

Transformation of Post-socialist Countries in Central and Eastern Europe

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**Koyama' forthcoming book, to be published by the ECPD
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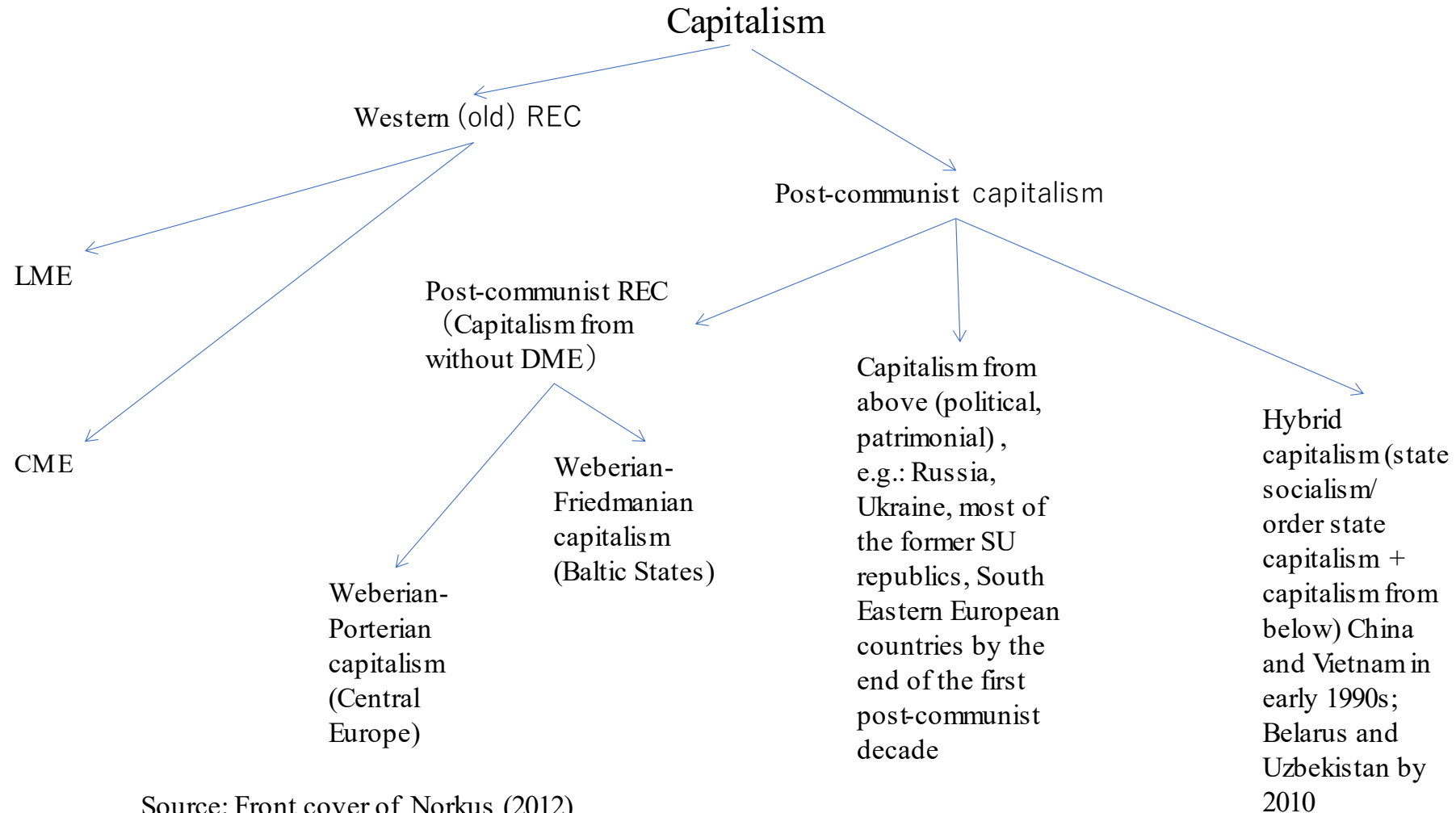
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Massive Outflow of Population
from Peripheral Countries of
the European Union and Their
Depopulation: Its Implications
for the European Integration

Studies by Bohle and Greskovits

- Post-communist countries after the system change are really diverse, but they can be classified into several types. According to Bohle and Greskovits (2012),
- the Baltic States and two EU member states from the Balkans: Neoliberalism.
- Central Europe: Embedded neoliberalism
- Slovenia: Neo-corporatism.
- The level of expenditure to welfare determines such difference:

Figure 1 Lineage of Several Types of Post-Communist Capitalism



Source: Front cover of Norkus (2012)

Zenonas Norkus' Views

- “This differentiation arose because countries that belonged to the communist world were very different in their civilizational affiliation and their level of development prior to the advent of communism” (p. 32).
- Central Europe and Estonia are classified into semi-core,
- Latvia and Lithuania from the Baltics and Romania and Bulgaria from the Balkans are semi-periphery.
- Slovenia's position is delicate as it is classified into semi-core in one time and core in another time.

My Emphasis: Emigration and Sending Countries

- My forthcoming book did not discuss labor migration in general. Migration studies suffered from “host countries’ bias” (Kurekova, 2011). Studies which analyzed problems on the part of sending countries account for about 5% of all migration studies (Andras Innotai).
- Most of the studies tried to analyze migration problem from a perspective of host countries. I called into question the circumstances in which these peripheral countries of the EU could not provide their people with satisfactory employment opportunities even over 10 years after their EU accession.
- In studies of international labor migration, push-factors and pull-factors. I tried to grasp historical and structural factors of emigration, and discussed immigration in a supplementary way.

A Concern

- It is not deniable that the principle of free mobility of people in the EU is very important. However, I sympathize with Paul Collier's argument. I have a degree of concern about an excessively rapid pace of migration for two reasons:
- First, there is a limit to the absorption rate of host countries, or in other words, immigrants' assimilation rate.
- Second, sending countries have problems of a loss of human resources who should shoulder social and economic development and the inheritance of culture in their countries. Therefore, I am studying what has been driving people to leave their countries of origin.

International Migration

- 8 countries of post-socialist countries from Central and Eastern Europe joined the European Union in 2004, Romania and Bulgaria in 2006 and Croatia in 2013.
- Net migration from New EU member states to EU-15 for 16 years from 2000 through 2015 amounted to about 6.1 million.
- The destination for which the largest number of people from Central and East European countries headed is Germany with its total immigrants being about 2.21 million (about 36% of the total), the second place is the UK (17.7%), followed by Italy (17.2%) and Spain (14.3%).

Germany's Role

- The German economy has been playing a role of locomotives in the economic development in the EU. Similar to other member states, Germany is an ageing society with fewer children. There is a researcher (Momozumi, 2016) who says that since Germany has always been a host country for refugees and immigrants it is necessary for 300-500 thousand immigrants and refugees to settle in the country every year.
- Germany has great suction power and continues to suck a great number of labor power from EU periphery. Central Europe has 'geographical proximity and cultural similarity'.
- Thanks to FDI, the economies of Central European countries have been doing better. The German economy was able to develop by using Central European countries with lower wages, and at the same time the latter countries were also able to achieve economic development with Germany being as their main market. I would like to add that leaders as well as people of Germany should have an awareness of having a great role in maintenance and development of the EU.

Poland as a typical case of Central Europe (1)

- Heavy and resource-consuming industries had a great share in the economy of its communist period. Also, agriculture had a rather great share in the economy, and besides in the agriculture individual farmers had overwhelmingly great share. Due to the system change, transition to a market economy and changes in the structure of foreign trade partner countries, the economic structure of this country has radically changed.
- Ex: Sunset industries: shipbuilding industry, coal industry, steel industry and textile industry,.
- Growth enhancing sectors: automobile industry, and information and communication industries, which have been developing thanks to massive inflow of FDI from Western countries.
- Workers who lost jobs in the declined industries found jobs in the capital city and metropolitan areas, but in provinces which attracted a smaller amount of inward FDI larger number of workers emigrated to advanced member states. The agricultural sector benefited a lot from the EU accession thanks to assistances by CAP and hike of agricultural prices, but among small-scale farmers there were many farmers who left the agriculture and moved (within the country and abroad).

Poland as a typical case of Central Europe (2)

- After 2004 emigration from Poland increased sharply and peaked in 2007, then it decreased with some fluctuations.
- Until 2013 Poland was an emigration country (in which the number of emigrants exceeds that of immigrants), but this situation was reversed suddenly in 2014, when Crimea was annexed by Russia causing escalated armed conflicts in Ukraine.
- Since then, many Ukrainians have been leaving their country for EU member states, especially Poland.

Slovenia

- We should pay more attention to the fact that especially after the economic reform of 1965 the Yugoslav economy was included in the world economy although not so much attention has been paid to it in EU studies and area studies of Central and Eastern Europe.
- In the second half of the 1960s several joint ventures were carried out in former Yugoslavia. Especially in Slovenia many firms were eager to absorb Western technology and learn how to manage firms in a market economy, and some firms have grown into multinational companies in market niche.
- After the EU accession, in 2007 Slovenia adopted the euro earlier than any other new EU member states. Its population is slowly increasing.

The Baltic States (1)

- In the transition to a market economy and restructuring of their economies the Baltic States willingly adopted neoliberalism which the IMF recommended. As the Baltic States were small countries and their industrial structures were quite similar, some policies were competing one another. Restructuring of and upgrading of their economies needed foreign direct investment. It is Estonia that won the battle over attraction of FDI, and Lithuania and Latvia got behind at the start.
- **Estonia**
- This country has been included in an economic area of Finland and Sweden and has succeeded in building an economy based on ICT technology. There has been a considerable scale of emigration, but in recent years at the same time there has been also a considerable scale of immigration, and a population decline remains on a very small scale. Therefore, Estonia has no serious problem in terms of population. In Latvia and Lithuania, however, the population problem has been very serious.

The Baltic States (2)

• Damages by the Global Financial Crisis

- Austerity measures had a significant impact on the Baltic States, especially Lithuania and Latvia. The entry into the Eurozone was the most important goal for the Baltic States aiming at their exit from the economic area of Russia.
- In order to maintain the peg of national currencies to the euro. Governments of the Baltic States adopted and implemented austerity measures which the Troika recommended. Owing to such efforts these countries were able to adopt the euro (Estonia in 2011, Latvia in 2014 and Lithuania in 2015).
- It was a great success from a perspective of international finance on the one hand, but the impact which it gave on their society was enormous on the other hand.
- It seems that many workers, who were forced to accept the austerity measures, opted for 'exit' which Hirschman says. In this respect Romania and Bulgaria are in similar situations.

EU member states from the Balkans (1)

- In both Romania and Bulgaria transformational recession has prolonged.
- Historically speaking, before the advent of communism in both countries industrialization and political mobilization has not developed, and communists failed in building bureaucratic and official state apparatus in the communist period.
- Instead, rules which depend on protectionism and nepotism as well as vertical networks of chains of individual dependence between state and party leaders and their aides were formed.
- Such a kind of legacy was passed on the post-communist regime. They mention ‘absence of able state’ and ‘state capture’(Bohle and Greskovits, 2012).
- Politicians’ inclination toward corruption is also problematic. Both countries could not attain EU membership in 2004, and they were admitted only in 2007 but with some reservation: even after their accession to the EU, the areas lagging behind the EU standard such as agriculture, corruption, judicial reform, intellectual property and border control should be monitored by the EU.

EU member states from the Balkans (2)

- In both countries farmland reforms were carried out basically based on the principle of restitution (a common point with the Baltic States). Together with large-scale business-oriented farming, numerous small-scale farmers exist.
- Most of small-scale farmers live at subsistence level being engaged in agriculture for self-consumption. Both countries were assigned roles of ‘food base’ for the whole COMECON countries in the communist period, but now they have become net importers of foods. Rural areas are in bad situations.
- Both countries are eager to attract FDI. Existence or absence of ‘able state’ gives an influence on types and amount of inward FDI. It is ‘impatient’ and ‘hypermobile’ foreign capitals that came to these Balkan countries. It is in the traditional and labor-intensive, low-age/low-skill ‘sweatshop’ industries that these countries were able to attract inward FDI. It is necessary for them to improve their investment climate.

Table 1 Demographic Dynamics in New EU Member States from CEECs (Unit: thousand)

	1991*	2004	2008	2012	2016	2020	Percentage change in 1991-2020	Percentage change in 2004-2020
Poland	38,246	38,182	38,126	38,530	38,435	38,324	0.2	0.4
Hungary	10,346	10,107	10,038	9,850	9,814	9,750	-5.8	-0.4
Czech Republic	10,309	10,216	10,490	10,534	10,566	10,698	3.8	4.7
Slovakia	5,283	5,382	5,407	5,420	5,431	5,459	3.3	1.4
Slovenia	2,002	1,997	2,021	2,062	2,065	2,102	5.0	5.3
Estonia	1,565	1,349	1,341	1,310	1,316	1,329	-15.1	-1.5
Latvia	2,664	2,313	2,266	2,005	1,960	1,900	-28.7	-17.7
Lithuania	3,696	3,436	3,358	2,928	2,868	2,795	-24.4	-18.7
Romania	23,185	21,685	21,514	19,934	19,702	19,258	-16.9	-11.2
Bulgaria	8,632	7,781	7,623	7,260	7,128	6,934	-19.7	-10.9
Croatia	4,786	4,439	4,435	4,250	4,172	4,047	-15.4	-8.8
Candidates								
North Macedonia	2,034	2,033	2,047	2,061	2,072	2,073	1.9	2.0
Serbia	8,119	7,463	7,350	7,199	7,058	6,899	-15.0	-7.6
Montenegro	615	622	629	620	622	621	0.1	-0.2
Albania	3,287	3,127	3,177	2,900	2,876	2,838	-13.7	-9.2
Bosnia and Herzegovina	4,377	3,842	3,842	3,836	3,511	3,475	-20.7	-9.6
Note *: For the Baltic States and Albania data for 1990.								
Source: wiiw, <i>Foecast Report</i> , various issues; For Candidates Lukic, et al. (2012), p. 17.								

Demographic Dynamics

- Countries where population has been decreasing very rapidly.
- LV LT RO BG
- For example, in 30 years between 1991-2020 the population has decreased 28.7% and 24.4% in Latvia and Lithuania respectively. “Largest threat” (Lithuanian researchers)
- Long before the demographic transition has finished leading to aging society with less children. Natural increase in population turned negative.
- Present rapid decrease in population is mainly due to emigration (70-80%).

Regional Policies

- From a standpoint of poorer small member states the amount of funds allocated from the EU is considerable.
- Thanks to assistance by the EU, these countries attain economic development at higher growth rates and converge on the average of the EU, but this finding is correct only when we look at each country as a whole.
- There are regional economic disparities within each member state. Looking at the level of NUTS3, there seems to remain some problems.
- In addition, as metropolitan areas were in focus under the EU's neoliberal policies emphasizing competition FDI tends to concentrate in metropolitan areas in each member states.
- Hence, disparities are increasing within each member state in spite of assistances from the EU. In this way, it seems that governments of each member state did not succeed in creating jobs appropriate to individual regions, consequently with their inhabitants migrating to other regions in a country or to other countries.

Conclusions

- As the single labor market of the EU has been created, it is natural that workers move among member states. However, people are emigrating from Lithuania and Latvia in the Baltics and Romania and Bulgaria in the Balkans to advanced member states at very fast pace.
- Governments of these countries are encouraging return migration of their people who have acquired skills and experiences in host countries. Nevertheless, emigration is proceeding more than the return migration every year, causing a continuous decrease in population in these countries. If such a situation is left as it, I wonder whether we can evaluate the European integration showing good progress.
- There can be an opinion, according to which, the entire EU is compared to a large-scale country, and advanced EU member states are compared to cities and peripheral countries of the EU are compared to rural areas, and then people's movement from rural areas to cities is quite natural.
- Yes, it might be possible in abstract thinking, but I am very skeptical about such an opinion. Although being an outsider, I am really afraid that if the present tendency is left as it is, it might cause severe damage to the EU as a whole in respect of security, preservation of national land, protection of natural environment, etc. in future. To be honest, such an anxiety is something that I am feeling about my country, Japan. That is why I am strongly attracted by a concept of “polycentric development”.