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The Role of the European Union in Democratic Developments in the Baltic States

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Abstract

After the collapse of the Soviet Union newly independent states were free to choose their own political and economic paths. Despite the fact all the Soviet Socialist Republics and Soviet satellite states share the same point of departure, only some of them experienced the successful transition from communism to democracy. On the examples of the Baltic States and Moldova, this paper will analyze the role of the economic performance and external incentives, in this case mainly the role of the EU that may have influenced the course of the transition from communism to democracy in those countries.

Key words: Former Soviet Socialist Republics, Baltic States, Moldova, European Union, democratization

Historical Background

Some years after the fall of the Russian empire, on December 30, 1922 the Declaration on the Union of Soviet Socialist Republics (USSR) foundation and the Treaty was signed by Russian SSR, Ukrainian SSR, Belorussian SSR, and the trans-Caucasian SSR (consisted of Armenian SSR, Georgian SSR, and Azerbaijan SSR). The next members to join the Union were Uzbek SSR and Turkmen SSR (in 1924), then Tajik SSR (in 1929), and then Kirgiz SSR and Kazakh SSR (1936). The last four members (Moldavian SSR, Lithuanian SSR, Latvian SSR, and Estonian SSR) became a part of the Soviet Union in 1940, just after the Soviet Union had occupied the territories of the Baltic countries and Moldova during the war. At the end, the Union of Soviet Socialist Republics united fifteen republics.

After the end of World War II the Soviets also gained political control in other Eastern and Central European countries. As a result countries like the People's Socialist Republic of Albania, the Polish People's Republic, the People's Republic of Bulgaria, the People's Republic of Romania, the Czechoslovak Socialist Republic, the German Democratic Republic, and the Hungarian People's Republic became the Soviet satellite states.

Based on the ideological framework created by the Communist Party, satellite states did not differ significantly from the Soviet Republics since as Bruegel ([Bruegel 1951](#)) explains, it was very soon clear that that the Soviet Union desired not only general cooperation, as it was stated at the beginning, but one identical policy for all the Satellite states, serving the interest of the Soviet Union.

Nevertheless, if in the Satellite countries a national State mechanism inside the countries and for diplomatic representation abroad still existed, then the Soviet Republics were fully politically integrated in the Soviet Union, led by the Soviet government from Moscow without any local national institutions ([Grigas et al. 2013](#)).

Moreover, besides political changes, Soviet Socialist Republics also experienced rapid and exhaustive economic sovietization that resulted in complete incorporation into the Soviet Union, sharing the common currency as rubles, credit markets, technology, and production relations ([Sepp 1995](#)). Additionally, fifteen republics were highly interdependent with each other since over 90 percent of trade took place between republics ([Erixon 2010](#)) preventing any need for the republics to trade with the countries outside of the Soviet Union ([Metcalf 1997](#)).

However, almost 70 years later, in December 1991 the Soviet Union collapsed and the newly independent states were finally free to choose their own political and economic paths. Nevertheless, as Erixon ([Erixon 2008](#)) points out, the former communist countries in Europe are today very different from what they were at the time of independence mainly due to the road they chose in the early 1990s. Hence, it is interesting to notice that although all the Soviet Republics and Soviet satellite states share the same point of departure, only some of them experienced the successful transition from communism to democracy.

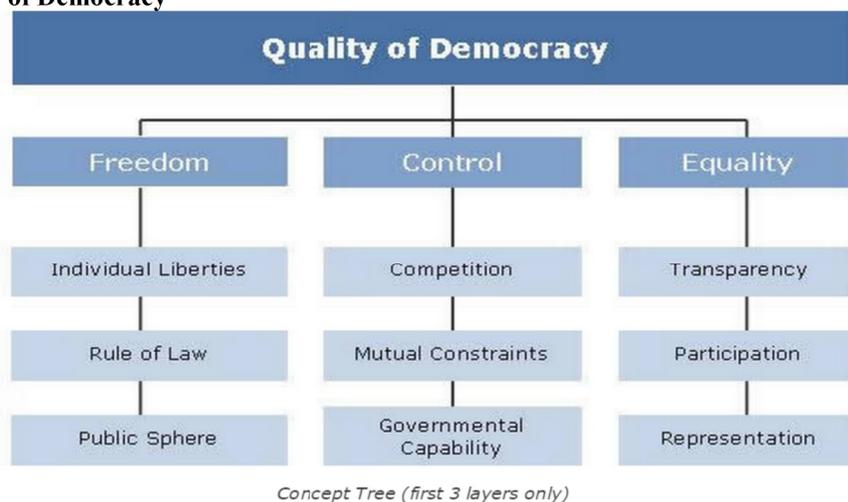
Related to that, this paper will try to offer some possible interpretations to the question why has the degree of democratization in some former Socialist Soviet Republics become higher than in others after the collapse of the Union of Soviet Socialist Republics? In order to do that, the author will analyze two variables: economic developments and external incentives (tangible and non-tangible) that may have influenced the course of the transition from communism to democracy in those countries.

Theory and methodology

Therefore, the main indicator for democracy used in this paper will be the Democracy Barometer, a project that is led by Prof. Dr. Daniel Bochsler and Prof. Dr. Wolfgang Merkel. According to them, democracy is based on three principles: freedom, control and equality. Hence, the assumption is that a democratic system attempts to create a good balance between the normative, interdependent values of freedom and equality and that this requires control ([Bühlmann et al. 2012](#))

In order to guarantee these three fundamental principles and thus the quality of democracy, nine democratic functions need to be fulfilled. Those nine functions are: individual liberties, rule of law, public sphere, competition, mutual constraints, governmental capability, transparency, participation, and representation. ([Bühlmann et al. 2012](#)). In this paper the functions like rule of law, governmental capability (political stability), and transparency (control of corruption) will be observed more closely.

Figure 1: Quality of Democracy



Source: ([Bühlmann et al. 2012](#))

H2- The higher the degree of external incentives, the higher degree of democratization.

Furthermore, the main theoretical approaches related to the variable “external incentives” which support the idea that external incentives such as external assistance and external finances influence democratization, will be derived from the literature on Europeanization.

As Schimmelfennig ([Schimmelfennig and Sedelmeier 2005](#)) stresses, after the occurrence of the fall of communism, international organizations have become actively involved in the political and economic changes in the former Soviet countries and the influence of the European Union (EU) has been most significant one.

H1 –The higher the degree of economic development, the higher degree of democratization.

Finally, the main theoretical approaches related to the variable “economic development” will be derived from the modernization theory, which states that successful economic development leads to beneficial social and political changes.

Therefore, some scholars like Seymour Martin Lipset have stated that : "All the various aspects of economic development — industrialization, urbanization, wealth and education — are so closely interrelated as to form one major factor which has the political correlate of democracy." (Lipset 1963).QUOTE

Hence, in order to measure economic development, the per capita GDP as one of the primary indicators of a country's economic performance, will be used in this paper. Since it shows the relative performance of the countries, it is very valuable when comparing different countries. Furthermore, since a rise in per capita GDP signals growth in the economy, it could be interpreted also as an increase in productivity. Additionally, it also can be used as an indicator of standard of living as it provides a much better perseverance of living standards in comparison with GDP (Maddison 1983).

The main case studies observed among the fifteen former Soviet Republics will be Lithuania, Estonia, Latvia, and Moldova. Those four countries have many things in common: they had a shorter time as part of the USSR due to them only being incorporated after World War II. Furthermore, Lithuania, Latvia, Estonia, and Moldova are the countries that have been considered more as parts of Europe among other former Soviet Republics and seen less as being in the Russian realm. As Verdun (Verdun and Chira 2008) stresses that from a point of view of European integration there should be no doubt that people in Moldova are culturally and historically Europeans.

Related to this, the paper is divided into three chapters, which chronologically reflect three distinct periods attested in the former Soviet Socialist Republics and the EU relations from 1991 till 2009.

1991-1995 Moving towards democracy and freedom

“Are you for a democratic, free and independent Republic?” was asked from the voters in many former Soviet Republics in 1991 after the fall of the Soviet Union. The terms “democracy” and “freedom” became the key words and principle goals for many newly independent states. However, the directions to reach those objectives were very different ones.

Already in 1991 the leaders of Ukraine, Russia and Belarus declared the founding of a Commonwealth of Independent States (CIS) as a successor entity of the Soviet Union. Later on, the rest of the Soviet Republics, including Moldova joined. As Gvosdev (Gvosdev and Marsh 2013, 164) stresses, despite its name, there was no real intention to form a true commonwealth with common institutions. Instead, it remained a rather loose organization with a goal to try to coordinate economic and foreign policies but so far without any significant influence related to the successful democratic reforms in the member states.

At the same time the Baltics refused to join the Commonwealth of Independent States and to stay together with other republics. In fact, the Baltics wanted to move away as fast as possible from the influence of Russia and the policies associated with Russia and instead, although being in a much weaker economic position than Poland or Hungary, they desired integration with the west and joined many Western institutions. Looking at those choices, it seemed that they had much more in common with the Soviet satellite states in the Central and Eastern Europe than with other Soviet Republics.

However, as Schimming (et al 2005, 74) emphasizes, the 1989-1993 period was a time when the EU did not have much impact on the changes in Central and Eastern Europe. Hence, it is probably not wrong to claim that Europeanisation started to play a more significant role once the Copenhagen European Council in 1993 took place. As an outcome, the Copenhagen criteria was established which stated that the candidates are invited to join when they were ready (Schimmelfennig and Sedelmeier 2005).

This was good news but integration with Western Europe appeared the least likely and utopian scenario at that time for many reasons. For most of all, all ex-Soviet countries suffered greatly due to hyperinflation that occurred at the beginning of 90s and this challenged many of them while setting up the first essential economic and political reforms needed to build up new institutions. As a result, the GDP levels that were already very low, were keep falling even more (Nationalbank).

Figure 2: Per Capita GDP - US Dollars in the 15 former Soviet Socialist Republics in 1991 and 1995

Source: ([Comtrade 2006](#))

1995-2004 Moving towards better economic performance

As Kasekamp ([Grigas et al. 2013](#)) argues, there is no doubt that the accession of Finland and Sweden in 1995 was the important event that pushed the Baltic States to apply for EU membership in the same year. However, the Baltics' interest towards the EU made the Baltic States as desirable and valuable trading partners for the Nordic countries. This created a possibility for the Baltics to increase their trading in the Nordic region mainly via exports to Sweden, Denmark and Finland. That was a very crucial moment since it greatly helped the Baltics reconnect with the northern neighbors and it played an important role at that very difficult and challenging time in the economic developments in the Baltic States.

Meanwhile, the EU conditionality became more forceful and it started to focus very much on the internal market *acquis* and economic conditionality. The main point in the pre-accession strategy, approved by the member states at the Essen European Council in 1994, was to prepare the candidates for taking part in the internal market ([Baun 2000](#)). This meant that from now on all economic reforms and implementations in the candidate countries had to be adopted along with the EU's conditions and criteria.

At the same time many EU member states continued to be skeptical about whether the candidate countries were ready to join the European Union. At that time compared to other former Soviet Republics, the Baltic States had much better economic performance. However, compared to the other Soviet Satellite states like Poland and Hungary, it was clear that EU membership was not just a question about when it will happen but if it will happen at all ([Grigas et al. 2013](#)) since the process of coming closer to the income level of EU did not only demand political and economic reforms ([Cornett and Iversen 2002](#)) but also turbulent economic growth in order to lessen the large gap that existed between the Baltics and EU countries. This was one of the most critical conditions to become a full member of the western economic system.

Nevertheless, three small states, as the poorest among the new candidates, were ready to show their devotion since there were many political and economic benefits that EU membership had to offer. First of all, EU membership meant political stability and security for those small states but more importantly, EU was an important source for a foreign aid and assistance that was needed to fight against corruption, build up the economy and a functioning civil society governed by the rule of law.

Thus, the Baltic States were very motivated to conduct many needed reforms related to privatization and liberalization. As Kasekamp ([Grigas et al. 2013](#)) explains, that there is no question that EU conditionality and the *acquis communautaire* dominated the processes of the reforms in the Baltic States. However, people in those countries also understood that these changes were necessary most all of for themselves and having the *acquis* as a model was a good solution to modernize the Soviet legislation.

Meanwhile, when the Baltics enjoyed fruitful cooperation with the EU, the EU-Moldova relationship was more strained since they were much more reluctant to follow the same rules that the Baltic States followed ([Ticu 2011](#)). Due to not sufficient results from Moldova side, the EU Commission decided to cancel the granting of 15 million Euro to support Moldova and this decision complicated relations between the EU and Moldova even more.

Despite all that, the importance of the European integration was always the main foreign policy priority for Moldovans but was challenged so many times by the political instability and influence of Russia. Hence, when there were some periods when the Moldovan officials tried to form more serious relations with the EU in order to receive some economic help and assistance it seemed that internally there was never a clear understanding what should be the exact steps that politicians in Moldova themselves should take. Additionally, the occurrence of high level of corruption played a crucial role since many high-ranking persons placed their own interests first and were not willing to conduct radical but very necessary changes for the country.

Figure 3: Per Capita GDP - US Dollars in the 15 former Soviet Socialist Republics in 1995 and 2004

Source: ([Comtrade 2006](#))

Figure 4: Political Stability in Moldova and the Baltic States in 1996 and 2004- Percentile (0-100). Indicates rank of country among all countries in the world. 0 corresponds to lowest rank and 100 corresponds to highest rank

Source: ([Group 2012](#))

Figure 5: Control of Corruption in Moldova and the Baltic States in 1996 and 2004- Percentile (0-100). Indicates rank of country among all countries in the world. 0 corresponds to lowest rank and 100 corresponds to highest rank

Source: ([Group 2012](#))

2004-2009 EU and the Eastern Partnership

By the end of 2003 it was clear that all the efforts that the Balts had made paid off. The economies were growing at a spectacular pace in the Baltic States and fully concentration to fulfill the “objective” criteria ensured that the Balts would not get a negative answer from the EU. In fact, May 1, 2004 Latvia, Lithuania, and Estonia, the only former Soviet Socialist Republics together with former Soviet satellite countries like Czech Republic, Hungary, Poland, Slovenia, and Slovakia ascended to full EU membership. Moreover, in 2007 the Baltic States were included into the Schengen regime and all three countries have by today joined the Euro Area.

However, since becoming members of the EU they did not forget other former Soviet Republics that had not enjoyed the same successful progress. Hence, the Baltics, Hungary, Poland, Czech Republic, Slovakia, and Slovenia are largely in favor of eastern enlargement and very active in supporting Moldova’s aspirations to come closer to Europe ([Ticu 2011](#)).

Therefore, the Baltics were delighted to see, when in 2009, the six former Soviet Socialist Republics -Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine - joined the Eastern Partnership. This project is mainly supported by the European Union and it assists budgetary support and aims to support reforms under EU policies and standards. Related to this project the Baltic States together with other ex-Soviet satellite states like Poland and Romania have become themselves now donors of external assistance. They energetically provide their knowledge and experience of reform and European integrations to the Eastern European countries like Moldova, which two decades earlier had been with them at the same starting point with the breakup of the Soviet Union ([Andrespok and Kasekamp 2012](#)).

Figure 6: Per Capita GDP - US Dollars in the 15 former Soviet Socialist Republics in 2004 and 2009

Source: ([Comtrade 2006](#))

Figure 7: Rule of Law in Moldova and the Baltic States in 2004 and 2009- Percentile (0-100). Indicates rank of country among all countries in the world. 0 corresponds to lowest rank and 100 corresponds to highest rank

Source: ([Group 2012](#))

Figure 8: Political Stability in Moldova and the Baltic States in 2004 and 2009- Percentile (0-100). Indicates rank of country among all countries in the world. 0 corresponds to lowest rank and 100 corresponds to highest rank

Source: ([Group 2012](#))

Discussion and conclusion

It is difficult not to agree with King ([King 2012](#)) who suggests that the three Baltic republics have always been different from the other Soviet Republics. Hence, there are probably many reasons why the Baltics have performed much better in political and economic terms than Moldova or other former Soviet Republics. Those factors could include the geographic location, democratic neighbors who are doing well economically, cultural and historical backgrounds or previous experience with the independence.

In fact, the last one could be one of the main reasons since they had experienced the status of a free country between 1920-1940 and that is why they were strongly against ``Sovietization`` as much as they could under Soviet rule. Furthermore, it is important to mention that during that period the Baltic States also experienced economic prosperity on the same level with the Nordic neighbors hence, this fostered the belief that strong economic performance and reforms related to liberalization and privatization were the key factors on the way toward gaining back status as a democratic country.

Looking at Freedom House's rankings of the former Soviet Republics we can see that now 25 years later, only the three Baltic States with the best economic performance are considered as ``free``.

Considering that ranking and related to the hypothesis posed in this paper, it is possible to agree with scholars like Huntington ([Huntington 1993](#)), Hyde-Pride ([Pridham and Vanhanen 2002](#)) and Pravda ([Zielonka and Pravda 2001](#)) who emphasize that the EU's push has been very critical in the political and market economic reforms in transition countries and given a noticeable advantage in comparison to other transition countries that have not joined the collaboration with the EU.

Hence, it is possible to argue that, external incentives together with the internal incentives helped to boost the economic developments which in turn had a significant impact on democratization processes in the Baltic States.

At the same time, the case of Moldova shows how its complicated relations with the EU has made it not possible for the EU to support Moldova, as was the case with the Baltic States. Moreover, Moldova, as one of the poorest countries in Europe is still far from successful democratization since that country continues to fight against occurrence of high level corruption and suffer under constant economic crises without fully concentrating on conducting the political and economic reforms needed to step closer to Europe.

Nevertheless, to draw the final and only conclusions about the successful democratization in transition countries in the 1990s simply on the basis of the existence of a high level of external incentives, in this case EU, and a high level of economic performance would be an error.

Thus, when it comes to Moldova and any other countries that have not yet become democratic countries, it is important to remember that there are many other symptoms that could impact the overall processes of democratization as for instance external negative influence (from Russia) as was a case in Moldova or effective internal incentives that also played a crucial role in the Baltic States.

Figure 9: REAL GDP, Per Capita GDP - US Dollars in the former Soviet Socialist Republics in 1991 and 2009

Source: ([Comtrade 2006](#))

Figure 10: Control of Corruption in Moldova and the Baltic States in 1991 and 2009 Percentile (0-100). Indicates rank of country among all countries in the world. 0 corresponds to lowest rank and 100 corresponds to highest rank

Source: ([Group 2012](#))

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