Five years after entry to the EU: Eastern European countries in crisis

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Opulent festivities were held to celebrate the entry of 10 Central and Eastern European states into the European union on May 1, 2004. Five years ago the European Union expanded to include 10 states with approx 75 million inhabitants: Poland, the Czech Republic, Hungary, Slovakia, Slovenia, Estonia, Latvia and Lithuania, as well as the Mediterranean islands of Malta and Cyprus. The heads of state and government of the new and old member countries outdid one another with promises of economic upturn, prosperity for the population and democratic stability. Today, five years later, it is clear that precisely the opposite has taken place.

The Eastern European EU states now collectively confront economic collapse. Hungary, Latvia and Romania have only been rescued from bankruptcy by massive international assistance and economies are plunging into recession across Eastern Europe. Following a 12 percent growth last year, Latvia expects to see a 14 percent decline in its economy in 2009. The industries in the Czech Republic and Slovakia, which are heavily dependent on automobile production, are also experiencing a slump in economic activity.

The currencies in many Eastern European countries are in freefall. The national currencies in Poland, the Czech Republic and the Baltic states have lost between 10 and 30 percent of their value in relation to the euro. The consequence of this fall is a ballooning of state and private indebtedness and the budgetary deficits of the Baltic States are currently the highest in Europe. In Estonia the level of domestic and foreign debt amounts to twice the country's gross domestic product.

The governments in the 10 new EU member countries have moved swiftly to shift the burden of the crisis onto the population. The most recent example is Hungary. Under the leadership of the country's Socialist Party a so-called government of experts has been appointed that consists exclusively of representatives of big business. The recently appointed panel of experts has already drawn up plans for substantial wage cuts, job reductions in public service and further cuts to the country's already threadbare social welfare net.

The new head of government, former banking chief Gordon Bajnai, has announced wage cuts for public service employees of 600 billion forint (about €2 billion), the dismantling of social security benefits and cuts to the national railway system.

In order to join the European Union, the candidate countries had to undergo a radical economic purge at the behest of the EU bureaucracy in Brussels. The privatisations of formerly state-owned enterprises has cost millions of jobs and governments across the region have implemented a series of budgetary cuts in order to meet the financial criteria laid down by the EU. The relatively high growth rates, which initially resulted from high levels of foreign investments, stirred the hopes in layers of the population of a higher standard of living.

As the ramifications of the latest international finance crisis has hit home, the last illusions have been dispelled and the parasitic character of Eastern European capitalism has come clearly to light. International companies that made big profits on the basis of Eastern Europe's low-wage workers are now carrying out mass redundancies as industry slumps. Western European banks, which also racked in high profit margins in Eastern Europe, are also withdrawing their money.

Broad swathes of the population in these countries are condemned to a life of unemployment and poverty. In the Baltic States, unemployment is expected to top 15

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percent this year. In Hungary, estimates vary between 6 to 8 percent. If the crisis in the auto market continues to progress, it is estimated that 300,000 workers in this sector could lose their jobs in the Czech Republic alone.

This will only serve to aggravate an already tense social situation. A large proportion of private households today are already hopelessly in debt. Since 2004, the costs of energy have risen by an average of 30 percent. The high levels of rents and living costs in cities such as Prague or Budapest consume almost all of the population's meagre salaries. Younger families are frequently forced to live with their parents because they cannot afford their own housing.

The populations in the Eastern European states have failed to benefit from the large amounts of development money from Brussels. Much of the EU funding has been tapped off by dubious, semi-criminal layers or found its way directly into the pockets of leading entrepreneurs who were given responsibility for major state-sponsored building projects.

The peoples of the 10 new EU states not only had to bury their hopes for economic and social improvement. All the promises of democracy also proved to be so much hot air.

Not one of the established political parties in Eastern Europe pursues a policy that could further the interests of the population. In most countries the political stage is dominated by either neo-liberal free-market forces or backward-looking nationalists, who seek to direct entirely justified social content into the most reactionary channels.

Following the reintroduction of the free market in 1989-1990, former Stalinist cadres were the first to line their pockets and defend free-market conditions by all means possible. This process helped encourage extreme right-wing forces. In Hungary, racist and anti-Semitic attacks are commonplace after nine years of a social-democratic government. The opposition conservative Citizens Federation (Fidesz) maintains close contacts to fascist forces. Anti-government demonstrations are frequently dominated by ultra-nationalists. In Slovakia, the Socialist Party formed a ruling coalition with the neo-fascist National Party some years ago. In power, the National Party has been able to hugely increase its coffers and political influence.

Protests carried out in recent months demonstrate the potential in these countries for social unrest. Recently there have been extensive protests and riots and ruling governments and the consequences of the crisis—in Latvia, Lithuania and Hungary, as well as Romania and Bulgaria.

Today it is clear that the European Union carried out the extension of its membership in the interests of the European financial elite, which saw a reservoir of cheap workers and new sales markets in the new member countries. At the same time, the misery and poverty in Eastern Europe was used to depress living standards and wages in the West.

The exploitation of the eastern markets, however, has boomeranged for the European banking community. Total investment by Western banks in Eastern Europe amounts to €1,500 billion. Austrian banks alone have credits amounting to €224 billion euros in the countries of Eastern Europe. This corresponds to 78 percent of Austria's entire economic turnover. Credit default on just a part of these huge sums threatens a string of state bankruptcies.

The entire project of the extension has graphically demonstrated that is it impossible to achieve a harmonious unification of Europe within the parameters of capitalism. Conflicts between the separate European powers are intensifying and even a break-up of the Eurozone is now regarded as entirely possible.

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