The EU’s eastward expansion—the cases of Romania and Bulgaria

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The expansion of the European Union on May 1 this year to include 10 new member states has radically changed the face of the continent. Social tensions are increasing—and not just within the borders of these new members. The low wages in eastern Europe are being used as a battering ram against those in the old member states. And even though the full social and political effects of this development have yet to be seen, political and business leaders are already lining up candidates for the next round of EU expansion.

A foreign affairs representative for the German Social Democratic Party (SPD), Gernot Erler, recently declared that the expansion process had not ended with May 1. Numerous other states are now considered potential candidates. Among them is Turkey, whose possible entry is currently a topic of hot debate and dispute. The states of the former Yugoslav republic are also being considered, Croatia in particular. The Commissioner for EU Enlargement, Günter Verheugen (SPD), has been actively negotiating entry for the Balkan republic.

Official negotiations are presently underway with Romania and Bulgaria, whose entry is planned for 2007. The most powerful economic powers in western Europe, especially Germany, are pushing for strict adherence to this timetable. German Chancellor Gerhard Schröder (SPD) has repeated on several occasions that Romania “is a market of great importance to German industry and to the German economy.”

However, even among those who welcomed the EU expansion two months ago, there are many who are sceptical about the entry of Romania and Bulgaria. This concern was expressed by the *Financial Times Deutschland*, which wrote that “economic worlds” exist between the “EU of the 25” and the new candidates, who confront problems “that are far more typical of developing countries than developed states.”

In reality, the social, economic and political conditions in these countries, in common with those in the recently admitted EU countries, are catastrophic.

From as far back as the 1980s, the Romanian population were forced to accept brutal cuts to the government budget. During this period, the International Monetary Fund (IMF) and World Bank exerted enormous pressure on the country to pay off its high foreign debt. However, the debt-relief policies of the Stalinist regime under Nicolae Ceausescu—which included salary reductions and cuts to social services—were just a small taste of the enormous social collapse that was to come, beginning with the downfall of the Stalinist governments in 1989.

After Ceausescu’s overthrow and execution, his former pupil, Ion Iliescu, took over the office of state president in 1990. He formed the so-called “National Rescue Front” (FNR), and could only push through his aggressive privatisation policies, despite massive protests, by continually forming new alliances with various political parties. This even included forming a partnership with the old Stalinists in the Labour Party, as well as with fascists in the Greater Romania Party. Thereafter, the coalition government of the Democratic Convention (CDR) under Emil Constantinescu, which ruled from 1996 to 2000, pressed ahead with further attacks against living standards.

According to a UNICEF study published in 1993, over 50 percent of all Romanians, including two million children, live in poverty. Between 1989 and 1993, the mortality rate increased by 16 percent. In 1992, inflation reached its high point of 304 percent. During this five-year period, it is estimated that 1.5 million Romanians lost their jobs as a result of the privatisation of state industries. In industrial areas and major cities, unemployment reached enormous levels. In order to stave off hunger, many workers fled the cities for rural areas, so that they could at least secure daily nourishment from plots of land.

Such was the social misery in the early 1990s that thousands of Romanian children were sold in western Europe by organised gangs that had contacts within the highest levels of the political establishment.

Today, the great majority of Romanians live in abject poverty. Only a minority earn more than the minimum wage of 73 euros per month. The average monthly wage is around 130 euros, a figure which includes the highest paid earners in society. Life expectancy is ten years lower than in Sweden.

A similarly disastrous situation exits in Bulgaria. There, the official unemployment rate is approximately 20 percent; for those under 25 years, 35.5 percent (2002). The average Gross National Product (GNP) per head is 15 times higher in the old EU states than in Bulgaria (2,130 euros, 2002). Even the GDP per person in Estonia, at 5,070 euros, is more than double that of Bulgaria.

In Bulgaria, like Romania, social retrogression began with the introduction of market economics. In 1990, the Union of Democratic Forces (UDF) took over government and ruthlessly privatised industries with lightning speed. As a consequence, salaries dropped by 39 percent in the first three years. In 1995, the former Stalinists of the Bulgarian Socialist Party (BSP) stepped into office with the same policies as the previous government.

Under the BSP government of 1996-97, the country’s economic crisis reached its peak. Poverty, food shortages, and inflation of over 1,000 percent deprived virtually the entire population of its very livelihood. Prime minister Zhan Videnov was forced to resign and the BSP broke up shortly thereafter. In April 1997, the UDF took office once again, this time under Ivan Kostov.

The IMF and World Bank stepped in, basically ruling the country by proxy, forcing through strict economic and currency controls. With the so-called “Currency Board,” a system whereby the currency was set at a fixed rate, all financial, economic and social policies were directed by the western industrial powers.

As a direct result, the situation confronting the general population deteriorated further. In his book *Eastern Expansion - From the Push to the East to the Periphery of EU Integration*, (Promedia, 2003), author Hannes Hofbauer characterised these developments as follows:

“Inflation could be contained by reducing the costs of the still-existing social services. This meant: the health and education systems could no longer be financed; extreme increases in prices for daily goods; and according to the currency department, public transport was an exorbitant luxury. As a result, children living in the countryside no longer went to school because their parents could no longer afford their bus tickets. After the reform of the currency system, Bulgaria was socially decimated, and remains so to this day.”

The current government under Simeon Saxe-Coburg, the heir to the deposed Bulgarian monarchy, like its predecessors, is concerned only for the interests of businesses and western investors. According to a recent survey, 42 percent of all Bulgarians see emigration to Western Europe as their only chance to escape adversity—if they were indeed even given this opportunity.

In spite of this devastating situation, Brussels is pressuring Bulgaria even further, in order for the latter to meet the criteria laid down for EU entry. EU reports constantly criticise so-called “reform hold-ups” and “stagnant privatisation.” Last year the IMF demanded the sacking of 18,000 government employees. At the same time, some reports had to acknowledge: “The prosperity of the last years has not yet been reflected in an increase of living standards of the population.” (German Ministry of Finance—*The economic situation and reform process in the EU candidate countries.* April, 2003.)

The admission of the ten central and eastern European countries this year into the EU was done primarily in the interests of European big business. For the latter, the expansion has opened up markets and cheap locations for production. At the same time, wages and living standards in western Europe are being driven down even further. The second round of EU expansion is aimed at serving exactly the same aims.

Sixty-seven percent of exports and 58.5 percent of imports of Romania and Bulgaria are currently transacted with EU countries. Germany, along with Italy, is one of the most important trading partners for both countries. For example, in order to prepare its armed forces for entry into NATO in April this year, the Bulgarian government signed a contract with DaimlerChrysler worth 510 million euros.

Last May the Bulgarian prime minister met with German Chancellor Schröder and numbers of representatives of German business. Schröder welcomed a Bulgarian entry into the EU and signalled a close working relationship, particularly in the energy sector.

Due to the significance of the energy sector, its privatisation has been made a prerequisite for EU membership. German energy companies are at the ready. BASF is already making plans for one of its subsidiaries to be the first foreign gas company in Romania and has announced plans for further expansion in the region. Ruhrgas, a subsidiary of the e.On energy company, also has a keen interest in the privatisation of the Romanian state gas provider.

German and European companies are also nourishing other business opportunities. The Nabucco pipeline, a planned section of the gas pipeline from the Caspian Sea region to western Europe, is now planned to run through both Bulgaria and Romania. The Austrian energy giant OMV is playing a leading role in the planning of this project.

The US government is attempting to counter these encroachments by European companies. The recent awarding of a large Romanian government contract for the construction of a highway to the American concern Bechtel caused an outcry. It was assumed that the good connections that Bechtel had to the American government played the decisive in this were decisive in this choice. Without a public tender and circumventing parliament, the Romanian government awarded the contract to Bechtel, worth around 3 billion euros, for the construction of a 415-kilometre highway in the east of the country. The highway is part of the “Trans-European Network,” whose total cost the EU estimates at between 400 to 500 billion euros. It is planned to extend from Budapest to Bucharest, and thereby connect Western Europe to the Black Sea.

That European interests were passed over in the awarding of the contract unleashed a furor which immediately halted all kinds of financial assistance for the project. The EU commissioner for expansion, Günther Verheugen, was now cautious about Romania’s entry into the EU and started raising concerns about corruption, which “has curtailed economic reforms and developments.”

Hannes Svoboda, the Austrian social democrat and that party’s leading candidate for the European elections, made it even clearer, declaring that this incident made Romania’s entry by 2007 “unrealistic.”

Doubts about Romania and Bulgaria’s entry into the EU started to be raised last year after both countries supported the Bush administration in its war against Iraq. The two countries have around 500 soldiers each stationed Iraq and the US is using military bases in both countries for operations in Iraq.

The American government is using its military presence in these countries to advance US economic interests. The US is now planning to relocate its bases from western to eastern Europe. The *Bulgarische Wirtschaftsblatt* newspaper reported: “According to the plans of the Pentagon, around 50,000 US military personnel will be relocated from Germany to eastern Europe.” This, in order to “allow a quick and clinical response by US forces against terrorists.”