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Testing the CEEs' model of transformation in the ENP framework: challenges and opportunities: the Eastern Dimension

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Testing the CEEs' model of transformation in the ENP framework: challenges and opportunities: the Eastern Dimension*

Abstract: This paper addresses three intertwined questions: (i) to what extent the East-Central European (CEE) model of transformation can be emulated elsewhere, e.g. in countries of the Eastern Dimension (EDCs) of the European Neighbourhood Policy (ENP); (ii) if prospects of completing transformation exist; (iii) to what extent ENP can be conducive in this regard. To this end, first, the model of transformation in the CEEC countries is described; a synthetic, comparative analysis of transformation results in the CEEs and EDCs follows. Third, fundamental determinants of transformation in the EDCs are discussed. Finally, challenges to and prospects of reaching the 'critical mass' of transformation in the EDCs are highlighted.

Keywords: transformation, determinants of systemic transformation, CEE model of transformation, Eastern Dimension countries

Introduction

In face of the developments in Ukraine, the Eastern Dimension of the European Neighbourhood Policy (ENP) has regained relevance. Set within the broader context of the Common Foreign and Security Policy, the ENP is designed to provide a platform for cooperation between the EU member states and the neighbouring countries.

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The Eastern Dimension (EDCs) of the ENP includes three Eastern European countries, i.e. Belarus, Moldova, and Ukraine, as well as three Caucasian countries, i.e. Armenia, Azerbaijan, and Georgia. As for the scope of cooperation envisaged in the ENP, by definition, it is very broad. It encompasses political dialogue, economic cooperation (including mutual trade relations), cooperation in the fields of judiciary and internal affairs as well as transport, energy, education, public health, and development of civil society.

With a view to the broad scope of the European Union (EU) co-operation with its Eastern neighbours under the ENP, and especially with respect to the effectiveness of this cooperation, the progress made in their systemic transformation¹ towards becoming a pluralist democracy (the desired effect of the political transformation) and establishing a market economy (the desired effect of the economic transformation) becomes vital. It is noteworthy that – despite the fact that all of them regained independence in 1991 (following the dissolution of the USSR) – all EDCs have been undergoing systemic transformation since then. The results of this transformation, however, leave a lot to be wished for as none of them has reached the ‘critical mass’ of transformation yet.² In fact, in the case of Belarus, a definite outsider of systemic changes among the EDCs, one can even speak of a restoration of the previous system of centrally-planned

- 1 In literature of the subject, with reference to the systemic changes in the former communist countries two separate, though seemingly similar terms, i.e. *transition* and *transformation*, are used; however, they are not identical. According to the author of this paper, *transformation* is a term with a broader scope of meaning than *transition* as it refers not only to the very fact of replacing one system with another one but also, against a broader context, it illustrates the complexity of the very process of systemic changes as determined by both the internal and external environment. A similar view is presented by e.g. K. Żukrowska, ‘Modele transformacji systemowej w krajach pokomunistycznych’ [Models of transformation in the post-communist countries], *Prace i Materiały IGŚ* [Working Papers WERI], no. 229, 2001, pp. 3-4.
- 2 The ‘critical mass’ of transformation shall be defined as the creation of a lasting and entirely different than hitherto institutional framework, both on the economic and the political level, enabling a successful transformation of a centrally-planned economy of the socialist type into a market economy of the capitalist type. For more, see A. Aslund, *Building Capitalism. The Transformation of the Former Soviet Bloc*, Cambridge: Cambridge University Press, 2002; S. Fischer, A. Gelb, ‘The Process of Socialist Economic Transformation’, *Journal of Economic Perspectives*, vol. 5, no. 4, 1991, pp. 91-105; M. Lavigne, *The Economics of Transition. From Socialist Economy to Market Economy*, London: Macmillan Press, 1999; R. Portes, ‘From Central Planning to a Market Economy’, in: S. Islam, M. Mandelbaum (eds), *Making Markets. Economic Transformation in Eastern Europe and the Post-Soviet States*, New York: Council on Foreign Relations Press, 1993, pp. 16-52.

economy under the rule of A. Lukashenka. Therefore, the question whether it is possible for the EDCs to complete their transformation by emulating the successful model of transformation applied in CEEs³ seems justifiable.

The success of systemic transition in countries of East-Central Europe (CEEs) is most clearly evidenced by their accession to the EU, which would not have been possible if they had not been able to meet the Copenhagen criteria.⁴ The objective of this paper is to address three interconnected questions: (i) to what extent the CEEs' model of transformation can be applied as a means of advancing systemic changes in the EDCs; (ii) whether transformation in these countries can be completed; (iii) to what extent ENP can be conducive in this regard. The discussion shall be structured as follows. First, a case is made that a distinct CEEs' model of transformation can be discerned and that it can be emulated elsewhere. Second, a synthetic, comparative assessment of the results of transformation in CEEs and EDCs is presented. The fundamental determinants of transformation in the EDCs are discussed in the third part of the paper. Indirectly, it also addresses the question whether it is feasible for the transformation process to be completed in the EDCs. Finally, challenges to and prospects of reaching the 'critical mass' of transformation in the EDCs are examined.

1. The CEEs' model of transformation: uniqueness vs. universality?

The model of transformation is defined as a specific course of actions aimed at changing the rules according to which the system has functioned so far and the methods of their implementation in time.⁵ It is difficult to

3 Poland, Hungary, the Czech Republic, the Slovak Republic, and Slovenia, as well as Romania, Bulgaria as well as Lithuania, Latvia and Estonia.

4 The Copenhagen criteria were agreed on at the European Council held in Copenhagen on 21st-22nd June 1993. They lay down the essential general conditions that all candidate countries must satisfy to become a member state. These are: stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, a functioning market economy and the capacity to cope with competition and market forces, administrative and institutional capacity to effectively implement the *acquis communautaire* and ability to take on the obligations of membership.

5 K. Żukrowska, 'Modele transformacji systemowej w krajach pokomunistycznych' [Models of transformation in the post-communist countries], *Prace i Materiały IGŚ* [Working Papers WERI],

speak (even in terms of economic theory) of one and universal model of transformation. Therefore, the classification of different models depends on the set of the criteria applied. According to the most common classification, two basic models of transformation have been distinguished, i.e. a radical (shock) transformation and gradual transformation.⁶

The radical (shock) transformation is understood as introducing radical (i.e. sudden, immediate) systemic changes within a short period of time. Swift and comprehensive reforms are expected to generate the 'critical mass' of transformation, i.e. introduction of a pluralist democratic system, on the one hand, and a free-market economic system, on the other hand. It is important that the benefit of public trust at the beginning of the transition process, i.e. before specific social costs of transformation have occurred, is leveraged. The radicalism of transitional reforms is meant to allow for the time of the transition period to be shortened to the absolute minimum. Avid supporters of radical systemic changes include, e.g. O. Blanchard, R. Dornbush, P. Krugman, R. Layard, L. Summers⁷; M. Boycko⁸; J.C. Brada⁹; S. Fisher, A. Gelb¹⁰; J. Kornai¹¹; J.D. Sachs¹². All of them stress that, if staggered in time, structural reforms tend to lack cohesion and uniformity that are critical for the effectiveness of the

no. 229, 2001, p. 7; K. Żukrowska, 'Modele transformacji: różne kryteria' [Transformation models: different criteria], in: K. Żukrowska (ed.), *Transformacja systemowa w Polsce* [Systemic transformation in Poland], Warsaw: Oficyna Wydawnicza SGH, 2010, p. 286.

- 6 J. Kleer distinguished three basic models of transformation: Model 1 which is based on full imitation; Model 2 concerns partial imitation referring to the political and economic areas; and Model 3 based on fragmentary or minimal imitation. Compare: J. Kleer, *Drugi do gospodarki rynkowej. Na marginesie doświadczeń transformacyjnych w Niemczech Wschodnich, Polsce i Rosji* [Roads to a market economy. In the margin of transformation experiences in East Germany, Poland and Russia], Warsaw: Wydawnictwo Naukowe Scholar, 2003, p. 27.
- 7 O. Blanchard, R. Dornbusch, P. Krugman, R. Layard, L. Summers, *Reform in Eastern Europe*, Cambridge: MIT Press, 1991.
- 8 M. Boycko, 'Price Decontrol: The Microeconomic Case for the Big Bang Approach', *Oxford Review of Economic Policy*, vol. 7, no. 4, 1991, pp. 35-45.
- 9 J.C. Brada, 'The Transformation from Communism to Capitalism: How Far? How Fast?', *Post-Soviet Affairs*, vol. 9, no. 2, 1993, pp. 87-110.
- 10 S. Fisher, A. Gelb, 'The Process of Socialism Economic Transformation', *Journal of Economic Perspectives*, vol. 5, no. 4, 1991, pp. 91-105.
- 11 J. Kornai, *The Road to a Free Economy. Shifting from a Socialist System: The Example of Hungary*, New York: Norton & Company, 1990.
- 12 J.D. Sachs, 'Crossing the Valley of Tears in East European Reform', *Challenge*, vol. 34, no. 5, 1991, pp. 26-34; J.D. Sachs, 'The Economic Transformation of Eastern Europe: The Case of Poland', *Economics of Planning*, vol. 25, 1992, pp. 5-19.

transition process. This in turn can lead to the creation of a 'new' system that is even more inefficient than the centrally-planned economy. Thus, extending the period of systemic changes (the transition period) significantly lowers the chances for transformation to be successful. This model of decisive and swift systemic changes following the recommendations of the Washington consensus has been applied in most CEEs. Poland and Estonia were the leaders of this kind of transformation. Countries such as the Czech Republic and Hungary decided to execute their transformation according to the extended in time gradual model. By far the longest and most difficult among all CEEs was the transition process in Bulgaria and Romania. Nonetheless, all CEEs have finally and successfully, albeit at different pace, managed to revoke the old communist system of centrally-planned economy and to introduce (i) a multi-party system within a pluralist democratic system, guaranteeing fundamental individual freedoms (basic human rights and civil liberties), and creating a number of institutions safeguarding democracy; (ii) free market principles in the economic system, in line with which the role of the state is limited to the absolute minimum and the freedom of competition is respected.¹³ At this point, a fundamental question arises, i.e. how was it possible? Which factors contributed to the success of transformation in the CEEs?

The key determinants that undisputedly stimulated transition processes in the CEEs included:

- Strong public support for the changes, especially at the beginning of the transformation, being mostly the result of the experiences of communism and oppression after WWII;
- Determination of the authorities to implement systemic changes; although Poland, Latvia, Estonia and Lithuania, rank definitely higher than Bulgaria and Romania in this respect;
- Quick and decisive change in the 'philosophy' of how the country should operate and how it should be positioned on the world

13 L. Balcerowicz, *Socjalizm, kapitalizm, transformacja. Szkice z przełomu epok* [Socialism, capitalism, transformation. Sketches from the turn of the epochs], Warsaw: Polskie Wydawnictwo Naukowe (PWN), 1997, p. 196.

map, here the notion of the CEEs' institutionalizing their external relations was crucial;

- Substantial support (both financial and expert-based) from Western countries and from international institutions (e.g. IMF, World Bank).¹⁴

The systemic transformation in the CEEs has been successful. Today, all these countries, as free and democratic market economies, are members of the EU. However, the time and place in history as well as the coincidence of the key determinants stimulating their transformation listed above make their transformation model highly unique and not easily transferrable in such a form to any other region of Europe or the world.

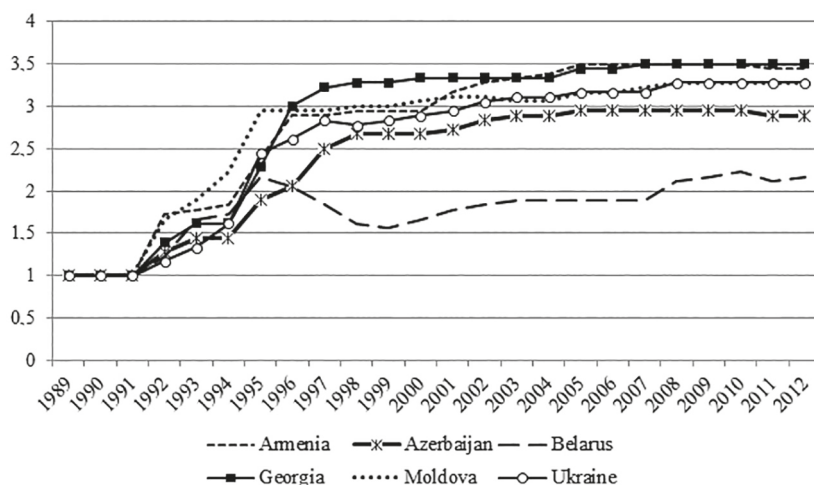
2. Transition in the CEEs and the EDCs: a comparative perspective

Following the dissolution of the USSR, 15 new countries (re)emerged and the processes of systemic transformation were initiated immediately. From the very beginning, these processes were highly diverse as regards the strategies adopted, the time-frames within which they were formulated and implemented, and the effectiveness of their execution. To conduct a synthetic assessment of the progress made to date in the systemic transformation in Belarus, Ukraine, Moldova, Armenia, Azerbaijan and Georgia, the relevant data published by the European Bank for Reconstruction and Development (EBRD) have been used. In assessing progress in transition, EBRD puts emphasis on the scope and effectiveness of reforms implemented in the areas of small and large scale privatization, governance and enterprise restructuring, price liberalization, trade and foreign exchange system, and competition policy.¹⁵

¹⁴ Loc.cit.

¹⁵ EBRD, *Transition Report 2010*, London: European Bank for Reconstruction and Development (EBRD), 2010, p. 4.

Graph 1. Progress in transition across the Eastern Dimension countries according to EBRD in the years 1989-2012 (overall score, max. 4.3)



Source: Author's own calculations based on the EBRD data.

Examining progress in transition processes in the EDCs over the years 1989-2012, the following general conclusions can be reached. The transition process in these countries started the moment they regained independence at the end of 1991. Following the implementation of the initial systemic reforms in 1992-1993, which were in fact spurred by the necessity to create new structures, formally independent from Moscow so that the individual countries and their economies could operate, a noticeable stoppage was observed over the period 1993-1994. The year 1994 brought a deep economic slump in most EDCs, interpreted mainly as the bottom of the 'transition shock'. This made further reforms necessary, including those urged by the IMF in its special relief programs. Subsequently, in all EDCs, except for Belarus¹⁶, a significant increase in the pace of transformation was recorded from 1994 up until 1999.¹⁷ As of the early 2000s, an improvement, albeit in most cases rather small, in the transition processes towards establishing a market

¹⁶ In Belarus, following A. Lukashenka's ascent to power in 1994, a dramatic decline in reforms and a far-reaching restoration of the centrally-planned economy was observed.

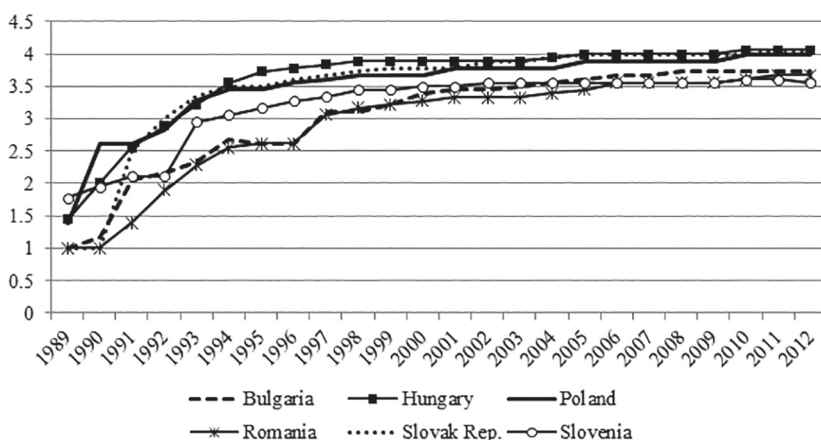
¹⁷ However, the serious crisis which hit Russia in August 1998 had an adverse effect on all post-Soviet economies, including also hindering their systemic transformation processes.

economy has been observed in all EDCs; with the exception of Belarus, where progress became noticeable only after the crisis of 2008.

In conclusion, it is worth noting that until the mid-1990s the unquestionable leader of transformation among the EDCs was Moldova, which was subsequently replaced by Georgia. On the other end of the spectrum, for years, Belarus has been a definite outsider – although there was no indication for that until the mid-1990s. The high rating achieved by Georgia for its progress in implementing pro-market reforms has also been confirmed by the Doing Business reports of the World Bank. In the latest 2015 edition of the report, Georgia ranked very high, reaching 15th place, well ahead of not only all other post-Soviet countries but also of all CEEs.¹⁸ When examining progress in transition processes across the EDCs, it is worthwhile to compare them to the CEEs.

As evidenced by the EBRD data presented in the graphs below¹⁹, the progress made in transition processes in the EDCs differs greatly from the progress of the CEEs.

Graph 2. Progress in transition across the CEEs (excluding the Baltic States) according to EBRD in the years 1989-2012 (overall score, max. 4.3)



Source: Author's own calculations based on the EBRD data.

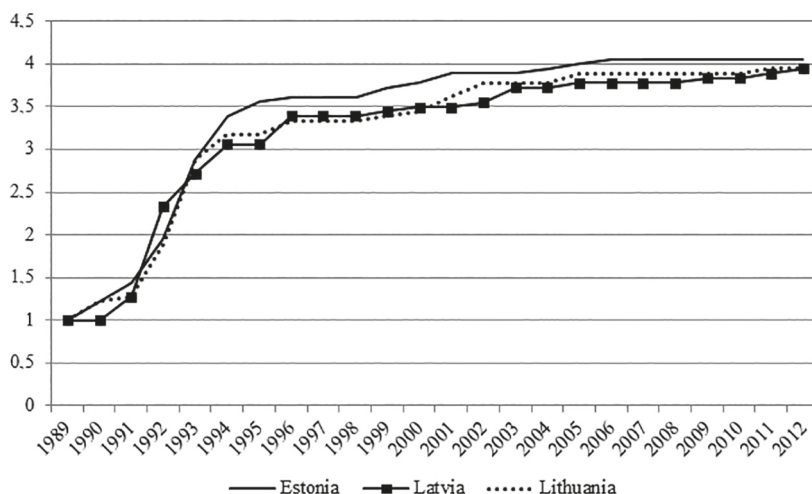
¹⁸ The World Bank, *Doing Business 2015: Going Beyond Efficiency*, Washington D.C., 2014.

¹⁹ Data for the Baltic States have been plotted on a separate graph first and foremost for the sake of more clarity in showing the advancement of transition processes in all nine CEEs. Another reason for Lithuania, Latvia and Estonia having been separated from other CEEs is also the fact that until the end of 1991 these three countries had still been an integral part of the former USSR.

Firstly, whereas in 2012 the overall average progress in systemic transformation across the CEEs reached 3.89 points (out of the maximum of 4.3 points), for the EDCs the same figure was 3.09 points.²⁰ Secondly, all CEEs exceeded the overall rating for progress in transition processes of 3.5 points. In the case of the EDCs, however, only Georgia and for some time Armenia managed to achieve that level. Additionally, it is also important to note how fast market reforms began to be implemented by the CEEs with Poland being the uncontested leader of those changes.

At this point, the spectacular success of transformation in Latvia, Lithuania and Estonia should be emphasized. The extraordinary dynamics of systemic changes in these countries after 1991, as illustrated on Graph 3, was only possible due to the remarkable determination of both their governments and societies. Consequently, already in the mid-1990s these three countries came to be known as the 'Baltic tigers'.²¹

Graph 3. Progress in transition across the Baltic States according to EBRD in the years 1989-2012 (overall score, max. 4.3)



Source: Author's own calculations based on the EBRD data.

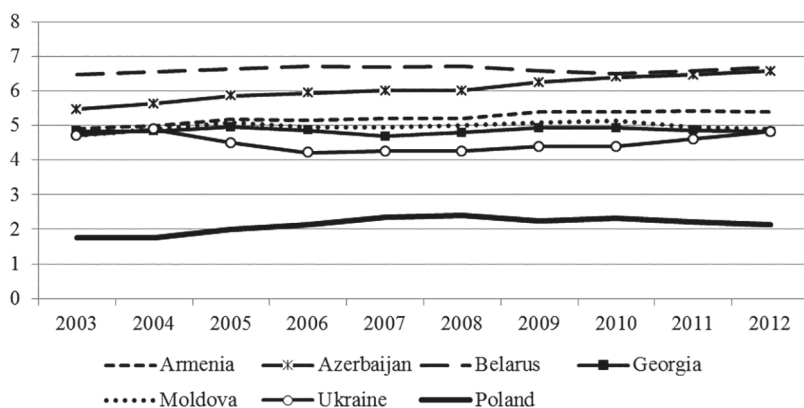
²⁰ The role of Belarus acting as a brake on changes in the region should be remembered here.

²¹ B. Arkadie, M. Karlsson, *Economic Survey of the Baltic States. The Reform Process in Estonia, Latvia and Lithuania*, London: Pinter, 1992; G. Miniotaite, 'Convergent Geography and Divergent Identities: A decade of transformation in the Baltic States', *Cambridge Review of International Affairs*, vol. 16, no. 2, 2003, pp. 209-222.

3. The determinants of systemic transformation in the EDCs

The factors determining the course of systemic transformation in the EDCs can be divided into three main groups: political, economic and social factors. Among the key political factors, apart from the domestic status quo, incl. the scope of political freedom, the level of democratic progress and the observance of the rule of law, the range of civil liberties, economic strategies developed by the ruling parties and progress in their implementation, it is important to single out the crucial, mostly destabilizing, role of Russia. The latter has sought to influence the developments in the former Soviet republics, including the EDCs. Also, from the beginning all these countries were actually not convinced themselves as to whether they wanted to integrate with West European structures, which would require them to implement quick systemic changes, or with Russia under the Commonwealth of Independent States (CIS).

Graph 4. Democracy Score Index in the EDCs and in Poland according to Freedom House in the years 2003-2012 (max. score 7.0)*



* The lower the score, the higher the level of democratic progress in the given country.

Source: The author's own calculations based on: Freedom House, *Nations in Transit* 2012, Washington D.C., 2012.

As for the level of democratic progress in the EDCs, significant differences among these countries need to be highlighted. According to the Freedom House ratings, over the period 2003-2012 Ukraine outperformed in this respect whereas Armenia and Azerbaijan consistently ranked the lowest over the same time period. Note that Freedom

House considers the latter two countries as authoritarian and not respecting any civil liberties.²² The crucial political factor determining the progress achieved in transition processes in the EDCs and their level of cooperation with the EU remains Russia. For many years, in fact from the very moment of the dissolution of the USSR, Russia has persistently and deliberately pursued its policy aimed to gain control of the countries in the post-Soviet area. To that end, the Kremlin has applied a number of different instruments. These included 'soft' political persuasion, investment projects carried out in strategic operational areas of virtually all post-Soviet countries as well as financial aid offered to countries in economic difficulties.²³ Finally, coercive force was used. The best examples include gas disputes with Ukraine and Belarus and an armed conflict with Georgia over South Ossetia and Abkhazia.

The key economic factors determining the course of transition processes in the EDCs include firstly, macroeconomic difficulties, which appeared very quickly following the breakdown of economic ties within the former USSR. Paradoxically, instead of speeding up the reforms towards establishing a market economy, they slowed them down. Secondly, their considerable economic dependence on Russia, both in terms of trade and capital, and relative sensitivity to shocks originating from the world economy.²⁴ Moreover, social and cultural factors in a broad sense have played an important role among the determinants of systemic transformation in the EDCs. The cultural system present in these countries has been characterized by a lack of public trust, both towards other people and the state, as well as a lack of 'community feeling'. Thus, establishing lasting and effective ties in these countries, in the form of social networks, based on mutual trust is considerably hampered. Combined with quite wide-spread disrespect for the rule of law and pervasive corruption, it leads to an in-

22 Freedom House, *Nations in Transit 2012*, Washington D.C., 2012.

23 E.g. Armenia, Belarus, Ukraine after the crisis of 2009.

24 M. Myant, J. Drahokoupil, *Transition Economies: Political Economy in Russia, Eastern Europe, and Central Asia*, New York: Wiley-Blackwell, 2012.

crease in transaction costs for both individual enterprises as well as for the economy as a whole, thus hindering the transition process.²⁵

To conclude, among the determinants of systemic transformation processes in the EDCs, the key role of the institutional factors *sensu largo*, including the political, economic and social ones, deserves a special mention.²⁶ It is the institutional environment that constitutes the biggest weakness of these countries. It slows down pro-market changes and affects progress in further deepening their cooperation with the EU within the framework of the ENP. Finally, it greatly limits the prospects for successful emulation of the CEE model of transformation.

4. Emulating the CEEs model of transformation in the EDCs: challenges and prospects

Given the relatively negligible progress made in transition processes in the EDCs in comparison to the one achieved in the CEEs as well as the evident differences in this respect among them²⁷ the question arises as to whether it is possible to speed up transformation in these countries by means of cooperating with the EU. The platform for this cooperation is provided by the ENP. The ENP was designed to prevent new demarcation lines between the enlarged EU and its neighbours and improve the general prosperity and economic welfare beyond the EU's external borders. In this context Eastern Partnership (EaP) was launched in 2009, conceived in terms of strengthening the EU's influence beyond its Eastern border, hence the term Eastern Dimension of the ENP, employed throughout this paper.

The objective of the EaP is to accelerate the process of political association and to bring about a deeper economic integration between the EU and its Eastern neighbours. Moreover, the objective is to mitigate social and economic inequalities and to improve the economic and political stability in countries included in the EaP. The level of

25 K. Falkowski, *Międzynarodowa konkurencyjność gospodarek Białorusi, Rosji i Ukrainy* [International competitiveness of the economies of Belarus, Russia and Ukraine], Warsaw: Oficyna Wydawnicza SGH, 2013.

26 K. Yudaeva, *Globalization and Inequality in CIS Countries: The Role of Institutions*, Moscow: Center for Economic and Financial Research (CEFIR), 2003.

27 Belarus is the furthest from establishing a market economy, although the situation in Azerbaijan also leaves a lot of room for improvement.

integration and cooperation is directly related to the extent to which the individual partner-countries observe European values, standards and structures, and to the progress they have achieved in their systemic transformation.²⁸

The main challenges to stimulating systemic transformation in EDCs are to be found in three areas. With regard to the EDCs, it is impossible for their transformation to be completed without their commitment to press ahead with pro-democratic and pro-market reforms. In other words, no incentive system or financial assistance offered by the EU can ignite an efficient reform process in the EDCs. It is only an increased self-awareness of respective societies coupled with the realization that only by continuing reforms, and thus getting closer to the EU, will they be able to protect themselves against Russia and increase welfare, that can kick start the process effectively. With regard to the EU, it is necessary that constructive and real support for the EDCs should be offered.²⁹ Obviously, it is difficult to work out a uniform and uncompromising position within the EU that would result in an effective support of systemic transformation in the EDCs. Yet, without a strong and determined support on the part of the EU, similar to the one Poland and other CEEs received from the West at the beginning of their transition processes, transformation in the EDCs will not be completed successfully. Consequently, they will not be able to join the community of democratic and free-market European countries. Finally, challenges are to be identified also in third countries, i.e. first and foremost in Russia. By pursuing a policy aimed to destabilize countries in the post-Soviet area and stepping up efforts to make these countries ever more dependent on Russia, Russia blocks the continuation of systemic transformation in EDCs and thwarts the prospect of them getting closer to the West. This is most clearly evidenced by Russian interference in Ukraine that led to the postponement of the entry into force of the economic part of the EU-Ukraine association agreement. The Russo-Georgian war of 2008, the destabilization of the situation in the Azerbaijan-Armenia conflict, support for the A. Lu-

28 E.A. Korosteleva, M. Natorski, L. Simao (eds), *EU Policies in the Eastern Neighbourhood: the practices perspective*, London: Routledge, 2014.

29 E.A. Korosteleva (ed.), *Eastern Partnership: A New Opportunity for the Neighbours?*, London: Routledge, 2011.

kashenka regime in Belarus, as well as the incredibly strong dependence of Armenia on the Russian economy attest to that as well.

Addressing the question as to what extent the model of transformation applied in the CEEs could be used in the EDCs, it should be observed that the chances of it being directly adopted by these countries are made virtually impossible by three main and very prosaic reasons:

- 'time and place', in which they are now, i.e. 20 years after they regained their statehood. It was nowhere near as difficult to implement radical and comprehensive changes in the CEEs in the early 1990s when Russia was weak and the international community actively helped in their transformation and when the societies of these countries – yet fully unaware of the negative social impact of these changes – euphorically supported the reformers. What is more, it is much easier to enforce the desired changes quickly, radically and comprehensively (as was the case in the CEEs) than to do it gradually and slowly, exposing oneself to strong interest groups not even remotely interested in the country becoming more democratic and the economy being more market-oriented which could threaten their own vested interests;
- their societies being tired of the changes to date which have not brought the promised improvement of living standards. Even the following observation seems justified here: the social capital of positive attitude to changes which appeared just after the collapse of the USSR has been squandered, mostly deliberately;
- strong interference of Russia in the internal affairs of these countries and the possibility of Russia further playing the national card in order to destabilize the situation in them.

However, all of the above does not necessarily mean that systemic transformation stands no chance whatsoever of ever being completed; quite the contrary. Given a realistic timeline and strong commitment towards introducing pro-democratic and pro-market changes in the EDCs combined with real help from the EU member states, it is still possible to bring it to a successful end. Moreover, it is in the vital interest of the EDCs and the EU for this transformation to be fully and successfully completed in not so distant future. If not, given the expansive foreign policy pursued by the Russian Federation, the development gap will grow even deeper and so will the political instability in this region.

Conclusions

The examination of systemic transformation in the EDCs with regard to the potential application of the CEEs' model of transformation to complete their pro-market reforms under the ENP has brought forth the following conclusions. Firstly, for the effectiveness of the EU cooperation with the EDCs, the progress in transition processes implemented in these countries is of paramount importance. As practice suggests, such cooperation runs more smoothly with democratic countries having a functioning market economy. Secondly, the differences in the initial conditions (at the start of transformation) between the CEEs and the EDCs have decidedly determined the course and results of transition processes in these countries. Thirdly, despite the fact that the EDCs regained independence well over 20 years ago, they have yet to complete their systemic transformation. According to the EBRD ratings, the biggest progress in systemic transformation has been achieved by Georgia and Armenia, with Belarus closing the ranking. Moreover, among the key factors hindering the progress in transition processes towards establishing a market economy and a pluralist democracy in the EDCs are institutional determinants in a broad sense, including ones of political and social nature. The vital factor acting as a brake on changes in the post-Soviet area is also traditionally Russia, which stops at nothing to hold on to its former sphere of influence, as indicated by the cases of Georgia, Belarus, Armenia, Moldova, and more recently Ukraine. Finally, completing systemic transformation, and thus achieving the 'critical mass' of transformation, will pose a challenge for a number of political, economic, and purely social reasons for the EDCs themselves. Therefore, the broadest possible institutionalization of external relations of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, is mandatory. This includes stepping up the EU cooperation with these countries within the framework of (but not limited to) the ENP. The main task of the EU should be to keep persuading the governments and the public of the EDCs that further sacrifices required to complete the transition process in their countries, which would possibly bring them closer to deeper integration with Western political and economic structures in future, will simply prove worthwhile for them.

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