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Successful Integration and Political Instability - The Two Faces of the EU's Eastward Expansion

Five years have passed since the first round of the European Union's eastward expansion, which was already followed by a second round two years ago. In its issue of April 30, 2009, the "Neue Zürcher Zeitung" concluded on the basis of a study by the Federal Institute of Technology (ETH), Zurich, that the EU's eastward expansion had generally proceeded successfully despite the differences between the "old" and "new" member states. According to this article, virtually no damage has been inflicted on the community structure's ability to take action. Observers assess the region's current political crises in countries such as Hungary or the Czech Republic as products of the economic crisis.

In the "old" member states too, the economic crisis is leading to political tensions, greater political influence on the economy, and protectionist attitudes on the part of individual governments. The new EU countries are therefore becoming part of a problem which is by no means restricted to Central and Eastern Europe.

The fact is that the economic crisis is also being felt in the European Union's western member states, where it is giving rise to widespread uncertainties not only in business and political circles but also in society as a whole. However, the present crisis has also revealed a far more profound crisis in Central and Eastern Europe: namely the lack of political stability which has existed for years, but which has not been so evident until now due to the advantages of EU membership. As long ago as 2007, Hungarian journalist and contemporary historian Paul Lendvai spoke of the region's "stabilizing instability."

This not only applies to the economy, but also – and most of all – to politics. The nations of Central and Eastern Europe are still facing enormous economic transformations – transformations which must be introduced and "managed" by politicians. But in this region, where the leadership role in large parts of the economy has remained in political hands because the transformation is still incomplete, politics is plagued by a sustained lack of direction that is evidenced by crises of government, popular discontent, and erratic political reforms. The report by the ETH which was mentioned above pointed out that the Czech government crisis during the country's presidency of the EU Council should not be overplayed; after all, it adds, events of this sort have also occurred during the presidencies of "old" member states. This may well be true, but in the case of the Czech Republic, the story is a lengthy one. The fall of the Czech government in 2009 was in fact preceded by several failed no-confidence votes and a 6-month period in 2007 when the country was actually without a government while attempts were being made to form one. Generally speaking, none of the region's governments would seem to be really stable, with a few exceptions of mostly limited duration. This instability leads to fluctuations in policy, especially in connection with economic reforms.

Hungary is a prominent example. Once the showpiece of the region, this country has attracted unwelcome attention in recent months and years due to political crises and economic problems – and in particular due to its politicians' confused and often seemingly erratic attempts to resolve and overcome these difficulties. This record certainly goes some way towards explaining why Hungary has probably been hit harder by the economic crisis than any other country in the region. The "Neue Zürcher Zeitung" hit the nail on the head in its article entitled "Peaceless Democracy" published on May 16, 2009: "Hungary has been laid low by the global economic crisis – and the political failings of the past are now taking their toll."

One of these failings appears to have been the reform of the healthcare system; in 2008, this led to an attempt at policy reform in this area which was one of those most strongly backed by the Western European press in recent years, and which culminated in the fall of the Socialist-Liberal government. In 2007, the coalition government initiated what were probably the most drastic reforms undertaken thus far in the fledgling democracy's healthcare sector. Among the measures included were hospital closures, the introduction of a medical registration charge for patients, and the conversion of the insurance system from a purely state insurance system into a multiple-insurer system including private capital. The reform law has never been implemented, even though it was passed by the Hungarian Parliament in December 2007 and again in February 2008 following a veto by the country's president.

In March 2008, the conservative opposition initiated and won a referendum against the medical registration charge. This forced the government to withdraw the charge. As the governing coalition was threatened by a further referendum on the question of including private capital in the healthcare sector, with the prospect of another defeat for the government, the Prime Minister decided to cancel the conversion of the insurance system. As well as leading to the government crisis which culminated in the Liberals' departure from the governing coalition, this step also meant that the reform of the healthcare sector fell by the wayside.

In addition to the continuing problems in the Hungarian healthcare sector which affect the population, the lack of a definite and specific policy in the sector has created planning uncertainties for investors, who had already become active in response to the passing of the health reform. The region's economic problems, and hence the investment risks posed by Central and Eastern European countries, therefore appear not only to be a consequence of economic unpredictability. To an even greater extent, they result from major fluctuations in specific areas of policy which extend across many sectors of the economy. Thus, political development is one of the most important factors in the eastern EU countries but also – in spite of EU membership – one of the most unpredictable. We must therefore bear in mind that the devil is in the detail, even if integration is successful. The challenges confronting the eastern member states are huge. Nevertheless, the solutions to these challenges are not in the hands of the EU, but of the member states themselves.

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