

Yoji Koyama

## *The EU's Eastward Enlargement: Central and Eastern Europe's Strategies for Development*

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When the European Economic Community was established I was 11 years old. When the disintegration of Yugoslavia started I was 46 years old. I have been living in Europe all my life but nevertheless, I learned a lot reading this book; new elements and views on the prevailing impressions and beliefs about the history of the EU and its enlargement.

The starting point of the book is that all of the Central and Eastern European Countries (CEECs) are not newcomers to Europe, but are in fact returning to Europe. Secondly, a different path from the one they took could have led to different results, less sacrifice and pain related to shock therapy and neoliberal reforms (p. 6). What makes this book really interesting and different is the fact that the "story" of enlargement is examined from an Asian perspective. A new and interesting insight is the author's claim that the process of transition could have been different and less painful, if the countries in the region had learned from the experiences of Asian industrializing countries.

The first chapter dwells on the changes in CEECs and provides new insight into the history of the region and its relations with the EU. It offers a criticism of neoliberal recipes and the shock therapy prescribed by the IMF and G. Sachs. The latter was a "parachuting" adviser to the regions' governments regarding transition and privatisation backed by the US and IMF's Washington consensus approach in its original form. The author elaborates on the region's efforts to catch up with the West and the problems arising from putting the process on a fast track. It is followed by a chapter on Poland, which is for many reasons a specific and a very interesting story due to its internal economic reasons and its (historical) geographical position (vicinity to Germany and Russia).

The chapter which overviews South Eastern Europe is rich and based

on extensive reading of the empirical evidence of the happenings in the region. However, we all have different perspectives, so do not be surprised if an interpretation departs from what you think or believe. These differences add to the creativity of the author and the richness of the book. For instance, being Slovene, I have a somewhat different opinion on the disintegration of Yugoslavia. The author may have placed too much emphasis on external and economic reasons contributing to the disintegration. He claims, for instance, that the "premature recognition of Slovenia and Croatia by EC member states destabilized Bosnia and Herzegovina" (p. 8). He later even claims that this "caused the breakup of the Yugoslav Federation and triggered tragic ethnic conflicts" (p. 48). He goes on to say that "shock therapy spurred escalation of conflicts among the republics leading to the subsequent breakup of the Federation and fierce ethnic conflicts" (p. 6). From an insider's perspective, this seems as only a rather modest element of the mosaic. The major causes of disintegration are much more complex, deeply rooted in the history of the last 500 years, and even more so in the events of the Second World War. Both Slovenia and Croatia tried to keep Yugoslavia together by, for instance, proposing a confederate system and several other reforms, but they were rejected, mostly by the Serbian regime of Slobodan Milošević, which tried to keep Yugoslavia together by abolishing the high level of autonomy of its republics. It achieved part of this aspiration by abolishing the autonomy of Vojvodina and Kosovo. This was a greater cause of problems in Kosovo than "shock therapy" was (p. 48), which is seen by Koyama as the element "spurring escalation of conflicts among the republics" (p.48).

In spite of the growing inequality between the more and the less developed republics during socialist Yugoslavia, economic reasons were not the major drivers of disintegration. They certainly played a role, but not a major one. The major reasons for disintegration were historical, ethnic, religious and the different opinions on the future of the Yugoslav federation (centralised as Milošević saw it, or more confederative as the Slovenes and Croatians saw it). There were also differences of opinion regarding European integration. For instance, the Slovenes were pushing for it, but Milošević was against it. The author is closer to the mark when claiming that the "Kosovo problem triggered the breakup of the former Yugoslavia" (p. 8, 201). In this chapter, Koyama rightly mentions the

experiences of Poland as a success story, partly because of a "shorter period of socialism" (p. 82) but, also, we can add, good policies during the transition period in contrast to bad policies in some other CEECs.

Chapter II, concentrating on the Western Balkans, starts with the complicated story of Kosovo. An in-depth historical overview is provided as the background for the problems of the present. This background is illuminating even for those who have lived in SFRY for many years. The chapter demonstrates a deep knowledge of the issue, although more from the Serbian than from the Albanian perspective. It was not only the "violence and harassment by Albanians" in the 1980s which stimulated Serbian nationalism, as the author claims, but also the deeply rooted historical disputes present among both groups for a long time. The author does not put enough emphasis on the abolishment of the autonomy of Kosovo or the harassment and violence against Albanians in the late 1980 and the beginning of 1990s performed by Serbs, which were the triggers of problems in this region. Certainly, as the author states, the "harassment by Albanians in the first half of the 1980s stimulated Serbian nationalism" (p.111). However, the reasons are much deeper. One has to look into the long-term policies of Milošević aimed at Serbian hegemony in the federation, the abolition of autonomy of the province of Kosovo and the Serbian harassment of Albanians in the distant and recent history. Furthermore, the claim that "the international community has accelerated the process" of ethnic conflict (p. 97) is not well founded, nor is the position that the bombardment by NATO "strengthened the position of Milošević in Serbia" (p. 105). It might have been true in the short-term, but later developments proved it stimulated his fall since internal opposition was strengthened.

The author is right in explaining the path of the latest EU member state, Croatia, alluding to the "danger of becoming the second Greece", referring to Greece's heavy dependence on tourism. He emphasizes the need to "develop manufacturing industries" (p. 171) in order to diversify its economic structure and reduce its dependence on tourism.

Serbia (ch. 6), which is only starting its path to EU membership, is a different story. The situation has changed, the initial enthusiasm has vanished as a result of the crisis of the EU and the Eurozone, and the demands on

potential new members have increased. Koyama demonstrates in-depth knowledge about the Serbian economy and political situation and its, as he puts it, "adverse international environment". It could be mentioned that such an environment is not generic but is in fact a reaction to Serbian policies and roles in the disintegration of Yugoslavia and its ethnic wars. Such internal factors contributed to its lagging behind in development and transition.

The chapters on individual countries explain well and in-depth their economic and political development based on rich data and documents. This also holds true for Macedonia with its everlasting name problem, and the veto of Greece, which is the main obstacle to EU membership. The author also justifiably emphasises the importance of regional cooperation, manifested also in CEFTA. Upon EU accession, trade within CEFTA becomes much more expensive, and the EU should address this issue with more care. Nevertheless, it is not the only problem. "Macedonia has always been facing the problem of structural weakness of its economy", (p. 222) which has recently been addressed with liberal and proactive policies to attract FDI. There are also ethnic problems, although these have been "settled for the time being by the Ohrid Framework Agreement in 2001, but the situation is still precarious" (p. 222).

The interesting parts in the contribution on Albania are the analogy with the Meiji restoration in 1868 and the one connecting its development to the experiences of Japan in the second part of the 19th century by referring to the role of talented persons. Koyama reflects on the pressing problem of the Albanian economy, the exodus of the (educated) work force, claiming that in the Japanese experience "only limited number of people were sent to Western countries and they absorbed the latest information and technology in the West and contributed to the economic development in Japan. In contrast, the contemporary Albanian society has suffered from serious brain drain" (p. 255-256). One can only agree with Koyama's statement that "it takes time, perhaps more than a generation, for democracy, rule of law, etc. to be rooted in the Albanian society" (p. 256).

The Baltic states (part III of the book), together with Slovenia, are a different story. The Baltic countries differ because of their geographical position and

historical relations with Russia/the Soviet Union and Slovenia by being by far the most developed part of Yugoslavia and the richest among all the new member states. Koyama is right in saying that after the initial success of Slovenia's first years of transition, it turned out to be a failure, as it was affected more deeply by the economic crisis than other new EU member states. But the economic crisis does not explain it completely. There are many internal reasons why Slovenia is still facing the crisis, although moderate growth resumed in 2014. Slower privatization and gradualism are emphasized as traits of the specific Slovenian transition path. The author is quite right in claiming that political interference in the economy was one of the reasons for mostly failed leveraged management by objectives (MBOs), which were regarded by managers to "escape from political intervention". The timing of such MBOs was bad, just before the economic crisis, leading to a collapse of many companies. There were bad management reasons behind it as well, such as restructuring, which came too late and were too slow (structural reforms) and adjustments to tectonic changes in the world as well as heavy investments in non-core business leading to huge non-performing loans.

The book concludes with the Eurozone crisis focusing on the Baltic states, Latvia in particular. The dependence of these countries on foreign capital is emphasized, particularly from Sweden and in the banking sector.

Koyama claims that "CEECs had almost no relation with subprime loans in the USA, but they were indirectly affected" (p. 344). He is also convinced that "relying solely on austerity has led to a vicious circle of deepening the recession" and, "dividing Europe." Koyama's plea for new wisdom replacing the austerity measures is well placed also because of the negative effects on cohesion and the catching up of the new and less developed members. One can add to this the need to recognize that "it takes two to tango"; it is not only the south and less developed countries who should adjust to resolve the crisis, but also the most developed countries, such as Germany.

In the concluding chapter Koyama again emphasises that the CEECs are not newcomers to Europe but are, rather, "returning to Europe". Strong emphasis is given to the role of the USA "as a shadow major actor" (p. 360) in the region. This is explained through the non-acceptance of Mitterrand's

frequently forgotten plan of a “pan European confederation” in 1989 and opting for the US solution of “accelerated transformation into capitalism” delinking the region from the influence of the Soviet Union. One cannot escape from the impression that perhaps too much emphasis is given to external factors, while internal ones are being neglected.

The book ends with a very contemporary reference to Ukraine claiming that it should “act as a bridge between the EU and Russia which would be beneficial both for Ukraine and for the EU and Russia” (p. 365). *Either-or policies*, such as making Ukraine decide between the EU and Russia, ignore the deeply rooted history of the region.

I can recommend the book to all those interested in the EU and its enlargement, to academics, businessmen, the general public in all the Western Balkan countries as well as to those from countries which joined the EU after the fall of the Berlin wall. The author has not only read extensively on the issues, but has also spent a lot of time in the region. His interpretations have a touch of ‘hands on’ experience which makes the book even more interesting and provocative.

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