced varied from country to country in the years of 1989/90. The old ruling elite, the "nomenclatura",

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<sup>34</sup> Façade democracies are those post-communist countries, which are ranked as illiberal democracies by the Freedom House. See under "Transitional Governments" in Appendix A.

under state socialism, was driven out of its political positions in Eastern and Central Europe with different efficiency. In the emerged façade democracies, parts of the old state and party apparatus have exchanged old positions for those under the new order. Although there were radical cutbacks among the upper and medium strata of the old political élite, and legal actions to prevent the usurpation of power and corruption were taken in several transition countries<sup>35</sup>, where considerable changes failed, façade democracies emerged.

The negative developments in 1989/90 has allowed different groups of politicians at local, regional and state levels to reach solid positions. Many of them were not Diamond's dream democrats, and their expulsion from power is the latest challenge the façade democracies face today (in Byelorussia and the Ukraine for example)<sup>36</sup>. It is important to see how positive changes might be reached or

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<sup>35</sup> Sanctions concerning professional career and social provisions of former members of the power wielding apparatus were adopted in Czechoslovakia (Lustration Law), East Germany/GDR (Treaty on German Unity with reference to Civil Service) or without any legal limitations, the new leadership itself prevented it by re-institutionalization. The power transition of the old elite is a key issue in democratic transitions and consolidations. However no detailed studies were written about the effects, successes or failures of these restriction policies. Façade democracies did not have these kinds of legal restrictions, or they were created too late (Romania) or not implemented properly (In Meciar's Slovakia, the Lustration Law was never taken seriously).

<sup>36</sup> The common background of this drive to full power comes partly from the traditions and routines, the mentality and practice of the previous one-party system, but the main reason is that acquiring power is easy. The unregulated political arena offers unlimited chances for realizing interests.

enforced because there are many semi-presidential, or new authoritarian regimes in Eastern Europe and the CIS, which needs further democratization. Democratic institutions can be improved and deepened or may need to be consolidated. Political competition can be made fairer and more open. Participation can become more inclusive and vigorous. Citizens' knowledge, resources and competence can grow. Elected and appointed officials can be made more responsive and accountable. Civil liberties can be better protected, and the rule of the law can become more efficient and secure. Façade democracies are not an enigma. They have quite a few characteristic features in common. One of the most important is that they contain a dynamic contradiction: they provide the basic structures and the possibility for the beginning of the long process to democratization. The cases of Romania and Slovakia nowadays are two good examples<sup>37</sup>.

One can say that the fall of communism took ten years in Poland, ten months in Hungary, ten days in Czechoslovakia and ten hours in Romania. The length of the change, as discussed above, strongly influences the

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<sup>37</sup> Today, based on their freedom scores, these two countries are rated "free" and should not be listed in the category of façade democracies. However, their vulnerability (possibility for a turn-back) is high and they offer contemporary lessons in democratic consolidation.

effectiveness of the initial democratization process, though it does not necessarily pre-determines it. From the roots of the Czechoslovakian "velvet revolution", two absolutely different cases, the Czech success and the Slovakian failure have resulted. Contrary to the Czech, in the Romanian case, the length of the December revolution in 1989 was rather deterministic; besides the expulsion of Ceausescu from power, there was no real democratic transition. "It is the only country where a former high Communist official was not only elected to the presidency in the first free election, but re-elected."<sup>38</sup>

The revolutionary way to change systems has more negative than positive results, therefore in the future, promoting uprisings, anti-system movements or coup de etat must be very well considered. For instance, the immediate negative outcome of the Romanian revolution was chaos<sup>39</sup>, which should be avoided at any time of the transition process. This chaos made it possible for the Romanian old-

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<sup>38</sup> Linz and Stepan: "Problems of Democratic Transition and Consolidation" (p. 344). They refer the May 1990 and the October 1992 elections, on which Iliescu (85 percent in 1990, 62 percent in 1992 of the presidential vote) and his National Salvation Front (66 percent in 1990 on the Parliamentary elections) won. Four years after publishing their book, in 2000, Iliescu won the third presidential election.

<sup>39</sup> For instance, the lack and the manipulation of information flow (although the broadcasting stations were captured) worsened the chaotic situation. There were news about thousands of deaths of water poisoning by the Securitate, and uncertainty about the stand of the military. Chaos created fear, the loss of control and the alteration of the revolution.

communists, led by Iliescu to "capture the revolution" and form the Council of National Salvation (CNS) to transfer their power<sup>40</sup>. The lack of gradual change<sup>41</sup> and of civil society<sup>42</sup> also predetermined the outcome of the revolution. Other, pre-World War II parties, such as the National Liberal Party, the Peasant Party were quickly formed, but they could not claim their efforts in the revolution, while the Democratic Union of Hungarians in Romania -although it played a fundamental role everywhere during the revolution, specially in Timisoara, where it started- was easy prey to extreme nationalist attacks.

After the first parliamentary and presidential elections<sup>43</sup>, the Romanian and Slovakian democratization

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<sup>40</sup> Codrescu refer to the Romanian coup as "scripted" revolution, which was not a democratic turn. Scholars agree, that the Romanian revolution was a change, a "downfall of the odious dictatorship of the Ceausescu clan" (from the CNS Communiqué) to a post-communist façade democracy.

<sup>41</sup> The gradual change in Romania was not possible, the state controlled and suppressed any kind of reform endeavors. Bogdan Lefter, Romanian poet: "after 1980 in Poland, after Gorbachev in 1986, and especially after the 1989 dominos, we felt we were an isolated case and that Ceausescu would never accept peaceful change." Cited in Linz and Stepan: "Problems of Democratic Transition and Consolidation", The Johns Hopkins University Press, 1996, p. 358.

<sup>42</sup> The number of independent movements was the lowest in Romania in 1989. There were only two of them, contrary to the 60 in Poland, 27 in Czechoslovakia and 21 in Hungary. (Linz and Stepan: "Problems of democratic transition and consolidation", p. 352).

<sup>43</sup> Won by the National Salvation Front by 66 percent and its candidate, Iliescu as elected president by 85 percent.



processes had both positive and negative developments<sup>44</sup>. "Civil society remained incipient, the rule of law fragile, political coalitions turbulent and most political tendencies compromised"<sup>45</sup>, and the economic difficulties also left their deep marks on the society<sup>46</sup> (about the relation between consolidation and economic reform see chapter III), which gave the fundamentals for Iliescu's (and of his Party of Social Democracy) second victory in the September and October 1992 elections, further strengthening their positions. The Slovakian case has many parallels with the Romanian process. The Czechoslovakian "velvet revolution" was also too short for a well-grounded careful transition, and after 1968 the reform-communists were marginalized, which allowed the communists to hold

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<sup>44</sup> From positive side for example, in Romania, gynecological experimentations were abolished, the razing of peasant villages was stopped, the schematization plan was scrapped, the typewriter registration law was repealed, passports available for everybody, while from the negative side, the National Salvation Front kept the media in its hand, Iliescu called the miners of the Jil valley to break down the protests of the students in Bucharest in 1990, and forced the reformist Roman Petre led government to resign in 1991.

<sup>45</sup> Linz and Stepan: "Problems of Democratic Transition and Consolidation" (pp. 362-363).

<sup>46</sup> The careful economic reform, pursued by the Romanian government was not effective, therefore in May, 1993, harsh measures became unavoidable: prices of the basic consumer goods have risen 700-900 percent, compensations decreased. It had far reaching consequences: a poll made by the Romanian Pollster Institute in December 1994 revealed, that more and more people longed for the former regime. 32 percent of the Romanians rejected the market economy, 34 percent the western democracy against the fact that 57 percent of the population felt, that in Romania, still communists were ruling. 42 percent of the population felt no importance of revealing the secrets of the revolution, 23 percent disapproved the overthrow Ceausescu's totalitarianism. In 1994, the most unpopular institutions were the Parliament and the Government, 77 and 72 percent of the population was dissatisfied respectively. 62 percent disappointed in the judiciary system. (HVG CD collection, Keyword: "Roman kozvelemen")

their strong positions. After the revolution, not just the civil society, but the political society has remained also underdeveloped. The two forces, the Czech Civic Forum and the Slovakian People Against Violence were the only influencing political actors to shape the process of democratization. The events unfolded in three years, and in 1993 Czechoslovakia ceased to exist. In Slovakia, Meciar gained power.

While history has already witnessed political conversions from one extreme to the other, never before had the two "deadly enemies," the extreme left and the extreme right, overtly joined in the common struggle against their shared foe: individualism and democracy. In Romania, this could happen in 1992, Iliescu and his old communists pacted with the neo-communist Socialist Labor Party (PSM), Vadim Tudor's chauvinist Greater Romania Party (PRM) and the anti-Hungarian, extreme nationalist Funar's Party of Romanian National Unity<sup>47</sup>. In Slovakia, just like in the Romanian case, the conservative nationalists gained power, although Meciar and his Movement for Democratic Slovakia (HZDS) had to govern in minority. A year later, in October 1994, the extreme left and right coalition emerged in

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<sup>47</sup> In January 1995, this governing coalition initiated an overall attack in order to suspend and forbid the Democratic Union of Hungarians in Romania.

Slovakia too: the HZDS formed a government with the nationalist Slovak National Party and the communist Workers' Association<sup>48</sup>.

As argued before, long lasting negative outputs (both political and economic) result in defeat, this is what happened in the 1996 elections<sup>49</sup> in Romania, and in 1998 in Slovakia. No ideology could guarantee post-communist and ultra nationalist victory again, although in both cases, the establishment of election cooperations (coalitions) of the democratic forces was necessary to win. In Slovakia, since the economy was in a much better situation - at least on the surface (the relative well being of the people was financed from loans) - and Meciar's measures ensured their advantages<sup>50</sup>, the HZDS won the parliamentary elections (with 27 percent) again, but remained without coalition partners.

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<sup>48</sup> The coalition agreements between the two extremes interestingly made the cooperation possible in some of the areas: the Minister of Privatization in Slovakia for example, was delegated by the left wing; of course the Marxist idea of state owned firms was highly compatible with the nationalists' protectionist economic policy.

<sup>49</sup> In "Clash of Civilizations", Samuel P. Huntington draws the border of the western civilization through Romania, with Transylvania on the western and the rest of Romania on the Eastern side. The result of the 1996 elections proves his theory: In Transylvania, except two counties, Constantinescu and the democrats, while in the orthodox Eastern part, the post-communist Iliescu and the ultra-nationalist collected most of the votes.

<sup>50</sup> For instance, in May 1998, the Parliament adopted Meciar's new election law, which forced coalitions (all parties had to reach 5 percent to get into the parliament, but in failing to do so, the party's result would be deleted from the coalition's result) but forbid the establishment of a joint list of candidates. Contrary, when the opposition could unite their forces, Meciar tried to prohibit the registration of the Democratic Coalition, which formed the next government later.

Therefore, the Slovak Democratic Coalition could form a government. In Romania, the winning Democratic Convention<sup>51</sup> (in coalition with the Hungarian Democratic Alliance and the Social Democratic Union) and the new president, Emil Constantinescu clearly won the parliamentary and presidential elections. In both countries, the new governments faced tremendous problems inherited from their predecessors. Although in Romania, they lost the 2000 elections, the country irreversibly stepped on the way toward liberal democracy and the western orientation, the most important positive result is the strengthening of civil society. The failure of the democratic forces in 2000 had several reasons (mainly the slowest East European economic reform), the new lesson provided by the Romanian case, which is the importance of the parliamentary, governmental and bureaucratic effectiveness is worth a close look.

The way Romanian democracy has developed, led to the establishment of numerous political parties<sup>52</sup>. The party system enabled many small parties, sometimes holding only

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<sup>51</sup> The Democratic Convention is a coalition between several parties (Social democrats, the Peasants Party and the National Liberal Party...).

<sup>52</sup> There are several reasons, why establishing parties is worthwhile. The Romanian case gives one example, which is the easy way to reach parliamentary representation, but others, like financial advances (campaign moneys) also have this result.

one seat in the Parliament. Many of these parties represent regional or ethnic groups and disperse the vote among the electorate, so very few parties are able to hold power individually. The result was a coalition government with no single political party having overall power. Instead an amalgamation of parties with different policies and view points united in order to rule the country. In an ideal world this might be regarded as a positive thing - a ruling government representing the wide and varied opinions of the people. However, this system also has its pitfalls: disagreements<sup>53</sup> and lack of compromise can delay or prevent essential legislation being passed. As a result, the workings of government are delayed<sup>54</sup>. And most importantly, (although it did not happen in the Romanian case) the power of the President can significantly increase, of which consequences should be serious.

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<sup>53</sup> The disagreements within the government peaked in a political chaos in November 1999, when the President dismissed the Prime Minister, but the Constitutional Court judged it unconstitutional, therefore he remained. But during this time, his Ministers resigned, and gathered under the leadership of another, temporary Prime Minister. Meanwhile in the backstage, the parties were looking for the right Prime and to satisfy the ex-Prime Minister, he was appointed to lead the Senate. Then the former government with its new Prime stayed in power.

<sup>54</sup> In the Romanian politics, disagreements within the ruling coalition have resulted in the dismissal of Premiers (Ciorbea, Vasile) and dozens of Ministers. The dismissals not only show a lack of confidence amongst the individual coalition members but also the level of instability within the government itself, and this in turn returns a negative response to the electorate. The parliamentary and governmental effectiveness had positive results in the successful transitions (see page 24-25.), the opposite of this is clearly apparent in the failure cases.

The third Romanian elections in 2000 were much more interesting<sup>55</sup>. The minimum limit to gain seats in the parliament rose from 3 to 5 percent for parties and 10 percent for coalitions therefore the above mentioned problem does not endanger the Romanian consolidation process anymore. What is more threatening today is that the Democratic Convention (which was a coalition) got 5.3 percent and not only lost the elections, but disappeared from the parliamentary politics, while the extremely nationalist and xenophobic Greater Romania Party (PRM), collected 20 percent of the electoral votes<sup>56</sup>. From 1995, Iliescu and his Party of Social Democracy did not intend to cooperate with the PRM, therefore the coalition had to include the ethnic Hungarians. This was possible because of Iliescu's and the PDSR's policy change toward accepting democratic rules: the west made huge pressures to make them understand, that their position in their next governance will be short-lived without foreign aid. With this foreign policy, the west made its greatest contribution in the Romanian democratization.

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<sup>55</sup> The outcome of the elections (only the Parliamentary parties): PDSR (Iliescu's Party) - 37.5 percent, Greater Romania Party (PRM) - 20 percent, Democratic Party - 7.6 percent, National Liberal Party - 7 percent, Hungarian Democratic Alliance - 6.3 percent.

<sup>56</sup> Vadim Tudor, the leader of the PRM promised in his campaign to liquidate the mafia, to forbid the Hungarian Democratic Alliance, to stop privatization, to re-negotiate the IMF treaties, to reestablish the old boundaries (to annex Moldova, the Bulgarian Dobruja and the Ukrainian Bucovina).

In 2002, there could be a similar development in Slovakia, which seems to be in a permanent 2-year lag from the Romanian process. Today, the democratic government in Slovakia faces the same problems as the 1996-2000 Romanian democrats did, and they also seem to be unable to solve the economic problems. Meciar's return is highly possible, although there are several judicial cases (ordering the kidnapping of President Kovac's son, privatizing firms for close relatives and friends...) against him, and the democratization of the HZDS (like Iliescu's and his party) might also prevent him from regaining power.

The legitimacy of governments depends on the system's efficiency in satisfying the peoples need. It does not matter whether these governments are democratically elected or not (although it is harder for democratically elected governments than others to provide these needs). This legitimization is very complex, but - in East and Central Europe specially - is in no way a result of rational decisions by those who are subject to the leaders and submit to domination. A very important fact leading to a nomination for leadership is the faith of those who believe that their leaders have the necessary extraordinary qualities. Communism failed because of the crises of

legitimization, resulting from long-lasting negative outputs of the system, and rule by unpopular rulers. State structures of the communist regimes seemed so oppressive and strong that their failures were surprising. The positions held by the rulers of façade democracies are even weaker since their political and civil societies more or less limit their power, criticize their acts, and doubt their qualifications. The civil society and negative economic and political outputs make their rule highly vulnerable<sup>57</sup>.

This fact is usually forgotten when the Western democracies form their policies about façade ones. However, the internal factor of unpopularity might be successfully fostered by external pressure. The European Communities (EC) acted to suspend PHARE<sup>58</sup> assistance to Romania in June 1990 after the use of force by the Romanian government in putting down peaceful demonstrations. Simultaneously, the twelve members of the EC adopted a declaration expressing deep concern over the suppression of demonstrations and the

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<sup>57</sup> Former Yugoslav President Milosevic's façade democracy also became vulnerable with the decreasing acceptance of his regime by the population. It made the whole system, including the security forces, weak, and when its only stronghold, the nationalistic character, was effectively neutralized by the "reform nationalist" Kustunica, nothing could stop the failure of his regime.

<sup>58</sup> Poland Hungary Assistance for the Restructuring of the Economy, initiated in 1989. Since then, with increasing budget, other reform countries joined the program.



European Parliament Committee on External Economic Relations took a strong stand in favor of incorporating a human rights clause agreement into any agreement with Romania<sup>59</sup>. The suspension of assistance in combination with political declarations can be regarded as a positive action in terms of democratization, although EC actions seem to have evolved in an ad hoc way as a result of the personal initiative of one Commissioner. The EU relations with Slovakia were similar. All the institutions, as well as the Troika on behalf of the member States, have made repeated references to the respect for democratic principles embedded in the Slovak Association Agreement. The Troika sent demarches to the Meciar government, expressing concern about institutional tensions and human right violations. Significantly, the EU's declaration referred to Slovakia's Association status and close relationship with the EU, which made actions endangering the Slovak constitution also a threat to the "EU's common democratic practices"<sup>60</sup>. Other organizations such as NATO, OSCE, IMF, and the EBRD also

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<sup>59</sup> Agence Europe, No. 5278, 20 June 1990.

<sup>60</sup> The EU made the link between accession criteria and the observance of democratic principles explicit by stating that "the EU attaches great importance to mutual tolerance and respect between the different sources of authority in a democratic society. Slovakia is an associated country in a pre-accession period and the criteria approved in the Copenhagen summit are applicable to it." (Agence Europe, No. 6593, 27 October 1995). Therefore, the Common Foreign and Security Policy of the EU could effectively foster democratization processes.

have proven to be effective promoters of democracy. (see Chapters III and IV) An interesting exception is the Council of Europe, which is usually referred to as the "Sacrifice of the West"<sup>61</sup>, although its Recommendation 1210 was included in many states' Basic Contracts, therefore contributing to the normalization of inter-state relations.

Negative processes, as the Romanian and Slovakian cases prove, are not necessarily irreversible. However, to realize the necessity for the change does not always originate from peaceful tendencies. The process of democratization, as Huntington observed, may stimulate ethnic conflict (xenophobia and anti-minority, as the Romanian and Slovakian case show, remains a permanent issue in East and Central Europe) and induce weak states to meet communal rebellion with repression rather than accommodation:

the resolution of ethnopolitical conflicts in institutionalized democracies depends most fundamentally on the implementation of universalistic norms of equal rights and opportunities for all citizens and pluralistic

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<sup>61</sup> It is obvious, and western politicians confirm, that the Council of Europe, which is the main promoter of the human and ethnic rights has members with dubious or strongly destructive policies in these fields. The Council of Europe enlarged fast after 1989-1990, temporarily satisfying the western orientation of the post-communist reform countries.

accommodation of group desires for separate collective status.<sup>62</sup>

What if these institutions and adequate procedures of validating different interests are missing?

The former Soviet state, Moldova (called Moldavia during Soviet rule) provides a perfect case study to answer this question. It also proves the democratic peace theory, and Mansfield's and Snyder's argument<sup>63</sup>, that in the transitional phase of democratization, countries become more unstable and threatening. In 1989/90, Moldova was an exclusive, rather than inclusive democracy, which, especially in multi-ethnic communities, is usually a *casus belli*, not just for civil, but inter-state war. In Huntington's view,

...the initiation of elections forces political leaders to compete for votes. In many situations, the easiest way to win votes is to appeal to tribal, ethnic, and religious constituencies. Democratization thus promotes communalism and ethnic conflict<sup>64</sup>.

This was exactly the case in Moldova. The successful solution of the Moldovan conflict is a useful experience,

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<sup>62</sup> Ted Robert Gurr: "Minorities at Risk: A Global View of Ethnopolitical Conflicts", p.137, U.S. Institute of Peace, 1993.

<sup>63</sup> See footnote 11.

<sup>64</sup>  
[Http://muse.jhu.edu/journals/journal\\_of\\_democracy/v007/7.2huntington.html](http://muse.jhu.edu/journals/journal_of_democracy/v007/7.2huntington.html).

especially today, when ethnic tensions are high in Macedonia and Albania.

As Glasnost permitted a national awakening throughout the USSR, the Moldovans began to reclaim their Romanian heritage (see Bessarabia). There were protests organized by the Popular Front<sup>65</sup>, which quickly united the opposition<sup>66</sup> around the restoration of Romanian as the national language and the identity of Moldovans as well as demands for union with Romania. In 1988, under pressure from Moldovan and Romanian nationalists, the Moldovan Supreme Soviet which was still under Russian control, agreed to return the "Moldovan" language to the Latin alphabet, and in January 1989 the Supreme Soviet made Romanian the only official state language in the Moldovan SSR<sup>67</sup>. Then came the question of the state flag, which also had a Romanian orientation. The majority preferred the Romanian traditional tri-colors

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<sup>65</sup> In Moldova, pressure for change to the socio-political system, and demands for national revival, had been initiated before the actual collapse of the Soviet Union. The first public meetings were held in 1988, at which members of the intelligentsia, students, and those who had suffered under Stalin, began to openly discuss questions of culture and education. As the debate intensified, unauthorized public meetings and demonstrations occurred, involving thousands of people. As the demonstrations increased so did the demands. [Http://www.unu.edu/unupress/unupbooks/uul2ee/uul2ee0a.htm](http://www.unu.edu/unupress/unupbooks/uul2ee/uul2ee0a.htm)

<sup>66</sup> Such groups and their elite claimed exclusive power over cultural institutions and priority status within the economy and social services.

<sup>67</sup> The decision reserved the rights of non-Moldovans to speak and write in their own languages (Russian was to be used for "inter-ethnic communication"), but all local and national authorities had to be able to operate in Romanian too. The law also designated the removal of officials who have not met the required proficiency.

of red, yellow and blue. At the same time, street names in Chisinau and other mostly Moldovan cities, were reverted to the names they were called in the Romanian era.

These events caused great anxiety among older-established minority groups - such as the Gagauz, a 150,000-strong Turkic people who inhabited a region in the south of Moldova, and the 'new' minorities, such as those Russians and Ukrainians who had migrated to Moldova in Soviet times. Many resided east of the River Dniester in the region known now as 'Transdnistria'. They sought to challenge their suddenly diminished status and the discriminatory attitudes being displayed towards them. When a parliamentary election produced a majority of deputies reflecting the new nationalistic mood, a bitter confrontation within the Parliament ensued, which was made worse by a lack of experience in parliamentary procedures. The new minority groupings, especially those representing Slavic interests, now found themselves with a limited and ineffectual political 'voice' and decided to withdraw from Parliament.

The two extreme positions had thus been brought sharply into focus. These tensions had initially been voiced and acted upon by political and cultural groupings

of either a nationalist or anti-nationalist persuasion, while people at the grassroots level had not been as aggressive in their demands. However, they too were to prove easily manipulated by the protagonists on both sides of the argument<sup>68</sup>. A vital role was played in this manipulation by the mass media, raising serious questions about the professionalism and responsibility of journalists in conflict situations. Largely thanks to them, the society in Moldova became increasingly polarized.

As a result, violent conflicts broke out among the Moldovan government and the two largest minority groups, which had spillovers: the Transdnisterian Slavs were effectively backed up by the 14<sup>th</sup> Russian Army, stationed on the territory of the new independent Moldova, while the Romanian-friendly government acquired weapons and other resources from Romania.

The Gagauz question was quickly settled, providing the minority an exceptional autonomy<sup>69</sup> in Europe, while the Transdnisterian conflict is still unsolved. Furthermore,

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<sup>68</sup> Huntington's argument that "potential threat to new democracies comes from the electoral victory of parties or movements apparently committed to antidemocratic ideologies" is clearly relevant in this case. ([http://muse.jhu.edu/journals/journal\\_of\\_democracy/v007/7.2huntington.html](http://muse.jhu.edu/journals/journal_of_democracy/v007/7.2huntington.html).)

<sup>69</sup> The Gagauz autonomy is sharply criticized by the EU, interestingly enough not for being restrictive, but for being too permissive and generous. The Moldovan government decided to fulfill all the Gagauz demands as the Transdnisterian conflict escalated.

the permanent instability of the area creates more problems and not just in the neighboring territories: Transdnistria became the main transit station for drug and human trafficking, a hiding place for the mafias, and terrorists.

The Moldovan conflict highlights the importance of loyalty, independence (militarily and economically) and the human and minority rights, which is not a domestic affair anymore - definitely not in the region. Concerning loyalty, because of the multi-paced democratization, an interesting tendency, the change in loyalty perceptions can be observed. While in Moldova, the ethnic Russians remained loyal to Moscow, events unfolded in a different way in the Baltic states: as democratization and consolidation processes diverged, and the Baltic states made positive results both politically and economically, their significant Russian minorities (over 30 percent) started to feel much better in their new-old homes, claimed their Baltic origin and started to assimilate without any external pressures but by themselves. This is clearly proved by the disappearance of the ethnic-based parties. The reasons are not only economic (promising future for the youth - so called "Eurorussians", provided pensions for the

elderly) but also political (vivid civil organizations, equal participation...).

The importance of military and economic independence is obvious. While most of the Central and Eastern European countries established new orientations (even the CIS countries' partners are mainly western countries) some strategically important (mostly raw material) areas remained Russian dependent. The disadvantages (and advantages in some Caucasian CIS members) of the military dependence in Central and Eastern Europe -excluding Moldova- have ceased to exist. Only the unsolved issue of the supply of military equipment and spare-parts remains in concern.

Analysts of the region specify the emerging nationalism as one of the most peace-threatening factors. One of the disaster scenarios in Eastern Europe (with decreasing relevance today) was the "white after red", which refers to the ultra nationalist turn, following communism. What is the solution then to the "ideological war"?

In the last decade, to find the answer it took continuous efforts, billions of dollars. Interestingly, history gave the answer: in Eastern and Central Europe, the



most effective democratizers are the center-right-wing forces. This confusion concerning the role of nationalism comes from a misunderstanding. East and Central European transitions prove that it is not nationalism, but xenophobia what is influencing and hindering the transition, but mainly the consolidation period. The Greater Romania Party, the Hungarian Life and Truth Party, and other extreme right wing forces in Europe are xenophobic rather than nationalist in nature.

Today, in the Czech Republic, Hungary, Poland, the Baltic states and some other countries (see footnote 57 about Yugoslavia) after a few elections, nationalist forces have strengthened and successfully lead their countries (or assist in doing so). They are capable of neutralizing the extreme nationalist (or xenophobic) right, while providing effective governance, stability and Western acceptance. They ideologically unite their nations, while capable of providing rights for other minorities<sup>70</sup> on their territories. They are also a reasonable alternative against the communist left wings, preventing the "return of red" scenario, which -after the political and economic failures

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<sup>70</sup> In Romania, 11 years after the fall of communism, in May 2001 the governing center-right forces created and the Parliament adopted the basic rights (Municipal Law - the right to use their ethnic language in administrative procedures and erect bi-lingual place-name signs) for the minorities (mainly consisted of Hungarians, Germans, Ukrainians).

of the governments- swept through East and Central Europe. The former communists came back into power as the first democratic governments lost the second elections almost everywhere. Although it did not mean a communist restoration, many of them are democrats, and lead their countries toward the EU or into the NATO. Croatia's Franjo Tudjman, Hungary's Gyula Horn, Lithuania's Algirdas Brazauskas, Macedonia's Kiro Gligorov, Moldova's Petru Lucinschi, Romania's Ion Iliescu, Slovakia's Meciar, and Serbia's Milosevic are not cast in the same mold, though all are former communist officials. To describe them as "cynical pragmatists, chameleon-like survivors, ready to espouse any creed with lightening speed... if it only upholds their stay in power," as Vladimir Tismaneanu does in his book<sup>71</sup> is to generalize from Iliescu to Gyula Horn, from Milosevic to Aleksander Kwasniewski. Timothy Garton Ash saw some of their return as not dangerous: "Kwasniewski and his friends want desperately to be seen not as eastern post-communists but as regular western social democrats."<sup>72</sup>

Therefore it is the proof of stability in the region and the irreversibility of democracy in a country, if there

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<sup>71</sup> Tismaneanu: "Revolutions of 1989", 1999, (p. 52).

<sup>72</sup> Timothy Garton Ash: "Neo-Pagan' Poland", New York Review of Books (January 11, 1996).

are only two influencing blocks remaining in a county's political arena: the central right (civic parties) and the central-left (social democrats).

East European leaders and actors in the political life must change in the same directions (center-right or center-left) and it requires an effective foreign policy from the west. To give maximum support to them it is not enough to fight the surviving or emerging anti-democratic ideologies but economic, social and cultural roots of the reforms must be addressed as well.

### III. ECONOMIC STABILITY

#### A. ECONOMIC INEFFICIENCY AND ITS CONSEQUENCES

In the beginning of the transitions in East and Central Europe, many scholars argued that economic development was not a key factor in the process of democratization. They viewed it as a significant component and a contributor to the political consolidation and a resource to finance and manage institutions, but no more. The proposition that economic growth and distribution do not constitute the only dimension by which regime performance is assessed was obvious, but handling it as a secondary component of consolidation was a mistake<sup>73</sup>.

Contrary to these views, Central and Eastern European experiences have proven how important economic stability and development is, and failing to recognize its crucial role, has serious consequences in jeopardizing the success of the democratic transition and regional stability everywhere. From security point of view, economic development tends to generate more democratic values and norms involving proper ethnic policy, minimize feelings of

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<sup>73</sup> It was widely accepted, that political democracy would force a market economy to develop and only minor corrections would be necessary. However, capitalism requires much more than that. It functions because of the widespread acceptance and enforcement in an economy of fundamental rules and safeguards that make the outcomes of exchange secure, predictable, and widely beneficial.

nostalgia for the previous or other authoritarian regime, prevent communists and nationalist from gaining power, and has many other effects that will be seen later which have proven to be fundamental stabilizing factors in the region.

To secure democratic consolidation, the regime's performance must be seriously addressed. Over time, democratic regimes must produce positive results to build broad political legitimacy<sup>74</sup>. Of course, it is not easy to implement the proper measures. One of the most significant problems to build more effective democracies is that each country in East and Central Europe (and even the most successful ones) have huge loads of structural distortions and vulnerabilities, such as high public deficits, decaying public infrastructure, low investment, a fiscally unviable social security system, and the massive frustrations left over from a long decade of stagnation, during which per capita income declined. The fiscal limitations of these governments prevent structural reforms, which would create a much more manageable and cheaper system<sup>75</sup>. Democracy

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<sup>74</sup> "From any political system but perhaps especially from democracy, people expect more than economic growth and security." (Diamond: Developing Democracy Toward Consolidation).

<sup>75</sup> These missing structural adjustments multiplied the problems in the later decades. For instance, unreformed and state financed health care systems have very bad cost/productivity ratios, and the absence of information systems in the police forces resulted in parallel investigations of the same case in different cities which resulted in the delay (high costs) of their structural reforms.

cannot be consolidated until these remaining structural distortions are addressed.

In the last couple of years, transition economists recognized what comparative politics scholars have failed to see, and became interested in the destabilizing effects of the economic shock therapies<sup>76</sup>. They realized that earlier economists were unable to offer viable economic alternatives to the new democracies and their advice to reduce expenditures, and increase the taxation of the population have already caused irreversible consequences. Many of them became interested not in the East and Central European transition, but as economists named: "the length of the slope."

During the years of this economic reform, the tasks of the governments became clear:

- transforming ownership relationships
- establishing the institutions and the legal background of the market economy
- internal and external market liberalization
- reforming the state budget
- transforming the structure of the economy

The aim of the stabilization was to keep the basic macro-dependents (GDP, unemployment rate, inflation,

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<sup>76</sup> To bring off this economic transition, East and Central European countries begun their so called "shock therapy", which, sooner or later, resulted more in shocks than in therapies.

budget, state debt, foreign trade-balance of payment) from reaching a critical point, and let them create a secure economic growth with perspectives<sup>77</sup>. Since no precedent for a transition from a planned to market economy existed, the chaotic situation worsened by the lack of an economic strategy. Since neither detailed reforms, nor priorities were developed, this caused serious problems in the forthcoming years. Although these plans, mainly the adaptations of the "advice" of foreign financial institutions providing loans, were created sooner or later, they remained inconsistent economic strategies as the governments changed<sup>78</sup>. Nobody, even the best economists and foreign financial institutions could foresee what price these new democracies would have to pay for these systemic changes. This was, and still is a very serious situation in many countries because mismanaging the situation endangers all democratization processes.

When the reforms first began, it seemed easy to solve the problems during this euphoric time since expectations

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<sup>77</sup> Implementing these tasks made the implementation of other tasks harder: GDP growth generates inflation, while the other aim is to decrease the inflation rate, changing the ownership and transforming the structure of the economy results in the decrease of production, and it was also obvious that liberalization and state-budget reform also creates higher inflation.

<sup>78</sup> In most of the successful economic transitions' cases, the governments remained in power for long periods of time to provide consistent reforms. In the case of Hungary, each government was in power for four years, while in other countries, the frequent government changes/failures played a significant role in the current difficulties.

ran high and promises were made even though many were irrational and mistakes were not confronted. Consequently, disappointments were more keenly felt. The alienation of the political society from the civil society caused further problems, because the decision making process did not involve the participants of the economy and society, such as entrepreneurs, managers, employees, workers' associations, which could have resulted in better effectiveness and a strengthened democracy. Just as during the communist era, knowledge was replaced by loyalty to the elite.

The missing radical economic policies of many of the governments and the delay in implementing the necessary harsh measures for economic transformation prolonged the economic transition and also the period of uncertainty and disappointment. The new governments have been working at very low efficiency. Of course, economic reforms in East and Central Europe would have reduced the living standards and worsened the economic indicators, but the lack of expertise, experience, and the missing radical or mismanaged economic policies of the governments and



financial institutions led to a dead end in some countries<sup>79</sup>.

Mismanaged privatizations for instance prove that any kind of failures in economic reforms are significant destabilizing factors and greatly influence democratic stability. When it is well thought-out and cautious, privatization leads to significant increase in budget revenues, changes fundamental ownership relationships, increases competition, and therefore ensures further stabilization of the economy. Selling the property of the state at reasonable prices minimizes the economic role of the state, stimulates the producer to work for himself, and inspires him with competition, thus creating a new economic elite.

By contrast, the lack of new, legal economic regulations, the success of the old (or a new, but not less undemocratic) elite in transforming their power and some other factors result in several negative outcomes in many of the East European countries. The economic role of the state remains immense and producers are motivated more to steal from the state than to produce. However, creating a weak state through false privatization is only one of the

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<sup>79</sup> About basic economic indicators in some of the countries in the region, see Appendix B.

several serious consequences. In many transition countries, mass and rapid privatization turned over mediocre assets to large numbers of people, mainly close friends, party members, even relatives, who had neither the skills nor the financial resources to use them well. This means further difficulties for economic stabilization in the future. The failures are not only the consequences of the mistakes made by new governments. Although international financial institutions recognized the importance of competitive policies and institutional safeguards, they believed these could be implemented later. The immediate need was to create a basic constituency of property owners. To build capitalism, a lot of capitalists were needed and fast. This mistake should be a very important lesson for future generations<sup>80</sup>.

International financial institutions also bear other responsibilities for these poor outcomes of the economies. They required transition governments to implement

<sup>80</sup> Economists offer some advice on further privatization processes:

- postpone further privatization until competitive forces and an enabling institutional/governmental framework are in place
- calls for the re-nationalization of some or many divested firms, with the intention of undoing the damage and managing these assets more in the public interest, through greater state involvement or re-privatization at some later date. This way does not appear to be a highly likely option, although it has been proposed for Russia and Ukraine. The new rulers of these countries are not keeping only the economic power in their hands, but the political power as well, and there is no hope of creating laws for re-nationalization. Some mistakes and processes are not irreversible during reforms.

restriction measures, shock therapies, but delimited themselves from the sacrifices these countries had to undertake<sup>81</sup>. Another problem is the lack of specialization. Even the communists were aware about the importance of specialization, to reach maximum benefits from the cooperation. The comparative advances of Hungary in electronics and chemicals, the Balkans and Germany in light industrial products, Poland and Moldova in agriculture... disappeared. The first governments had no resources to save these fields of their economies, and the financial institutions prioritized other areas of the reform when provide loans.

The economic experiments of transition and consolidation periods, the role of economic effectiveness in the successful reforms and their different accomplishments will provide enough work for comparative politics analysts and economists for the next few decades. Issues like the relevance and possible effects of a new Marshall Plan in Eastern Europe (see Chapter V) or the problems of integration into the global world are key topics today.

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<sup>81</sup> For instance, the IMF requested Romania to reform its economy, which caused immediate impoverishment and threatened the democratization itself to provide about 300 million dollars loan. At the same time, Romania had to pay its debts and their interests, amounting around 2 billion USD each year. The situation is similar in other countries too. (<http://www.imf.org>)

## B. SECURITY CONSEQUENCES OF THE ECONOMIC PROBLEMS

The focus on economic, political and legal reforms are all important, but the security impact of the economic reforms, and the restricting measures particularly, is the most critical, least researched, and least understood aspect of the last decade. The overall security consequences of the economic failures are wide spread. Economic efficiency is closely related to the resources available in any crisis situation and highly influences the capabilities of each country to face these problems.

One should say that economic inefficiency has direct and indirect security consequences. Direct consequences mean the possibility for an immediate turn-back, revolution, even civil war or inter-state conflict. For instance, after several increases in fuel prices in October 1990, the Hungarian democracy suffered its first shock with the blockade of taxi drivers, supported by the entire population. Even the idea of using military forces arose. Only the President's responsiveness ensured that the crisis was solved peacefully. A successful anti-government movement happened in Romania in 1991, when the miners of the Jiu Valley, after months of unpaid work, decided to

march into Bucharest and overthrow Petre Roman's government.

There are also several indirect consequences of the long-term negative outputs. For example, it generates political cynicism by decreasing the percentage of voters, less active labor unions, people with second jobs that have no time for civic organizations and representation, and threatens the viability of the whole civil society. Other indirect consequences of the economic inefficiency and reform failures may further destabilize the region. For instance, the disappearance of a social net encourages people to review their loyalties and find other guarantees to provide their security or social welfare, be it from terrorists or the Mafia and criminal groups, or even another state. This happened in the case of Moldova. Another example is the tense Hungarian-Romanian relations because of the continuous poisoning of the rivers by Romanian companies, which cannot afford adequate environment protection<sup>82</sup>. Democratic consolidation also requires the gradual social and political inclusion of

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<sup>82</sup> The title of my thesis "Security In The Central And East European Multi-Paced Democratization Process" refers to these kinds of problems caused by the different effectiveness of the democratization processes. As early as 1993, a UN study, titled "European Economic Analysis" declares the fact that the homogenous Eastern and Central Europe ceased to exist both in political and economic terms.

severely marginalized poorer classes and ethnic, regional minorities, who need economic resources. There are voices calling the migration of gypsies from Eastern and Central Europe to the West the "gypsy exodus." Thousands of them arrived in Canada, France, Belgium and England during the last years. The reason for their move is clearly economic, and overshadows East-West relations.

Besides democratic development, economic stability is another key to regional security and stability. Without it, the social security net weakens, old infectious illnesses reappear<sup>83</sup>, average life span drops, education levels fall, criminal activities rise<sup>84</sup>. The social cohesion and strength of the nation disappears, families disintegrate, people become envious, arrogant, alcoholics, suicidal. The loss of food security results in famine<sup>85</sup>, environmental security degrades, flooding cause property loss, the budget

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<sup>83</sup> In October 1994, there were hundreds of patients infected by cholera in Ukraine, threatening the surrounding countries, therefore the borders had to be closed. The Ukrainian government was in a tough situation, and hoped the cold winter would prevent the spread of the disease. (HVG CD collection, Keyword: "kolera, Ukrajna")

<sup>84</sup> In Poland, the official crime rate is 40% higher than in 1990; in Romania it's nearly five times higher. The reasons are clear, though they are so basic that hard to solve. For example, there is more private property to steal, and there are fewer informers and less fear of the authorities. (HVG CD collection, Keyword: "Kozep Kelet Europa, bunesecek")

<sup>85</sup> The economic decline in Albania resulted in a dangerous situation in 1992, when only international food donations could prevent the outbreak of famine.

limitations endanger environment protection, and the country's efforts vanish in a catch-22 vertigo.

Another significant consequence of the fall of communism is the change in security perceptions. From the main security area of the military, the emphasis transposed to those areas, mentioned above. Increasing internationalization has led to new types the strengthening sensitivity of the states and their populations toward environmental pollutions, new crimes like money laundering, drug and humans trafficking or terrorism<sup>86</sup>.

Despite the substantial political and economic reforms undertaken since the fall of communism in many of the countries of the former Soviet Union and Eastern and Central Europe, they have largely failed to provide an adequate social safety net for their citizens. Until the abrupt end of socialism in the late 1980s and early 1990s, Socialist countries were grand experiments in state-sponsored welfare systems that claimed to provide free, accessible health care, free housing, education, guaranteed employment, state retirement pensions, and free universal child care facilities. The social contract between the

<sup>86</sup> For instance, in November 1994, German intelligence authorities warned Lithuania, that after the conviction of a Lithuanian criminal, his fellow conspirators were planning to take revenge by blowing up a 1500 megawatts nuclear reactor. The power loss from suspending its operation had serious consequences.

state and the workers during the Soviet era ensured cradle to grave security for all citizens in exchange for their individual freedoms. This "bargain" between the state and its citizens also created a widespread mentality that survived the fall of communism. Citizens during the transition periods still expect the state to provide the basic necessities of life.

The most immediate impact of the economic difficulties was the rapid impoverishment of the majority of the population (see average wages in Appendix B). More than 75 million people fell into poverty from 1989 through the mid 1990's, and wages dipped for most people to less than 50 percent of their previous earnings. The Russian financial crisis of 1998 led to an estimated additional 20 million people sinking into poverty.

One of the consequences of this crisis is a sense of malaise and hopelessness, which has resulted in higher suicide rates and a lowering of the already low birthrates. Fewer healthy men and women are available to join the workforce, armies, or leadership positions. This is the first time in the history of the modern world that highly industrialized nations face a reduction in life expectancy. Health statistics indicate that numerous nations in



transition are unable to cope with the rising rates of tuberculosis, HIV/AIDS, and other infectious diseases. The most vulnerable groups in society, the elderly and children, have paid the highest price, and for the children, the future looks grim. Today's children will be the future leaders, professionals, and workers who must carry these countries into the next century, yet they are the sickest, most neglected, and most destitute sector of the population. Communism failed because it lost the youth, and now young people feel despair regarding the future again.

The problems with the economies, which created social tensions, despair, inequality, enviousness, distrust, hate, and racism have more far reaching consequences. The perception of the disappointed population is that globalization = capitalism = democracy = poverty, and this misunderstanding is a big threat: it contributes to the popularity of the undemocratic forces.

Socialism resulted in social cohesion within the population, which quickly evaporated. This is a social threat facing the Eastern and Central European countries, and it threatens from within. Without a clear understanding of the causes, it is difficult to implement solutions to

address the problem. The overwhelming question that these nations will face in the next decade is what kind of short term measures can be implemented that will eventually bring long term gains, but will also alleviate human suffering?

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#### IV. POLITICAL, ECONOMIC, CULTURAL STATE, GROUP AND INDIVIDUAL INTERESTS. EASTERN VS. CENTRAL EUROPE.

With the fall of communism and the elimination of the superior Soviet Union, the homogenous East and Central Europe ceased to exist. The countries regained their autonomy, the right to shape their own future, including the responsibility to harmonize their interests with the norms of the international community.

This region of Europe, where state interests are diffuse, including political and economic survival, minority issues, the establishment and stabilization of new states created by the disintegration and so many other interests such as the individual interests of the leaders and foreign companies, is full of tensions, which led or would lead to many probable conflicts. Some issues of this broad spectrum have already been solved, some are consolidated, but still create tensions, and of course, the multi-paced democratization will be responsible for many more in the future.

It is hard to establish a new framework, where these interests and possible conflicts might be categorized and sorted out. Only a piece of this work was accomplished by

the RAND Corporation in a study, titled "Anticipating Ethnic Conflict"<sup>87</sup>; this research provides a methodology to follow only the cultural-ethnic field. To study other areas and developments, which might destabilize the region, analysts need very detailed databases of the political, economic and ethnic-cultural history and contemporary tendencies of the region.

Realists may find many developments of the East and Central European consolidation an ultimate proof of the main idea of their theory, namely that international relations are defined by the conflicting interests of states, and not by international norms or regulations. Façade democracies of course, are perfect proofs of this theory; the Russian foreign policy is worth a look.

The Cold War is over and the Soviet Union is history, but certain events have shed a disturbing light on the tactics and possible goals that the Kremlin may be pursuing. Russia officially is against NATO enlargement, and makes serious efforts to undermine its westward-oriented neighbors and not only in diplomacy. Recently it

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<sup>87</sup> This research of the RAND's Arroyo Center was financed by the U.S. Army. The study is "a practical tool - a guidebook and a methodology to follow - for intelligence analysts to use in determining the long-term potential for communitarian and ethnic conflict." (p. ix., published by RAND, 1997), a complimentary list of preconditions of these conflicts, which elements are stabilizing or instabilizing in nature, driving this conflict toward violence or peace. This study is highly usable in the analysis of the Moldovan case.

has come to the attention of the relevant Polish authorities that the Russian pipeline traversing their country is accompanied by a fiber-optic trunk placed alongside by the Russian contractors with far greater communication performance than required to merely operate the pipeline. The excess capacity was clearly intended to provide a permanent intelligence carrier straight across the heart of a new NATO ally<sup>88</sup>. Another recent scandal is still unfolding with reference to one of the Hungary's most strategically important chemical facilities. Russia's state energy giant Gazprom previously tried to buy significant Hungarian chemical industrial giants but unsuccessfully. Their second try used legally dubious tactics and the hidden nature of the take-over through an Irish firm<sup>89</sup>, has led to the Hungarian government becoming involved and investigations of money-laundering allegations have been initiated.

Rarely has an article provoked the new NATO and EU candidates' and Brussels's interest on the scale as happened in march 2001, when the Jane's International Defence published a column about the events surrounding the

<sup>88</sup> [Http://www.janes.com/security/international\\_security/news/jid/jid010309\\_1\\_n.shtml](http://www.janes.com/security/international_security/news/jid/jid010309_1_n.shtml)

<sup>89</sup> Although western governments help the Central and East European countries to fight illegal economic actions, this example proves, that forcing foreign companies to behave properly during their business and investigate their investments needs to be taken seriously.

Russian operatives with the Zámoly Roma of Hungary who had appeared in the Hague and Brussels to protest persecution and violation of human rights before EU bodies. They even requested political asylum so as to make Hungary look much worse than it is during the crucial EU accession negotiations which are currently taking place. What is interesting is that the political patron of the Zámoly group in Paris and Strasbourg was the French Communist Party, which is known to have had strong associations with the KGB in the past. The Zámoly group appeared to be financed by sources from Israel, which with the recent influx of Russian émigrés is highly penetrated by foreign intelligence<sup>90</sup>. Perhaps the most damaging methods employed by Moscow are not new, they were tried in the aspirant Czech Republic first and subsequently transplanted to

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90 "Russian intelligence penetration occurring in central Europe." Jane's International Defence, 23 February 2001. online:

[http://www.janes.com/security/regional\\_security/news/jid/jid010226\\_1\\_n.shtml](http://www.janes.com/security/regional_security/news/jid/jid010226_1_n.shtml)

Hungary<sup>91</sup>, proving the fact that the Kremlin has always used the minorities in reaching its aims<sup>92</sup>.

It is well known by now that under Meciar's leadership, the Slovak Republic became a seething hot-bed of Russian interests, as it seemed that with NATO's first post-1990 expansion, Slovakia would make an ideal and less than democratic outpost of Russian interests in the heart of a rapidly stabilizing and westerly committed neighborhood. The most obvious proofs of these Slovakian Intelligence Service (SIS) actions revealed after Meciar has been fortunately dethroned in 1998<sup>93</sup>. Subsequently, tactics are being refined. The so-called "Omega action", planned by the SIS was to make the countries of the region believe, that the USA favors Hungary, providing special attention toward her. "Operation Dezo" was planned to lash up racism, anti-gypsy feelings in the Czech Republic to slow down the EU integration process, while "Neutron

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<sup>91</sup> Hungarian Minister without Portfolio for the Security Services, Ervin Demeter confirmed that "external forces" were at play behind the mass exodus of Roma from the Czech Republic in 1992-93, particularly after the installation of the pro-European government.

<sup>92</sup> Although Moscow's minority policy proved to be stabilizing in many cases. Shortly after Yeltsin's declaration, that Russia decreases the oil export to Latvia to force the government to settle the status of the Russian minority. Russians in Latvia (30 percent of the population) had no citizenship, no right to elect and to be elected. Instead of economic, Moscow used military pressure against Estonia for similar reasons in April 1994: The Kremlin declared, that instead of military withdrawal, they increase their presence, if the security and rights of the Russian minority would not be guaranteed.

<sup>93</sup> The Russian influence is still there, however, but is having to come to terms with a changed political environment.



action" promoted the perception of dangers of NATO membership within the Czech population. "Operation Vychod (East)" targeted the Slovak population: SIS tried to convince the people, that the only alternative for Slovakia is the Russian orientation. It is not proven that SIS is involved in some of the terror outrages in the surrounding countries, but the terrorists used Slovak explosives 'danubit' and had Slovakian diplomat passports.

Of course, it is understandable that a newly created country, like Slovakia, tries to maximize its security and strengthen its state structures, but it does not necessarily have to induce the security paradigm (escalating inter-state conflicts or arms race). It needs the misperception of the decision-makers to over-react some events, as happened in Estonia for instance. In 1992 Prime Minister Mart Laar, with the introduction of the new Estonian currency sold the old Russian Ruble (2.3 billion) to Chechnya for 1.9 million USD, destabilizing not only the Caucasian region, but jeopardizing the Baltic security. Events like that understandably result in security policy revisions in Russia, which brings up the security paradigm: Russia is establishing forward outposts from which it can more effectively operate against conflicting interests,

like the next enlargement of the European Union or NATO. Besides the hidden actions (see the pipeline or gypsy cases), there is a more obvious embodiment of this tactic: the movement of weapons (including nuclear, told by intelligence services) from the mainland of the Russian Federation into the separated Kaliningrad oblast and the presence of the 14<sup>th</sup> Russian Army on the territory of Moldova.

However, economic interests are also destabilizing the region. Although with the re-establishment of economic relations (end of Council of Mutual Economic Aid, establishment of CEFTA and other initiations) the cooperation between the countries of the region is improving, extreme forces (nationalists, xenophobes, communists) still view and interpret incoming foreign direct investments as a threat against the sovereignty of their states to their electorates. As democratization processes, and these political forces lose their electorates, they turn to be more radical<sup>94</sup>. Besides the political, the development of economic relations also proves another idea of the realist theory: states cooperate

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<sup>94</sup> One of the latest rumors of the extreme forces in Eastern Europe is that Central European countries use all means available to prevent their democratization, because the western capital, invested so far in Central Europe would leave their countries to go further Eastward, which would result in unemployment and economic stagnation.

only when it is advantageous for them. The Czech Republic opposed the initiation of CEFTA, and have not joined the organization for years, because -as the fastest developing economy in the early and mid 90s- it was not in its interest.

Regarding ethnic and cultural relations, democratization has very positive results in mutual understanding in a multi-ethnic region. The role of western institutions is decisive because transition countries -as a direct consequence of their not fully democratic decision-making process- are missing consciousness in their actions in many cases. The very sensitive area of ethnic relations is one of them. To prove this statement, it is worth to take a look at the latest happening in Central Europe (including Hungary, Ukraine, Romania, Yugoslavia, Croatia, Slovenia, Austria, Slovakia), the Hungarian Status Law.

The so-called Status Law, recently approved by the Hungarian Parliament has far reaching security implications. After World War I, 2/3<sup>rd</sup> of the territory of Hungary was detached, and millions of Hungarians became minorities in the surrounding countries. Today, as the economy develops, and the revenues make it possible, the Hungarian government (together with the opposition) decided

to provide "Hungarian identification cards" and offer jobs, free health care and education for the ethnic Hungarians living outside of Hungary. From security point of view, this act has many negative results, not only by strengthening nationalist feelings in the surrounding countries, but with fostering the Hungarian minorities' identity, this "counter-assimilation" also changes their loyalties. More and more of them will feel to be Hungarian, and as the Moldovan case proved, changing loyalty has dangers. Although the EU did not criticize, and found it compatible with the European practice, and Slovakia already has its own Status Law (which does not caused any tensions), the implementation of this Law must be very careful. Acknowledging this, Hungary proposed continuous negotiations between the participants.

Ethnic issues will remain security concerns, until all countries of region become EU members, or form another "federation" as was proposed in a secret document, called the "Habsburg Plan". The document was found and revealed in Romania, and contained a 16-point "schedule" to establish a federation between Austria, Hungary, Slovenia, Croatia, Voivodina and the Czech Republic. Romanian sources warned, that some of these points have already been realized:

Slovenia and Croatia are independent, Czechoslovakia disintegrated; the next step would be the territorial demands of Hungary. At the end, the planners (assumed to be Otto Hapsburg and German Intelligence Services) with the approval of the Vatican would establish the catholic "Danube Confederation".

This latter example highlights the importance of a complex analysis, when drawing up the "security map" of the region. The emergence of new participants and their interests created a very complicated situation in the region. With the disintegration of the Soviet Union, they found their ideas relevant; the disappearance of the regulatory force, and the weakness of the states further stimulated their efforts. One decade after the emergence of a power vacuum, this chaos seems to be manageable, and a new order is created. States have strengthened, the west is making up its mind, therefore the possibilities of the new actors are decreasing. Therefore, for example NATO or EU enlargement plans with exact time lines and dates would have significant stabilizing effects and this is why clear statements of decision-makers are so important in East and Central Europe today.

## V. THE STABILITY PACT: REALIZING IDEAS

The Stability Pact, initiated in June 1999 by the European Union, in order to consolidate the infant democracies of Eastern and South-Eastern Europe in particular merits a separate chapter of study, because from my perspective, this is the first well grounded, effective, targeted effort in aiding democratization processes.

Since 1989, the PHARE program has been the main vehicle of EC/EU financial support to assist the economic and political Eastern European transition and systemic change. The program could have turned into an instrument of control, but in contrast to the Marshall Plan, which it is usually compared with, it lacked the underpinnings of a strong political doctrine<sup>95</sup>. From the point of view of democratization, an even more important deficiency is that the main focus of PHARE has been on economic assistance. The reason for this has been highlighted by Sedelmeier and Wallace, who pointed out that the PHARE program reflected a perception of the transformation in Eastern Europe as a

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<sup>95</sup> As Ulrich Sedelmeier and Helen Wallace have noted, "PHARE consisted of a series of actions... but it did not become a coordinated overall policy" Policies towards the Countries of Central and Eastern Europe, in Helen Wallace and William Wallace (eds.): Policy-Making in the European Union, 3rd edition (Oxford University Press, 1996. p.361.)

predominantly technical problem, solvable through a transfer of expertise and financial resources, with the main issue and choices focused on the sequencing of technical reforms. As a result of this preoccupation with 'technical' assistance, the idea of using PHARE to support the building of new democratic institutions or civil society came rather late. Only in 1992-1993 were sub-programs financing institution building such as the Partnership and Institution Building Program.

The next important step in mutual relations was the creation of second-generation agreements to regulate trade regimes. The proposed liberalization of trade was embedded in the new Association, or "Europe" agreements, between the EU and the new democracies, signed in December 1991 with Poland, Hungary and Czechoslovakia, in February 1993 with Romania and in March 1993 with Bulgaria.

The Stability Pact was proposed by the former French president Édouard Balladur at the Copenhagen European Council as early as June 1993. However, it took almost ten years to find an answer to the problems of the democratic consolidation and its security implications. This process was hindered by the euphoria of a few years, when the situation looked stable, and no serious intervention seemed

to be necessary. Later on, as democratic consolidation stopped and reversed in many countries of the region, it needed time to evaluate the situation and find the reasons for why the 'end of history' has not arrived. At last, in June 1999, the EU adopted its initiative called the 'Stability Pact for South Eastern Europe'. In the founding document, more than 40 partner countries and organizations<sup>96</sup> undertook to strengthen the countries of South-Eastern Europe "in their efforts to foster peace, democracy, respect for human rights and economic prosperity in order to achieve stability in the whole region."<sup>97</sup> A special feature in their relations is that representatives of the South-East European countries are, for the first time, on equal footing with those of international organizations and financial institutions<sup>98</sup> for advising about the future of their region and in jointly setting priorities concerning the content of all three working areas.

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<sup>96</sup> The Stability Pact involves the European Union Member States, the European Commission, the countries of the region and their neighbors: Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Hungary, Romania, Slovenia, Yugoslavia and Turkey. The international community also has strong representation: as members of the G8, USA, Canada, Japan and Russia, other countries (Norway and Switzerland), IOs, like the UN, OSCE, Council of Europe, UNHCR, NATO, OECD, WEU, monetary institutions like the World Bank, IMF, EBRD and EIB and regional initiatives (Black Sea Economic Co-operation, Central European Initiative, South East European Co-operative Initiative and South East Europe Co-operation Process).

<sup>97</sup> Stability Pact online: [Http://www.stabilitypact.org](http://www.stabilitypact.org).

<sup>98</sup> Therefore, the acceptance of the international monetary institutions (which required reform countries to introduce shock therapies resulting social tensions) by the population and the governments is much higher.



The Stability Pact is the first serious attempt by the international community to replace the previous, reactive crisis intervention policy in South Eastern Europe with a comprehensive, long-term conflict prevention strategy<sup>99</sup>. The Stability Pact is based on the most important experiences and lessons from world wide international crisis management. Democratic consolidation, conflict prevention and peace building can be successful only if they start in parallel in three key sectors: the creation of a secure environment, the promotion of sustainable democratic systems, and the promotion of economic and social well-being. Only if there is progress in all three sectors can a self-sustaining process get underway.

Organizationally, the Stability Pact relies on the Special Coordinator and his some 30-member team. His most important task is to bring the participants' political strategies in line with one another, to coordinate existing and new initiatives in the region and, thereby, to help avoid any unnecessary duplication of work. The Special Coordinator chairs the most important political instrument of the Stability Pact, the Regional Table. There are three Working Tables, which operate under the Regional Table:

<sup>99</sup> The NATO intervention undoubtedly acted as a catalyst in strengthening international political will for coordinated and preventative action in the region.

- Working Table I: Democratization and Human Rights
- Working Table II: Economic Reconstruction, Co-operation and Development
- Working Table III: Security Issues (with two Sub-Tables: Security and Defense, Justice and Home Affairs)

The European Commission and World Bank were appointed to coordinate the economic assistance measures for the region. They jointly chair a High-Level Steering Group in which the Finance Ministers of the G8 countries and of the EU, together with the representatives of international financial institutions and organizations and the Special Coordinator, work together.

In the founding document, the EU, which has assumed a leading role in the Stability Pact, undertakes to draw the region "closer to the perspective of full integration... into its structures", including eventual full membership in the EU. Even with this hope, the EU promotes stability in the region. Countries wishing to be admitted must, however, first meet the minimum conditions defined by the Council on 29 April 1997 concerning democratic, economic and institutional reforms.

The European Union and its Member States are also the most important donors of the Pact. As a contribution and an interim step towards membership, the EU set up a new

generation of Stabilization and Association Agreements. The intention is to increase economic, political and social co-operation between the EU and the countries through a new instrument, the aid regulation CARDS (Community Assistance for Reconstruction, Democratization and Stabilization). A financial amount of 4.65 billion Euros will be allocated during the years 2000-2006 to accompany and support the reforms of the countries concerned. Since 1991, the EU has raised over 9 billion Euros through its various aid programs<sup>100</sup>.

The Stability Pact's stabilization policy is not only about economic development. Without state institutions that work effectively and the democratic development of a state under the rule of law, there can be no long-term economic development and prosperity. Equally, democratization and non-discrimination are also fundamental preconditions to guaranteeing internal and external security. In this context, Working Table I has focused on issues such as human rights and minorities for the promotion of multiethnic co-existence and for the protection of minorities, good governance for the development of local governments, the appointment of ombudsmen and women, and

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<sup>100</sup> About financial resources: [Http://www.stabilitypact.org](http://www.stabilitypact.org)

the reform of the public administration. There are Task Forces to conduct these projects. The Gender Task Force, for instance, is devoted chiefly to achieving equality and the appropriate representation of women in public life and in the political process, while the Education and Youth Task Force deals with university education and vocational training, the teaching of history (school books), youth issues and democratic civics. The Parliamentary Co-operation Task Force promotes education, exchange, and co-operation between members of parliament and their staff. The Steering Committee on Refugee Matters works on a package of legal, economic and social measures in Croatia and Bosnia-Herzegovina designed to assist the return of refugees and exiles to their home regions. In June 2000, the Regional Table adopted the Media Charter followed by an Action Plan with the aim of protecting the independence of the media and supporting the training of journalists. In October 2000, Working Table I adopted a charter on NGO-government partnership in the region. Partners will promote the development of NGOs and civic initiatives, adopt appropriate legislation, and promote state-NGO partnerships on a sustained and systematic basis.

Working Table II conducts the economic reconstruction, development, and co-operation projects. In its strategy paper "The Road to Stability and Prosperity in South Eastern Europe" in March 2000, the World Bank formulated the medium and long-term economic development goals of the Stability Pact<sup>101</sup>. The goals are defined as follows: private sector development<sup>102</sup>, especially through the liberalization of trade between the countries of South Eastern Europe and the European Union through the improvement of the business regulatory environment and the improvement of the financial sector; poverty reduction and social development, especially through policies to foster social cohesion and inclusion; policies to encourage democratic and participatory processes, institutional development and governance, especially through the improvement of institutional and administrative efficiency and by addressing the problem of corruption; increased investment

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<sup>101</sup> With the adoption of the Investment Compact in February 2000, South Eastern European countries undertook to introduce free market economy reforms and to improve the climate of investment. With the help of the OECD, every country drew up a specific list of reforms. In accordance with the deadlines specified in the plan of action, implementation started in the Summer of 2000.

<sup>102</sup> The EBRD developed a strategy to promote the private sector, particularly small and medium-sized enterprises and those which focus on foreign trade.

in infrastructure<sup>103</sup>; improvements in environmental protection and policies to strengthen social protection as well access to, and the performance of, the social services.

In January 2000, 20 high-level representatives from the European Union, the United States, Canada, Japan and South Eastern European countries founded the Business Advisory Council, which works, in particular, for the improvement of the investment climate in the countries of the region, and helps ensure the implementation of the Investment Compact.

The Working Group on Trade is developing measures to break down customs barriers and other trade barriers. The countries of the region have signed an appropriate Memorandum of Understanding. A Coordination Group deals with measures to promote vocational training. A Task Force is working on the development and the implementation of environmental programs. An E-Balkans initiative has been developed to help countries in SEE to seize opportunities offered by new technologies. The Social Dimension Initiative attempts to foster increased access to social

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<sup>103</sup> The European Investment Bank (EIB) presented a comprehensive plan for the development of regional infrastructure (transport, energy, telecommunications and water supply). Preparations have started for a second round of infrastructure projects.

rights and infrastructures such as social security, health, and housing), social dialogue between governments, employers and workers, as well as the creation of employment for youth and vulnerable groups in society. A financial sector reform initiative has been launched to promote cooperation between central banks in the region and to foster appropriate conditions for commercial banks.

Through its two Sub-Tables, Working Table III deals with questions of both internal and external security. The aim is to establish transparency and predictability and to promote regional cooperation in those two areas. Due to reductions and reforms in the Armed Forces of Southeast European countries, tens of thousands of people are becoming unemployed. At the initiative of the Special Coordinator, the World Bank and NATO launched a program to facilitate the integration of those affected into the civilian labor market. In Romania and Bulgaria, the implementation of the program has significant results. The Sub-Table on Security and Defense mainly deals with arms control and non-proliferation<sup>104</sup>, and the Regional Mine Action Support Group is a forum for coordination and

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<sup>104</sup> Stability Pact partners cooperate to work on issues such as the exchange of military information, notification and observation of military activities, restrictions on the location of heavy weapons, notification of the dissolution of special operations forces, and verification and inspection regimes.

information-sharing in the area of mine action between the mine-affected countries of the region and other participants of the Stability Pact. The Disaster Preparedness and Prevention Initiative (DPPI) offers a framework for regional cooperation in the field of training and response. Working Table III also pursues the objective of developing a unified regional approach to fight the excessive and uncontrolled circulation of small arms and light weapons in the region.

The Sub-Table of Justice and Home Affairs deals primarily with measures to fight corruption<sup>105</sup> and organized crime, for example, support to countries of the region to adopt efficient legislation, build up appropriate institutions and develop adequate practices for a sustained fight against corruption and organized crime; strengthening the judiciary in order to improve law enforcement, increasing regional cooperation of police forces; improving the rule of law and the legal framework regarding migration and asylum.

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<sup>105</sup> In February 2000 the Stability Pact partners on Working Table III agreed on a comprehensive list of measures to fight corruption. The measures will be implemented by the countries of the region on the basis of a definite timetable. They will be assisted in doing so by the Special Coordinator's staff, the Council of Europe, the OECD, the World Bank, the European Commission and the United States.



In the implementation of the Stability Pact, important lessons are being drawn from the Marshall Plan and other post World War II reconstruction programs. Donor processes throughout the world have shown that they can be less than positive. Up to a third of internationally promised funds are never paid. Often, too much time goes by before promised financial aid and credits can be released and turned into concrete projects. Both donors and aid recipients are usually to blame.

- On the donor side, bureaucratic procedures and coordination problems can lead to duplication and mismanagement. Also, the priorities set, and occasionally by internal policy, by the donors are not always congruent with the needs of the recipients. As a result, financial loopholes often arise in important areas.
- On the recipient side, on the other hand, there is often a lack of the institutional and legislative preconditions needed to ensure that foreign money is invested in a targeted and controllable way. It is also often forgotten that every country has only a limited potential for absorption in order to avoid distortions such as, for instance, corruption or the dependency syndrome.

The Stability Pact therefore works as a two-way street. In order to receive support from the international community, the recipient countries must first implement appropriate reforms. The South Eastern European governments, for example, have undertaken to carry out economic reforms such as the dismantling of trade and

investment barriers, and to fight corruption and organized crime within the context of the Stability Pact. In exchange, the donors have undertaken to support the construction process in a coordinated way through assistance and credits.

It is not the amount of the money that is, in the end, decisive for the success of aid. Rather, it depends on the activities to which the funds are directed. In other words, as far as support is concerned, it is not so much a matter of "how much" but "what for". The Stability Pact partners therefore agreed that first they would set priorities regarding content before raising funds and then link financial pledges to concise projects. Several hundred projects were examined within all three Working Tables in advance of the Funding Conference. The projects selected were compiled into the Quick Start Package and were recommended for funding at the Funding Conference.

Since the Stability Pact was founded, the Heads of State and Government of the South Eastern European countries have met regularly for consultation. At the Bucharest Summit in February 2000, they adopted a "Charter on Good Neighborliness, Stability, Security and Co-operation in South East Europe". Diverse cooperative

relationships have taken the place of bilateralism. Most Stability Pact projects and activities were proposed and are carried out by two or more countries of the region.

The first Regional Funding Conference took place on 29 and 30 March 2000 in Brussels. The Special Coordinator presented a "Quick Start Package" to the donor community. The Package consisted of some 200 projects, from all three working Tables, with a value of 1.8 billion Euros. Most of the projects in the Package were proposed by the South Eastern European countries and in most cases involved more than one country. The implementation of the projects was to start within 12 months. At the finance conference, the donor community undertook to provide approximately 2.4 billion Euros to finance the Quick Start projects. The sum pledged exceeded all expectations. Around 1.1 billion Euros were pledged by international financial institutions, over 500 million Euros from the central EU budget via the European Commission, and the remainder by bilateral donors from the EU, G8 and other countries. Projects from all three Working Tables are now being implemented. For Working Table I 460 million Euros has been pledged, and 80 million Euros has been pledged for Working Table III. For Working Table II, for example, all 35 infrastructure projects, as

well as the package for the development of the private sector and the Table's environmental projects are covered by the money pledged. The return of refugees for example is being supported with 305 million Euros. To ensure that all promises are fulfilled as rapidly as possible, the Special Coordinator has created a monitoring and assessment mechanism. All project managers carrying out the Quick Start projects regularly report to the Special Coordinator on the progress of implementation. This information is published on the Stability Pact web site. In accordance with the resolutions of the Funding Conference, infrastructure projects are examined by Working Table II in cooperation with the High-Level Steering Group. Additional projects can be regularly assessed and proposed for financing by the "Donor Network", which was created by the Stability Pact.

The comparison of the Marshall Plan with the Stability Pact was a favorite issue, when it was initiated. The question of the need of a new Marshall Plan for Eastern Europe was always in the spotlight; those who promoted the idea argued, that the west made no significant efforts at all to finance democratic security, while others explained the very different situation of the post-WW starving Europe

from the contemporary situation of the reform countries. Probably Jeffrey Sachs's viewpoint is the closest to the truth; the father of the "shock therapies" emphasized the responsibility of the transition countries in shaping their policies, but also argued that the west did nothing to help them and their unconcern resulted in negative outcomes, like the Bosnian ethnic cleansing. He revealed that while in 1948-49, the Marshall Plan amounted the 2.1 percent of the GDP of the USA, it was only about 0.01 percent (900 million USD) per year in East and Central Europe during the last decade. He also blamed the international financial institutions for their mismanagement and lying. While IMF emphasizes its 58 billion dollar contribution to the Russian economic reforms, they forget about the details: 31 billions were gone immediately for paying just the interests of Russia's debts, 18 billions were short term loans due in 6 months, a few billions for paying western advisors, only 2-3 billions reached Moscow. The total financial contribution by the G-24 and the financial institutions for the region were 62.5 billion USD between 1990-1994, only 13.5 percent of this money was for not-refund (85 percent in case of the Marshall Plan)<sup>106</sup>.

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<sup>106</sup> HVG (World Economy Weekly-Hungarian) May 6, 1994. pp-51-52.

The Stability Pact is a viable solution, an effective promotion of the democratic consolidation. The late initiation of the project have already caused important losses, the only way to change the negative tendencies in Eastern Europe would be the combination of the Pact and the Plan. The Pact should ensure, that the contributions reach the recipients and are effectively used, the Plan should provide the financial resources, which -since they are directed and effectively used- does not necessarily have to be irrelevantly high.

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## VI. CONCLUSIONS

Multi-paced democratization causes tensions in East and Central Europe. Multiplying numbers of actors with their interests are shaping the processes in the region, many of them violating basic democratic rules. Whether these conflict resources will destabilize the post-communist façade or liberal democracies will depend highly on the democratic consolidation processes. This thesis focuses on two issues: how to build successful democracies, what went wrong in many countries, and what kind of consequences these different outcomes may have. The transitional period of the systemic change seems to be deterministic: well-grounded, careful transitions, with enough time to ensure truly democratic change is vital for the following, stable consolidation period. Revolutionary or fast changes however created chaotic transitions, façade democracies and the alteration of democratic consolidation.

There are also security consequences of the different efficiency in building democracies. The "peaceful democracy" theory emphasizes that the most successful peace-making tool is the promotion of the democratic change and consolidation. In this thesis, there are many examples,



of how multi-paced democratization processes destabilize the region. With the disappearance of the superior, controlling -therefore the guardian of security- Soviet Union, the region became more complicated, with a lot more participants and their multiplied interests. This thesis emphasizes the importance of the sub-state level analysis to find security risks in this chaotic disorder. The security of Europe depends more on individuals, group interests, social and cultural processes than NATO-Russian relations or landmine treaties.

Besides the analysis of some happenings in East and Central Europe, the thesis provides some lessons learned during the last decade; the importance of the slow transition, the question of parliamentary versus presidential system, the Slovakian and Romanian transitions, which are examples for the reversibility of undemocratic developments. The Moldovan case, which underlines the importance of ethnic issues in democratization, the economic lessons, which highlight the importance of economic reforms and the mistakes of both the relevant countries and the financial institutions... These lessons leave a clear mark on the EU's "Stability Pact"

initiative, which gives an answer as to how to promote democracies in practice.

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## APPENDIX A. RANKINGS AND CLASSIFICATIONS - EAST CENTRAL EUROPE AND CIS

### DEMOCRACY RANKINGS

Democracy    Economy

#### CONSOLIDATED DEMOCRACIES

|            |      |      |
|------------|------|------|
| Poland     | 1.44 | 1.67 |
| Czech Rep. | 1.75 | 1.92 |
| Hungary    | 1.75 | 1.75 |
| Slovenia   | 1.94 | 2.08 |
| Lithuania  | 2.00 | 2.83 |
| Estonia    | 2.06 | 1.92 |
| Latvia     | 2.06 | 2.50 |
| Slovakia   | 2.50 | 3.25 |
| Mongolia   | 3.13 | 3.92 |

### ECONOMY RANKINGS

Economy    Democracy

#### CONSOLIDATED MARKET

|            |      |      |
|------------|------|------|
| Poland     | 1.67 | 1.44 |
| Hungary    | 1.75 | 1.75 |
| Czech Rep. | 1.92 | 1.75 |
| Estonia    | 1.92 | 2.06 |
| Slovenia   | 2.08 | 1.94 |
| Latvia     | 2.50 | 2.06 |
| Lithuania  | 2.83 | 2.00 |

#### TRANSITIONAL GOVERNMENTS

|             |      |      |
|-------------|------|------|
| Romania     | 3.19 | 4.17 |
| Bulgaria    | 3.31 | 3.75 |
| Macedonia   | 3.44 | 4.58 |
| Moldova     | 3.88 | 4.00 |
| Georgia     | 4.00 | 3.67 |
| Croatia     | 4.19 | 3.67 |
| Russia      | 4.25 | 4.33 |
| Ukraine     | 4.31 | 4.58 |
| Albania     | 4.38 | 4.50 |
| Armenia     | 4.50 | 3.58 |
| Kyrgyz Rep. | 4.88 | 3.83 |
| Bosnia      | 5.13 | 5.58 |
| Kazakhstan  | 5.38 | 4.50 |
| Azerbaijan  | 5.50 | 5.00 |
| Yugoslavia  | 5.50 | 5.33 |
| Tajikistan  | 5.69 | 6.00 |

#### TRANSITIONAL ECONOMIES

|             |      |      |
|-------------|------|------|
| Slovakia    | 3.25 | 2.50 |
| Armenia     | 3.58 | 4.50 |
| Georgia     | 3.67 | 4.00 |
| Croatia     | 3.67 | 4.19 |
| Bulgaria    | 3.75 | 3.31 |
| Kyrgyz Rep. | 3.83 | 4.88 |
| Mongolia    | 9.92 | 3.13 |
| Moldova     | 4.00 | 3.88 |
| Romania     | 4.17 | 3.19 |
| Russia      | 4.33 | 4.25 |
| Albania     | 4.50 | 4.38 |
| Kazakhstan  | 4.50 | 5.38 |
| Macedonia   | 4.58 | 3.44 |
| Ukraine     | 4.58 | 4.31 |
| Azerbaijan  | 5.00 | 5.50 |
| Yugoslavia  | 5.33 | 5.50 |

#### CONSOLIDATED AUTOCRACIES

|              |      |      |
|--------------|------|------|
| Belarus      | 6.44 | 6.25 |
| Uzbekistan   | 6.44 | 6.25 |
| Turkmenistan | 6.94 | 6.42 |

#### CONSOLIDATED STATIST

|              |      |      |
|--------------|------|------|
| Bosnia       | 5.58 | 5.13 |
| Tajikistan   | 6.00 | 5.69 |
| Belarus      | 6.25 | 6.44 |
| Uzbekistan   | 6.25 | 6.44 |
| Turkmenistan | 6.42 | 6.94 |

*\*This year's scores reflect the period through June 1999*

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## APPENDIX B. ECONOMIC INDICATORS OF SOME TRANSITION DEMOCRACIES

### Hungary

| Indicator                              | 1990  | 1991  | 1992  | 1993  | 1994  | 1995  | 1996 | 1997  | 1998  | 1999  | 2000  |
|--|-------|-------|-------|-------|-------|-------|------|-------|-------|-------|-------|
| Nominal GDP (\$bn)                     | 33.1  | 33.4  | 37.3  | 38.6  | 41.5  | 44.6  | 45.1 | 45.6  | 47.0  | 48.9  | na    |
| GDP per capita PPP (\$)                | na    | Na    | na    | na    | 8380  | 8930  | 9340 | 10010 | 10570 | 11280 | 12230 |
| GDP (% change)                         | -3.5  | -11.9 | -3.1  | -0.6  | 2.9   | 1.5   | 1.3  | 4.6   | 4.9   | 4.5   | 5.3   |
| Industrial production (% change)       | -10.2 | -16.6 | -9.7  | 4.0   | 9.6   | 4.6   | 3.4  | 11.1  | 12.5  | 10.5  | 18.2  |
| Unemployment (end-year, %)             | 1.9   | 7.4   | 12.3  | 12.1  | 10.4  | 11.7  | 11.4 | 11.0  | 9.6   | 9.6   | 8.7   |
| Average monthly wage (\$)              | 212.8 | 239.8 | 282.2 | 295.2 | 316.8 | 309.5 | 307  | 306.7 | 316   | 326.6 | na    |
| Inflation (%)                          | 28.9  | 35.0  | 23.0  | 22.5  | 18.8  | 28.2  | 23.6 | 18.3  | 14.3  | 10.0  | 9.8   |
| Exports (\$bn)                         | 9.5   | 9.3   | 10.0  | 8.1   | 10.7  | 12.9  | 13.1 | 19.1  | 23.0  | 25.0  | 28.1  |
| Imports (\$bn)                         | 8.6   | 9.1   | 10.1  | 11.3  | 14.6  | 15.4  | 16.2 | 21.2  | 25.7  | 28.0  | 32.1  |
| Foreign direct investment stock (\$bn) | 0.6   | 2.1   | 3.6   | 5.6   | 7.1   | 11.9  | 15.0 | 16.1  | 17.5  | 19.3  | 20.2  |
| Foreign debt (\$bn)                    | 21.3  | 22.7  | 21.4  | 24.6  | 28.5  | 31.7  | 27.6 | 23.7  | 26.7  | 29.3  | na    |
| Population (m)                         | 10.4  | 10.3  | 10.3  | 10.3  | 10.2  | 10.2  | 10.2 | 10.1  | 10.1  | 10.1  | 10    |

### Czech Republic

| Indicator                              | 1990  | 1991  | 1992  | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  | 1999  | 2000  |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Nominal GDP (\$bn)                     | 32.3  | 25.4  | 29.9  | 34.3  | 37.4  | 50.8  | 56.5  | 56.5  | 55.0  | 53.2  | na    |
| GDP per capita PPP (\$)                | 10610 | 8721  | 8951  | 10550 | 12130 | 13040 | 13110 | 12890 | 12950 | 13080 | 13750 |
| GDP (% change)                         | -1.2  | -11.5 | -3.3  | 0.1   | 2.2   | 5.9   | 4.8   | -1.0  | -2.2  | -0.2  | 3.1   |
| Industrial production (% change)       | -3.3  | -21.2 | -7.9  | -5.3  | 2.1   | 8.7   | 2.0   | 4.5   | 3.1   | -3.1  | 5.7   |
| Unemployment (end-year, %)             | 0.8   | 4.1   | 2.6   | 3.5   | 3.2   | 2.9   | 3.5   | 5.2   | 7.5   | 9.4   | 8.8   |
| Average monthly wage (\$)              | 182.6 | 128.5 | 164.3 | 199.6 | 239.5 | 307.8 | 356.4 | 337.3 | 362.1 | 366   | na    |
| Inflation (%)                          | 9.7   | 56.6  | 11.1  | 20.8  | 10.0  | 9.1   | 8.8   | 8.5   | 10.7  | 2.1   | 3.9   |
| Exports (\$bn)                         | 5.9   | 8.3   | 8.4   | 13.0  | 14.0  | 21.6  | 21.9  | 22.8  | 26.3  | 26.9  | 28.9  |
| Imports (\$bn)                         | 6.5   | 8.8   | 10.4  | 13.3  | 15.0  | 25.3  | 27.7  | 27.2  | 28.8  | 28.8  | 32.2  |
| Foreign direct investment stock (\$bn) | 0.0   | 0.6   | 2.9   | 3.6   | 4.5   | 7.1   | 8.5   | 9.8   | 12.5  | 17.5  | na    |
| Foreign debt (\$bn)                    | 6.4   | 6.7   | 7.1   | 8.5   | 10.7  | 16.5  | 20.8  | 21.4  | 24.6  | 22.6  | na    |
| Population (m)                         | 10.3  | 10.3  | 10.3  | 10.3  | 10.3  | 10.3  | 10.3  | 10.3  | 10.3  | 10.3  | 10.3  |

## Poland

| Indicator                              | 1990  | 1991 | 1992 | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  | 1999  | 2000 |
|--|-------|------|------|-------|-------|-------|-------|-------|-------|-------|------|
| Nominal GDP (\$bn)                     | 59.0  | 78.0 | 84.3 | 86.0  | 92.7  | 126.4 | 143   | 143.1 | 157.3 | 155.4 | na   |
| GDP per capita PPP (\$)                | na    | na   | na   | na    | 6050  | 6780  | 7360  | 7960  | 8420  | 8920  | 9440 |
| GDP (% change)                         | -11.6 | -7.0 | 2.6  | 3.8   | 5.2   | 7.0   | 6.0   | 6.8   | 4.8   | 4.1   | 4.1  |
| Industrial production (% change)       | -24.2 | -8.0 | 2.8  | 6.4   | 12.1  | 9.7   | 8.3   | 11.5  | 3.5   | 4.8   | 4.3  |
| Unemployment (end-year, %)             | 6.3   | 11.8 | 13.6 | 16.4  | 16.0  | 14.9  | 13.2  | 10.3  | 10.4  | 13.0  | 15   |
| Average monthly wage (\$)              | na    | na   | 213  | 215.7 | 231.3 | 285.5 | 323.8 | 324.9 | 355.2 | 429.9 | na   |
| Inflation (%)                          | 585.8 | 70.3 | 43.0 | 35.3  | 32.2  | 27.8  | 19.9  | 14.9  | 11.8  | 7.3   | 10.1 |
| Exports (\$bn)                         | 15.8  | 12.8 | 14.0 | 13.6  | 17.2  | 22.9  | 24.4  | 25.8  | 30.1  | 26.4  | 31.7 |
| Imports (\$bn)                         | 12.3  | 12.7 | 13.5 | 15.9  | 21.6  | 29.0  | 37.1  | 42.3  | 43.8  | 40.8  | 48.9 |
| Foreign direct investment stock (\$bn) | 0.1   | 0.4  | 1.4  | 2.3   | 3.8   | 7.8   | 11.5  | 14.6  | 22.5  | 28.0  | na   |
| Foreign debt (\$bn)                    | 49.4  | 48.0 | 47.6 | 47.2  | 42.2  | 44.0  | 40.6  | 38.5  | 42.7  | 60.5  | 61.9 |
| Population (m)                         | 38.2  | 38.3 | 38.4 | 38.5  | 38.6  | 38.6  | 38.6  | 38.7  | 38.7  | 38.7  | 38.6 |

## Estonia

| Indicator                              | 1990 | 1991  | 1992  | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  | 1999  | 2000 |
|--|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| Nominal GDP (\$bn)                     | na   | 0.6   | 1.0   | 1.7   | 2.3   | 3.6   | 4.4   | 4.7   | 5.3   | 5.0   | na   |
| GDP per capita PPP (\$)                | 4778 | 4433  | 3992  | 3803  | 3834  | 4171  | 4449  | 5082  | 5456  | na    | na   |
| GDP (% change)                         | -8.1 | -13.6 | -14.2 | -8.5  | -2.0  | 4.3   | 3.9   | 10.6  | 4.7   | -1.1  | 6.4  |
| Industrial production (% change)       | na   | -9.5  | -38.7 | -18.7 | -3.0  | 2.0   | 3.5   | 15.2  | 3.2   | -3.8  | 9.1  |
| Unemployment (end-year, %)             | na   | na    | na    | na    | 4.4   | 4.1   | 4.4   | 4.0   | 3.7   | 5.1   | 5.9  |
| Average monthly wage (\$)              | na   | na    | na    | na    | 130.7 | 186.2 | 234.3 | 256.9 | 293.1 | 324.3 | na   |
| Inflation (%)                          | 17.2 | 211   | 1,076 | 89.8  | 47.7  | 29.0  | 23.1  | 11.2  | 8.2   | 3.3   | 4.0  |
| Exports (\$bn)                         | na   | na    | 0.5   | 0.8   | 1.3   | 1.9   | 1.8   | 2.8   | 3.2   | 2.4   | 3.2  |
| Imports (\$bn)                         | na   | na    | 0.6   | 1.0   | 1.7   | 2.5   | 2.8   | 4.3   | 4.8   | 3.4   | 4.3  |
| Foreign direct investment stock (\$bn) | na   | na    | na    | 0.4   | 0.7   | 1.0   | 1.0   | 1.1   | 1.8   | 2.4   | na   |
| Foreign debt (\$bn)                    | na   | na    | 0.1   | 0.2   | 0.2   | 0.3   | 1.5   | 0.4   | 0.4   | 0.2   | na   |
| Population (m)                         | 1.6  | 1.6   | 1.5   | 1.5   | 1.5   | 1.5   | 1.5   | 1.5   | 1.5   | 1.4   | 1.5  |

## Romania

| Indicator                              | 1990  | 1991  | 1992  | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  | 1999  | 2000 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| Nominal GDP (\$bn)                     | 35.1  | 28.9  | 19.6  | 26.4  | 31.5  | 35.7  | 35.5  | 34.6  | 36.8  | 34.0  | 36.7 |
| GDP per capita PPP (\$)                | na    | na    | na    | na    | 5550  | 6210  | 6630  | 6330  | 6050  | 5970  | 6240 |
| GDP (% change)                         | -5.6  | -12.9 | -8.8  | 1.5   | 3.9   | 7.1   | 3.9   | -6.9  | -5.4  | -3.2  | 1.6  |
| Industrial production (% change)       | -19   | -22.8 | -21.9 | 1.3   | 3.3   | 9.4   | 6.3   | -7.2  | -13.8 | -8.0  | 8.7  |
| Unemployment (end-year, %)             | 0.4   | 3.0   | 8.2   | 10.4  | 10.9  | 9.5   | 6.6   | 8.9   | 10.4  | 11.8  | 10.5 |
| Average monthly wage (\$)              | 138.6 | 97.6  | 82.6  | 103.1 | 109.8 | 138.3 | 138.4 | 121.8 | 153   | 127.7 | na   |
| Inflation (%)                          | 5.1   | 170.2 | 210.4 | 256.1 | 136.8 | 32.3  | 38.8  | 151.4 | 40.6  | 45.8  | 45.7 |
| Exports (\$bn)                         | 3.4   | 3.5   | 4.3   | 4.9   | 6.1   | 7.9   | 8.1   | 8.4   | 8.3   | 8.5   | 10.3 |
| Imports (\$bn)                         | 5.1   | 4.9   | 5.7   | 6.0   | 6.6   | 10.3  | 11.4  | 11.3  | 11.8  | 10.4  | 13.1 |
| Foreign direct investment stock (\$bn) |       | 0.0   | 0.1   | 0.2   | 0.6   | 1.0   | 1.2   | 2.4   | 4.5   | 5.4   | na   |
| Foreign debt (\$bn)                    | 1.2   | 2.1   | 3.2   | 4.2   | 5.6   | 5.5   | 7.2   | 8.6   | 9.3   | 9.2   | na   |
| Population (m)                         | 23.2  | 23.2  | 22.8  | 22.7  | 22.6  | 22.6  | 22.6  | 22.6  | 22.5  | 22.5  | 22.4 |

## Slovenia

| Indicator                              | 1990  | 1991  | 1992  | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  | 1999  | 2000  |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Nominal GDP (\$bn)                     | 17.4  | 12.6  | 12.5  | 12.7  | 14.4  | 18.7  | 18.9  | 18.2  | 19.6  | 20.0  | 18.6  |
| GDP per capita PPP (\$)                | na    | na    | na    | na    | 11520 | 12439 | 13220 | 14151 | 14750 | 15740 | 16790 |
| GDP (% change)                         | -4.7  | -8.9  | -5.5  | 2.8   | 5.3   | 4.1   | 3.5   | 4.6   | 3.8   | 4.9   | 4.7   |
| Industrial production (% change)       | -10.5 | -12.4 | -13.2 | -2.8  | 6.4   | 2.0   | 1.0   | 1.0   | 3.7   | -0.5  | 6.2   |
| Unemployment (end-year, %)             | na    | na    | na    | na    | na    | na    | na    | 14.8  | 14.6  | 13.0  | 11.9  |
| Average monthly wage (\$)              | 900.2 | 609.9 | 627.9 | 666.1 | 734.6 | 945   | 953.9 | 901.2 | 943.7 | 952.9 | na    |
| Inflation (%)                          | 551.6 | 115   | 207.3 | 32.9  | 21.0  | 13.5  | 9.9   | 8.3   | 7.9   | 6.2   | 8.9   |
| Exports (\$bn)                         | 4.1   | 3.9   | 6.7   | 6.1   | 6.8   | 8.4   | 8.4   | 8.4   | 9.1   | 8.6   | 8.7   |
| Imports (\$bn)                         | 4.7   | 4.1   | 5.9   | 6.2   | 7.2   | 9.3   | 9.2   | 9.2   | 9.9   | 9.9   | 10.1  |
| Foreign direct investment stock (\$bn) | na    | na    | na    | 1.0   | 1.3   | 1.8   | 2.1   | 2.4   | 2.6   | 2.7   | 2.7   |
| Foreign debt (\$bn)                    | 2.0   | 1.9   | 1.7   | 1.9   | 2.3   | 3.0   | 4.0   | 4.2   | 5.0   | 5.5   | 6.0   |
| Population (m)                         | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   | 2.0   |

## Ukraine

| Indicator                              | 1990 | 1991 | 1992  | 1993  | 1994  | 1995  | 1996 | 1997 | 1998 | 1999 | 2000 |
|--|------|------|-------|-------|-------|-------|------|------|------|------|------|
| Nominal GDP (\$bn)                     | na   | na   | 8.0   | 13.5  | 37.6  | 37.1  | 44.0 | 49.7 | 37.4 | 31.8 | na   |
| GDP per capita PPP (\$)                | 4490 | 4069 | 3720  | 3299  | 3900  | 3576  | 3339 | 3333 | 3310 | 3350 | na   |
| GDP (% change)                         | 13.0 | -8.7 | -9.9  | -14.2 | -22.9 | -12.2 | -10  | -3.2 | -1.7 | -0.4 | 6.0  |
| Industrial production (% change)       | -0.1 | -4.8 | -6.4  | -8.0  | -27.3 | -11.7 | -5.1 | -1.8 | -1.5 | 4.0  | 12.9 |
| Unemployment (end-year, %)             | na   | 0.0  | 0.3   | 0.4   | 0.4   | 0.5   | 1.3  | 2.3  | 3.7  | 4.3  | 4.2  |
| Average monthly wage (\$)              | na   | na   | 50.0  | 35.4  | 48.3  | 54.7  | 75.3 | 82.1 | 67.2 | 44.4 | na   |
| Inflation (%)                          | 4.8  | 91.2 | 1,210 | 4,735 | 891   | 376.8 | 80.2 | 10.1 | 20.0 | 22.7 | 28.2 |
| Exports (\$bn)                         | na   | 50.0 | 11.3  | 12.8  | 10.3  | 13.1  | 14.4 | 14.2 | 12.6 | 11.6 | na   |
| Imports (\$bn)                         | na   | na   | na    | na    | 10.7  | 15.5  | 17.6 | 17.1 | 14.7 | 11.8 | na   |
| Foreign direct investment stock (\$bn) | na   | na   | 0.2   | 0.4   | 0.5   | 0.8   | 1.3  | 1.9  | 2.7  | 3.2  | na   |
| Foreign debt (\$bn)                    | na   | na   | 0.5   | 3.7   | 7.2   | 8.1   | 8.8  | 9.6  | 11.5 | 12.4 | na   |
| Population (m)                         | 51.8 | 51.9 | 52.0  | 52.1  | 51.7  | 51.3  | 51.0 | 50.5 | 50.1 | 49.7 | 49.3 |



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