Imagining geographies of the ‘new Europe’: geo-economic power and the new European architecture of integration

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Abstract

Since 1989, East-Central Europe has witnessed a series of transformations that have resulted in the region’s geopolitical and geo-economic repositioning within Europe. This paper explores three examples of such repositionings. First, the paper examines the scripting of post-communist transitions as a naturalized process of neo-liberal marketization. The role of the European Bank for Reconstruction and Development, the place of East-Central European economies within discourses of emerging markets and the naturalization of uneven economic development in treatments such as those by Jeffrey Sachs are explored. Second, the paper examines the role of the European Union enlargement process in the closure of economic practice in East-Central Europe around liberal market economies. Third, the paper explores how the process of post-conflict reconstruction in the Balkans has been part of the assertion of marketization discourses as the one best way for ensuring peace. The paper therefore examines these geo-economic discourses as central to our understanding of European reconfigurations at the start of the twenty-first century. © 2002 Elsevier Science Ltd. All rights reserved.

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Introduction

Since the dramatic events of 1989, several new discourses and practices concerning the geopolitical and geo-economic positioning of ‘post-communist’ Eastern Europe have emerged. Central to these has been an attempt to ‘normalize’ Eastern Eur-
Europe by returning it to the ‘European mainstream’ of capitalism and liberal democracy, ‘interrupted’ by the experience of communism. At the same time, and within the institutions of the European Union, the widening and deepening of political and economic integration has proceeded apace—most recently with the launch on January 1, 1999 of the euro as part of European Monetary Union\(^1\)—with the explicit aim, in part, of extending the influence of the liberal market.\(^2\) At the same time, the ‘Balkan wars’ of the 1990s have testified to the problematic positioning of American and West European military power to secure a workable ‘peace’. A repositioning of Europe within geopolitical discourse has therefore been at the forefront of the post-Cold War and post-communist world. From former US President George Bush’s ‘new world order’, British Prime Minister Tony Blair’s comments regarding the need to ‘civilize’ the Balkans in a ‘new moral crusade’, to Francis Fukuyama’s thesis on the ‘end of history’ these repositionings amount to the discursive construction of new geographical imaginations of Europe. Invariably, these have centred on the possibilities for, and limits to, creating a more unified, integrated post-communist and post-Cold War Europe.

Within the context of these discursive repositionings it is possible to situate some of Saul Cohen’s recent work on Europe and geopolitical transitions. A particularly important part of Cohen’s geographical imagination has been the desire to recast the region of East-Central Europe (ECE) away from its Mackinderian geopolitical role as a ‘shatter belt’ to its place as a potential ‘Gateway region’ (Fig. 1). Drawing upon traditional geopolitical framings of the world into ‘maritime’ and ‘Eurasian continental’, Cohen argued in his 1990 presidential address to the Association of American Geographers that

‘The most promising geopolitical mechanism now for restoring the balance between the two realms [the ‘Maritime World’ and the ‘Eurasian Continental World’] is the emergence of Central and Eastern Europe as a Gateway region. Such a region could facilitate the transfer of new energies into the faltering Soviet core. Extending on the west from the Oder-Neisse Rivers and the Harz and Bohemian Mountains to the Northern Adriatic Sea, and east to the border of the USSR, the European Gateway will be fully open to economic forces from the east and west. Its national politics and economic structures are adopting the West European models, but it will have to find a military posture that does not challenge Soviet security goals. With the exception of Greece, this region is composed of that middle tier of states between Germany and Russia whose independence and stability Mackinder (1919) felt to be crucial to Eurasian and world stability’ (Cohen, 1991: 570).\(^3\)

\(^1\) It is important to note however that economic and monetary union has not been unproblematic, with significant reduction of the value of the euro on international exchange markets and the rejection by Denmark in 2000 of membership of the euro zone, or ‘Euroland’.

\(^2\) The introduction of the euro is also part of an attempt to compete with the US dollar (see Walker, 1999). I am grateful to James Sidaway for this insight.

\(^3\) See also Cohen (1990, 1992).
Cohen continued:

‘The region has the potential for developing as a major source of high quality manufacturers for its own and the Soviet market, as it benefits from Western capital, equipment, credits, and managerial and technical know-how. … With its technological capacities and Western capital, the USSR may also be able to develop to the point where it exports quality manufactures—e.g., automobiles and computers, in exchange for Eastern Europe’s textiles or machine tools’ (Cohen, 1991: 572).

‘The question might be raised as to whether East and Central Europe might not revert to a Shatterbelt rather than become the Gateway region that has been posited. This is doubtful. The European Community and the Soviet Union would find competition over the region to be counterproductive. Maritime Europe’s concerns are Soviet military power. The USSR needs West European economic help. These concerns and needs balance one another. They are best addressed through cooperation, not through the competition that makes for shatterbelts’ (Cohen, 1991: 572).

Such claims echo many of the traditional realist concerns of geopolitics, namely that territorial interests and positionings are fully bound up with the balance of power between the ‘national interests’ of nation-states and, in the context of 1990s Europe,
of pan-European institutions such as the European Union. While these claims are somewhat limited by their roots in realist geopolitics they do open up certain vistas on the experience of pan-European integration which invite critical engagement. For example, such renderings raise the same concerns of Todorova (1997) over Western treatments of the Balkans, as Europe’s ‘others’. ECE becomes a ‘gateway’, in Cohen’s terms, to ‘the East’. In this way the ‘gateway’—or what Todorova has identified as the discursive construction of ‘Central Europe’ as different from ‘the East’ and ‘the Balkans’—becomes ‘an expedient argument in the drive for entry into the European institutional framework’ (Todorova, 1997: 159–160).

This paper claims, however, that while there is much of use in these perspectives we need to move beyond such renderings of the geopolitics of the ‘new Europe’. In particular, I argue that we can reposition our understandings of the places of ECE in the ‘new Europe’ in two main ways. First, the paper draws upon a set of arguments now well versed within the realm of ‘critical geopolitics’ (O’Tuathail, 1996; O’Tuathail & Dalby, 1998; Sidaway, 2001), disciplinary histories (Livingstone, 1992; Gregory, 1994) and ‘new feminist economic geographies/new political economies’ (Gibson-Graham, 1996). This states that our geographical imaginations are bound up with the representation of places and spaces through discursive constructions and practices. Second, I argue that the geopolitical repositioning of East-Central Europe, which Cohen casts in terms of ‘shatterbelts’ and ‘gateway regions’, must be part of an understanding of the relationship between geopolitical and geo-economic interests (Popke, 1994; Sparke, 1998; Sidaway & Pryke, 2000)—what Agnew and Corbridge (1989) have called a ‘geopolitical economy’. As Sparke (1998: 69–70) has argued, ‘It is the positioning of specific regions within global flows for which the label of geo-economics seems so well suited. It is useful in that it gets at the way in which a more or less geopolitical phenomenon (of imagining territory as a mode of political intervention and governance) is closely articulated with a whole series of economic imperatives, ideas and ideologies…. Geo-economics, in other words, is useful as a term insofar as it allows us to name an array of quotidian assumptions and practices that emerge out of the context of free trade and the resulting force of borderless economic flows’.

In this paper, I will examine the ‘assumptions’ and ‘practices’ that underpin such geo-economic discourses concerned with three key sets of transformative moments in Europe, with a focus on East-Central Europe’s repositioning: (a) the scripting of post-communist transitions as neo-liberal marketization, (b) European Union enlargement and the closure of economic practice around liberal market economies, and (c) post-conflict reconstruction in ‘the Balkans’. The paper examines geo-economic discourses as central to our understanding of European reconfigurations because, as Popke (1994: 257) reminds us in his analysis of the International Monetary Fund (IMF), ‘Discourses are plays of power which assert a particular understanding through the construction of knowledge’. Furthermore, the ‘effects of discourses are not merely technical … they are [also] material. By determining the rules of interpretation, discourses provide for the possibility of certain practices, which carry with
them specialized forms of knowledge and particular institutional configurations (Popke, 1994: 257). Analyzing the discursive constructions of ‘new Europes’ therefore enables us to denaturalize the trajectories of ‘capitalist transitions’, EU enlargements and post-conflict reconstructions (see O’Tuathail (1996) for a treatment of US foreign policy scriptings of the Bosnian conflict, and Sidaway (2001) for an examination of the discursive construction of European transfrontier integration). I draw upon the work of critical discourse analysts such as Fairclough (1995: 94) in that discourse is seen as ‘the imbrication of speaking and writing in the exercise, reproduction and negotiation of power relations, and in ideological processes and ideological struggle’. Critical discourse analysis therefore becomes the denaturalization of powerful discursive forces shaping the realm of possibilities.

The new European architecture of capitalist transitions

*Transitions I: international financial institutions and the consolidation of neoliberal hegemony—the creation of the European Bank for Reconstruction and Development*

As the events of 1989 in East-Central Europe unfolded, it was clear to West European and other international political elites that ‘post-communist’ possibilities provided a rare historical moment during which a space for the consolidation of western style political democracy and market oriented economic transformation opened up. This would aid in the consolidation of market capitalism in Europe and a potential extension of economic and political power of the European Union (and other ‘Western’ institutions such as NATO) in Europe (see Gowan, 1995). Indeed, the opportunity for extending market economies into post-communist ECE was a continuance of the ‘neo-liberal turn’ that had already transformed the West European ‘democracies’, particularly after the Maastricht Treaty and the era of Thatcherism in the United Kingdom (Dunford & Perrons, 1994). Consequently, as an immediate step the European Commission established the Phare financial and technical assistance aid program in 1989 to ‘assist’ the market transitions in Poland and Hungary. Phare assistance was later extended to most of the countries of Central Europe, and soon became the major form of technical assistance to ECE, and was partially used as a model for the TACIS program adopted for assistance to the former Soviet Union. However, it was also felt that there was a need for a more systematic approach, in particular by making

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*In addition to Phare, the European Union’s European Investment Bank (EIB) has developed a significant role in transition project financing in East-Central Europe. By early 1998 the EIB was involved in the lending of approximately 7 billion ECU to ECE projects, and has recently extended its role in the Balkans to become one of the major financing partners of South East European reconstruction programs discussed later in this paper. As a report of the CEE Bankwatch Network (1999) makes clear, however, the EIB has been much less ‘transparent’ than many of the other international financial institutions in its dealings with East-Central Europe.*
aid politically conditional by upholding the rule of law, human rights, and multi-
party democracy.

Key European players (especially France and Germany) and the US also saw the
need to establish a major financial institution to support market-oriented transition
and to use this as a basis to ensure political democracy in the region. Two models
emerged through these discussions, what Bouzi (2000) has called the ‘maximalist’
and ‘minimalist’ models. The ‘maximalist’ model, supported largely by the French
government, envisaged the absorption of all aid programs (including Phare) into a
new financial institution. Such an institution would be ‘European’ in composition
and orientation and would not involve the US. The ‘minimalist’ model, supported
by many other Western European governments, saw a new institution collaborating
with other aid programs and having US involvement. The minimalist model gained
most support at the 1990 Inter-governmental Conference (IGC) and the idea of the
EBRD was hatched with 10 percent US involvement and EU Member States having
a 51 percent stake) (see Council of the European Communities, 1990). The European
Community legislation establishing the EBRD makes clear the kind of institution
the Bank was to become, with the financing of transition tied to a particular set of
political criteria:

‘Whereas the people of Central and Eastern Europe have close historical ties
with the people of the Community; whereas these ties are being strengthened
by agreements for cooperation and trade;
Whereas the countries of Central and Eastern Europe are committed to the
fundamental principles of multiparty democracy, the rule of law and respect
for human rights; whereas these countries are willing to implement reforms
in order to evolve towards market-oriented economies;
Whereas the economic reforms will contribute in a significant way to the vigor-
ous development of economic relations between those countries and the Com-
unity; and whereas this will help promote, throughout the Community, a
harmonious development of economic activities;
Whereas the transition to market-oriented economies will require considerable
investment principally in the private sector but also in the public sector;
whereas the establishment of a special bank could help supply the finance
necessary for such investment;
Whereas 40 countries, together with the European Economic Community and
the European Investment Bank, have signified their intention of becoming
members of a European Bank for Reconstruction and Development which is
European in its basic character and broadly international in its membership;
… has decided as follows …’ (Council of the European Communities, 1990:
1–2).

Furthermore, Article 1 of the Agreement Establishing the EBRD (EBRD, 1990:
2) goes on to state that ‘In contributing to economic progress and reconstruction,
the purpose of the Bank shall be to foster the transition towards open market-oriented
economies and to promote private and entrepreneurial initiative in the central and
eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economies. Under Article 2, such activities will involve ‘structural and sectoral economic reforms, including demonopolization, decentralization and privatization, to help their economies become fully integrated into the international economies’, through working in close co-operation with other International Financial Institutions (IFIs) (EBRD, 1990: 2). Together, then, the founding moments of the EBRD represented a consolidation of a neo-liberal market hegemony that reached the forefront of policy thinking about the ‘transition to capitalism’ particularly through the ‘shock therapy’ advisory work of Jeffrey Sachs in Poland and Russia (see Sachs, 1989). These founding moments also represented a closure around the hegemonic intervention of the international financial institutions in East-Central European transition.

However, the establishment of the EBRD was wrought with scandal, notably over the costs of the headquarters building in London; more was spent on the building than on development aid to ECE, leading to the resignation of the then President of the Bank, Jacques Attali. Equally, there have been strategic differences between the US and the EU. These emerged in 1997 and 1998, and continue to simmer beneath the surface of a public face of agreement. In addition, in 1998 the Bank was heavily overexposed in Russia during the ruble crisis, resulting in a loss of US$283.6 million for the Bank. Nevertheless, the EBRD remains one of the most important forces in ensuring market-led ‘transition’ and since 1991 has lent $13billion to its 26 Member States in ECE and the former Soviet Union.

Within the context of an analysis of the discursive structuring of international financial institutions such as the IMF, Popke (1994) has argued that a key task of the IFIs is a form of Foucaultian surveillance of ‘economic performance’—ensuring the dominance of a set of market economic practices and international economic integration. Within East-Central Europe, such surveillance activity acts to normalize the position of the IFIs concerning the linear journey to an end point of market transition in ECE (and elsewhere). However, the IMF is not alone in this kind of policing of geo-economic transformation through economic surveillance. The EBRD has taken on such surveillance tasks as part of its core activity. Since 1994, the Bank has developed a set of ‘transition indicators’ that naturalize the pathway that the countries of ECE are to pursue in receipt of assistance and financing from the Bank. Such indicators script ‘transition’ as an end point to be attained and the Bank tracks the ‘progress in market-oriented transition’ of individual countries on a rising scale of 1–4+ incorporating enterprise reform, degree of market and trade openness, and reform of the financial sector (Fig. 2). Recently, the EBRD has also extended these surveillance tasks to track progress towards transition in law and infrastructure (see EBRD, 1998).

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5 See also Sidaway and Pryke (2001) for a treatment of the Heritage Foundation’s ‘Index of Economic Freedom’, which has much broader coverage than the countries of ECE but with similar effects.

6 The legal transition indicators were first developed in 1997 and included variables such as the extensiveness of commercial legal rules on pledge, bankruptcy, company formation and governance and the effectiveness of legal rules of investment on the same areas of activity. The infrastructure transition
The Bank is careful to suggest that ‘Although progress [to a market economy] is measured against the standards of advanced industrial economies, it should be recognized that there is no perfectly functioning market economy, nor is there a unique end-point for the transition’ (EBRD, 1998: 23). Such claims, while recognizing the diversity of market economies, contrast however with the policy agenda set by the Bank in which a clear set of priorities for attaining market economy status is established. Claims concerning the possible multiple forms within market capitalism also foreclose debate over alternatives to capitalist transition (see Gibson-Graham, 1996). As the 1998 Transition Report argues: ‘growth and stability have been maintained in those countries where discipline in macroeconomic management and the depth of reform have been strongest. Structural reforms and effective macroeconomic management are closely intertwined’ (EBRD, 1998: 9). Consequently, ‘Governments across the region have to define a role for themselves in terms of providing a predictable, transparent and non-discriminating framework for sound market decisions and participation in economic activity’ (EBRD, 1998: 4). This ‘sound’ framework should involve: macroeconomic stability, including what the Bank calls ‘fiscal discipline’, transparent legal frameworks, a sound financial system, continuing enterprise privatization, development of a social safety net, health, education, adequate infrastructure, and protection of the environment. Thus, this consolidation around market-led transition models is part of a clear neo-liberal rhetoric envisaging a single best way out of the collapse of communism.

Claims that there is no one end point for transition also contrast with the representations of transition progress provided by the Bank in its annual Transition Report (Fig. 2). Each year there is a portrayal and representation of a linear model of pro-
gression toward the aimed for score of 4+ at which a fully functioning market economy exists. Added to this economic linearity is an element of geographical determinism in which, as the 1998 Transition Report argues, ‘average transition indicator scores decrease as the focus moves from west to east’ (EBRD, 1998: 27). The transition indicators therefore act as forms of surveillance and discipline seeking to position an array of national economies in relation to one another on their supposed pathway to market capitalism. These indicators are therefore based upon a uni-linear understanding of economic transformation, and resonate with the rise of ‘transitology’ (Burawoy, 1992), a form of modernization theory applied to the ‘transition economies’ of East-Central Europe. Together they comprise what Derrida, in Specters of Marx, has called ‘the neo-evangelistic rhetoric’ in which

‘There is today in the world a dominant discourse …. To the rhythm of a cadenced march, it proclaims: Marx is dead, communism is dead, very dead, and along with its hopes, its discourses, its theories, and its practices. It says: long live capitalism, long live the market, here’s to the survival of economic and political liberalism!’ (Derrida, 1994: 51–2).

The powerful ease with which such techniques of geo-economic surveillance are adopted for analytical purposes is apparent in four exemplary ways. First is a recent IMF study of the transitions of the Central Asian republics (Gürgen, 2000). Drawing upon the EBRD’s ‘transition indicators’ Gürgen (2000: 40) argues that these Central Asian ‘transition countries’ lag ‘behind most of the others’. The consequence is that stronger and more effective ‘structural reform’ is required to enable these economies to catch up with the more ‘progressive’ reformers of Central Europe. In particular, ‘slower reformers [particularly Turkmenistan and Uzbekistan] need to give priority to catching up in such key areas as privatization and enterprise restructuring. For countries that have made substantial progress in these areas [Tajikistan, Kazakhstan and the Kyrgyz Republic], the next stage might be to reform labor markets, the civil service, and the trade and regulatory systems …’ (Gürgen, 2000: 43).

Second, the EBRD utilizes these measures in formulating policy advice for its ECE ‘clients’. For example, the 1999 EBRD Annual Report argues that there ‘is clear evidence that rapid liberalization and stabilization as well as progress in small-scale privatization have yielded significant benefit’ but that the ‘less advanced countries in south-eastern Europe and the CIS need to redouble their efforts to complete liberalization and lay the basis for macroeconomic stability’ (EBRD, 1999: 17). Third, similar criteria are applied in EBRD project evaluation exercises to measure ‘transition impacts’ (EBRD, 1999: 48). Seven criteria are widely used, and focus on a similar set of dynamics as the transition indicators: levels of competition, market expansion, private ownership, frameworks for markets, skills transfer, demonstration effects, and standards of corporate governance. Fourth, the level of risk for investment as measured by the transition indicator is also reflected in the level of flows of EBRD financing to transition economies. For example, the correlation coefficient of average transition indicator scores for 1998 and the cumulative per capita EBRD financing was 0.6. Clearly there are exceptions, but the general trend prevails: coun-
tries with ‘better’ progress towards market transition tend to be recipients of higher per capita funding from the EBRD (Table 1). Of those nine countries scoring 3.0 or above on the transition indicators, all except Poland (which has a relatively high population and high inflow of EBRD financing) received the highest per capita funding from the EBRD. Equally, all those countries recording below 3.0 (excluding the Former Yugoslav Republic of Macedonia with its very small population compared to EBRD financing levels and Romania with very high levels of EBRD financing) tended to receive the lowest levels of per capita EBRD financing between 1990 and 1998. These forms of evaluation and surveillance together, then, represent a ‘technique of power’ (Smith & Pickles, 1998) in which monitoring is used by the EBRD to shape action by ECE states in a certain direction as defined and desired by such institutions.

Table 1
Levels of cumulative per capita EBRD financing, 1990–1998

<table>
<thead>
<tr>
<th>Country</th>
<th>Average EBRD transition indicator score, 1998</th>
<th>Cumulative EBRD financing 1999, euro (million)</th>
<th>EBRD financing per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
<td>3.5</td>
<td>1106</td>
<td>108.1</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>3.4</td>
<td>642</td>
<td>62.1</td>
</tr>
<tr>
<td>Estonia</td>
<td>3.4</td>
<td>315</td>
<td>212.3</td>
</tr>
<tr>
<td>Poland</td>
<td>3.3</td>
<td>1398</td>
<td>36.2</td>
</tr>
<tr>
<td>Slovakia</td>
<td>3.3</td>
<td>481</td>
<td>90.2</td>
</tr>
<tr>
<td>Latvia</td>
<td>3.1</td>
<td>252</td>
<td>100.2</td>
</tr>
<tr>
<td>Slovenia</td>
<td>3.1</td>
<td>329</td>
<td>165.3</td>
</tr>
<tr>
<td>Croatia</td>
<td>3.0</td>
<td>565</td>
<td>118.3</td>
</tr>
<tr>
<td>Lithuania</td>
<td>3.0</td>
<td>249</td>
<td>67.0</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>2.9</td>
<td>162</td>
<td>35.9</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>2.8</td>
<td>325</td>
<td>38.7</td>
</tr>
<tr>
<td>FYR Macedonia</td>
<td>2.8</td>
<td>179</td>
<td>91.0</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>2.8</td>
<td>507</td>
<td>30.5</td>
</tr>
<tr>
<td>Albania</td>
<td>2.6</td>
<td>93</td>
<td>28.6</td>
</tr>
<tr>
<td>Armenia</td>
<td>2.6</td>
<td>82</td>
<td>21.8</td>
</tr>
<tr>
<td>Georgia</td>
<td>2.6</td>
<td>172</td>
<td>31.8</td>
</tr>
<tr>
<td>Moldova</td>
<td>2.6</td>
<td>133</td>
<td>30.7</td>
</tr>
<tr>
<td>Romania</td>
<td>2.6</td>
<td>1456</td>
<td>64.2</td>
</tr>
<tr>
<td>Russia</td>
<td>2.5</td>
<td>2723</td>
<td>18.4</td>
</tr>
<tr>
<td>Ukraine</td>
<td>2.4</td>
<td>832</td>
<td>16.1</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>2.3</td>
<td>254</td>
<td>33.8</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>2.3</td>
<td>519</td>
<td>22.8</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>1.9</td>
<td>14</td>
<td>2.4</td>
</tr>
<tr>
<td>Bosnia &amp; Herzegovina</td>
<td>1.9</td>
<td>82</td>
<td>No data</td>
</tr>
<tr>
<td>Belarus</td>
<td>1.5</td>
<td>170</td>
<td>16.5</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>1.5</td>
<td>154</td>
<td>34.2</td>
</tr>
</tbody>
</table>

Source: elaborated from EBRD, 1998
Transitions II: ‘post-communist emerging markets’, the ‘geofinancial panopticon’ and economic knowledge

Such representations of ‘progress’, ‘capitalist transition’ and marketization are also found in other key sites for the construction of what Sidaway and Pryke (2000), following O’Tuathail (1997), have called a ‘geofinancial panopticon’—forms of financial surveillance by international lending and credit agencies. One notable area concerns discourses surrounding ‘emerging markets’. Emerging markets are much more numerous than those countries undergoing some kind of post-communist transformation (Fig. 3), but they lie at the core of a geographical imagination of the ‘new’ Eastern Europe centring on the surveillance of new market frontiers. As Sidaway and Pryke (2000) recognize, the notion of emerging markets became consolidated by the International Finance Corporation (IFC), one of the group of World Bank agencies, through the establishment of an Emerging Markets Database (EMDB) during the 1980s. Early in 2000 the IFC’s EMDB was purchased by Standard and Poor with the aim of establishing it as ‘the world’s leading source of information and indices on stock markets … [to help] investors overcome the difficulties of comparing locally-produced indices with differing methodologies’ (Standard & Poor, 2000a: 1). As a recent advertisement for the Emerging Stock Markets Factbook 2000 put it, the EMDB provides ‘vital investment data in the dynamic and often opaque universe of emerging markets’ (cited in Standard & Poor, 2000a). Functioning in ways similar to the EBRD, surveillance and monitoring provides the transparency needed by investors to make wise investment decisions through the further commodification of market and financial knowledge. The EMDB’s division of the ‘emerging world’ into two segments—emerging markets and frontier markets—both of which contain significant ECE membership, further adds to the scripting of a hegemonic discourse concerning the naturalism of market transition trajectories. Emerging markets are found, it is argued by Standard and Poor (2000b: 2),

‘where a stock market … is in transition, increasing in size, activity, or level of sophistication. Most often the term is defined by a number of parameters that attempt to assess a stock market’s relative levels of development and/or an economy’s level of development.’

In general, S&P classifies a stock market as “emerging” if it meets at least one of two general criteria: (i) it is located in a low- or middle-income economy as defined by the World Bank, and (ii) its investable market capitalization is low relative to its most recent GDP figures.

The geographical imagination constructed by the EMDB involves 34 countries as ‘emerging markets’, six of which are post-communist ECE states. Further, ‘frontier market’ indices were introduced in September 1996 and at that time covered 14 stock markets, of which four were in ECE. By 2000, eight of what had become 20 ‘frontier markets’ are found in ECE (Fig. 3). The expansion of East European stock market presence in the ‘frontier market’ category reflects the relative opening (and possible potential for future growth) of stock markets in ‘transition economies’. The
Fig. 3. Emerging markets and frontier markets in 2000 (Source: Standard & Poor, 2000a, updated from Sidaway & Pryke, 2000).
language by which these markets are scripted is telling. As ‘frontier markets’ they represent new investment and capitalization potentials on one of the new frontiers of capitalism. Indeed, the map of frontier markets provides a telling set of representations of new frontiers of capitalist potential and real profitability. Such ‘new frontiers’ are similar to the urban investment possibilities and markets ‘opened’ up by gentrification, and examined by Neil Smith through the lens of Frederick Jackson Turner and the significance of the frontier in American history: ‘For Turner, the expansion of the frontier and the rolling back of wilderness [read socialism] and savagery were an attempt to make livable [and investable] space out of an unruly and uncooperative nature’ (Smith, 1996: xii; see also Smith, 1986). The aim for the S&P measures is for countries to proceed to ‘developed market status’, as Portugal did in 1999 when it was removed from the EMDB database: ‘S&P is pleased to have chronicled the [Portuguese] market’s journey and is proud to see it transition to “developed market” status’ (Standard & Poor, 2000b: 4). Progress in economic liberalization and financial market development using ‘valuable performance benchmarks’ (Standard & Poor, 2000a) such as the EMDB is thus seen, as in the case of the EBRD, as a linear process towards a known end-point of achieving ‘developed market economy’ status. ‘Frontier’ and ‘emerging markets’ also involve a rhetorical and civilizing of new frontiers for capitalist expansion concerning the closing of disorderly ‘open space’ and incorporation into the developed market economy.8

Transitions III: naturalizing uneven development

A third and closely related form of naturalized monitoring of capitalist transition concerns the activities of the Harvard Institute for International Development (HIID) research project on ‘Geography and Development’.9 The importance of this project lies in the fact that its director is Jeffrey Sachs, the architect of several neo-liberal shock therapy programs in ECE during the first half of the 1990s. Indeed, the role of HIID, Sachs, and political-economic elites in Russia has been well documented by Wedel (2000). The ‘Geography and Development’ project is international in scope and aims to examine the role in economic development of ‘the oft-neglected factor [of] … physical geography [sic] itself, whether in the form of distances from markets, topography, climate, soil quality, endemicity of disease due to the presence of disease vectors, rainfall, or other geographically conditioned variables’ (Sachs, 1997: 2). In particular, Sachs argues that

‘the effectiveness of a policy variable may depend on the physical geography of the country. For example, trade liberalization is likely to have greater growth-promoting effects on coastal rather than landlocked economies. Geography may also play a key role in affecting policy choices of different economies. As a

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8 I am grateful to Carl Dahlman for this insight.
9 Details of the project and papers associated with it can be found at http://www.cid.harvard.edu/cidpublications/hiid/geodev.html. Accessed September 2000.
very rough generalization, it is fair to argue that coastal areas (e.g. Great Britain, Netherlands) have promoted open trading regimes, while inland economies (e.g. Russia) have tended to adopt more inward-looking, import-substituting trade policies’ (Sachs, 1997: 2). 10

In the context of East European transition, Sachs has argued that

‘We expect that the pace of reform will depend importantly on geography for at least two reasons. First, ideas about market economies and reform emanating from Europe diffuse more easily across short distances, as a result of greater numbers of personal and business contacts, larger trade flows, and more intensive historical, cultural, and familial connections. Second, countries more proximate to Western Europe have the added political inducement of potential membership in the European Union, and the promise of eventual EU membership has been a major spur to internal reforms’ (Sachs, 1997: 20).

Sachs goes on to argue that

‘The theme of economic geography is particularly important for the transition economies since so much of economic transition involves the diffusion of ideas and institutions from market economies to the former planned economies, and since so much of the needed structural adjustment in the transition economies involves the formation of trade and investment links between the transition economies and international markets. In both processes … physical proximity is likely to play an important role’ (Sachs, 1997: 26).

One consequence of these renderings of Sachs’ ‘economic geography’ is a naturalistic reading of uneven development. While not explicitly framing policy in terms of a one-way process of market-transition, the work on geography and development clearly attempts to establish an environmental and locational logic for explaining the lack of ‘transition progress’ made in ‘less-connected’ regions. One obvious way for such regional economies to operate more fully in a global capitalist economy is thus a stronger engagement with global capitalism through the diffusion of Western ideas and practices seen as suitable for the economic transition in Eastern Europe. 11 No consideration is given within Sachs’ account of the appropriateness of capitalist transition models for peripheral regions and countries. Rather, lack of progress towards market transition becomes a function of geographical location, naturalizing processes of uneven development and consigning peripheral states and regions to potential perpetual ‘backwardness’.

10 It is interesting that Russia is described as ‘an inland economy’, especially given its very extensive natural coastline and port development.

11 See, however, Smith (1998) and Hudson (1999) for critique of the limits of transferability of Western regional development models.
Enlargements: the European Union, marketization and integration

There is a close relationship between the kinds of transition discourses in the work of the EBRD, the emerging markets indices and Sachs’ program on geography and development with the discursive construction of European Union enlargement into Eastern Europe. As the EBRD acknowledges:

‘The requirements for accession [to the EU] are very similar to the requirements for transition. There is a striking similarity between the Copenhagen criteria for accession … and Article 1 of the Agreement Establishing the EBRD, which sets out the meaning of transition for the Bank. Both call for the creation of open, competitive market economies and democratic institutions’ (EBRD, 1998: 6).

Indeed, in March 1998 the EBRD, the European Commission and the World Bank signed a joint memorandum of understanding aimed at co-financing of investment initiatives in ECE, representing a remarkable convergence of policy between some of the key IFIs and pan-European institutions.

Like the approach of the EBRD to transition, the types of integration indicators chosen by the EU, and the way in which data are treated, have their own underlying assumptions about how the economic world functions and what kinds of change are required and desirable. They speak to a particular political economy of discursive power that attempts to set bounds around what is possible and desirable. For example, the European Commission established two key elements in economic reform in its 1993 ‘Copenhagen criteria’ for accession of applicant states to the European Union. These were ‘the existence of a functioning market economy’ and ‘the capacity to cope with competitive pressure and market forces within the Union’. Both criteria have become essential mechanisms in the regular monitoring of ‘economic progress’ towards potential membership of the EU, undertaken by the European Commission. For example, the 1999 assessments of a country’s ‘progress’ towards membership examined ‘the existence of a functioning market economy’ in relation to the requirement

‘that prices, as well as trade, are liberalized and that an enforceable legal system, including property rights, is in place. Macroeconomic stability and consensus about economic policy enhance the performance of a market economy. A well-developed financial sector and the absence of any significant barriers to market entry and exit improve the efficiency of the economy’ (Commission of the European Communities, 1999: 23).

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12 In addition to these economic criteria, the Copenhagen Criteria also include the development of democracy, the rule of law, human rights and the protection of minorities, as well as the ability of countries to accept the obligations of membership of the Union, including accepting the 20 000 laws and regulations of the acquis.
These national assessments also examined progress towards ‘the capacity to cope with competitive pressure and market forces within the Union’ by evaluating ‘the existence of a market economy and a stable macroeconomic framework, allowing economic agents to make decisions in a climate of predictability. [Progress] … also requires a sufficient amount of human and physical capital, including infrastructure. State enterprises need to be restructured and all enterprises need to invest to improve their efficiency. Furthermore, the more access enterprises have to outside finance and the more successful they are at restructuring and innovating, the greater will be their capacity to adapt. Overall, an economy will be better able to take on the obligations of membership the higher the degree of economic integration it achieves with the Union prior to accession’ (Commission of the European Communities, 1999).

The consequence of tying EU accession criteria to ‘economic progress’ leads towards a particular understanding of what is important in the East European transition, what is required and how it is to be measured. Such a discursive construction was again used in the context of the 2000 assessments of progress towards accession. For example, the assessment of the Czech Republic argued that the Czech economy is ‘a functioning market economy and should be able to cope with competitive pressure and market forces within the Union in the near future’ but that ‘the authorities need to concentrate on developing an environment supportive of business activity—especially in the area of small and medium enterprises’ (Commission of the European Communities, 2000: 37). Assessments of other economies were less positive. Bulgaria was ‘making progress’ but Romania did not have a functioning market economy (see Table 2). This approach is similar to that found in the EBRD’s ‘transition indicators’. In both examples, economic change is viewed as progress towards an end point of developed market economy status, no matter how diverse actual market economy outcomes might be. In the case of the EU, this is economic accession to the Union through the development of western-style market economies; for the EBRD, this is ‘progress made in market-oriented transition’ (EBRD, 1996: 10). Such scripting of transition is teleological in that it presumes a known end-state (‘restructured enterprises’, ‘free markets and free trade’, ‘liberalized financial institutions’ and ‘legal reform’ to underpin market transactions). As such it falls clearly within the realm of Burawoy’s (1992) ‘transitology’, despite claims by the EBRD to the contrary: ‘Neither is it the intention to propose or define an end-point for the transition—there are many possible forms of a market economy which can function reasonably well’ (EBRD, 1996: 15). Incredibly, this statement is then followed by an assessment of the extent to which countries in the region have ‘progressed’ towards ‘advanced stages of transition’, and again forecloses consideration of alternatives outside and beyond capitalcentrism (cf. Gibson-Graham, 1996).

Reconstructions: constructing ‘South-Eastern Europe’ and the post-conflict imaginary

A final example of the reconfiguration of geographical imaginations and geo-economic power in the ‘new Europe’ is provided by the recent experience of the ‘post-
Table 2
Progress in economic transition according to the European Commission, November 2000

<table>
<thead>
<tr>
<th>Country</th>
<th>Progress towards a functioning market economy</th>
<th>Ability to cope with competitive pressure and market forces within the Union</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>Making progress</td>
<td>Not able</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Market economy exists</td>
<td>Should be able</td>
</tr>
<tr>
<td>Estonia</td>
<td>Market economy exists</td>
<td>Should be able (as long as reform continues)</td>
</tr>
<tr>
<td>Hungary</td>
<td>Market economy exists</td>
<td>Should be able (as long as reform continues)</td>
</tr>
<tr>
<td>Latvia</td>
<td>Market economy exists</td>
<td>Should be able (as long as reform continues)</td>
</tr>
<tr>
<td>Lithuania</td>
<td>Market economy exists</td>
<td>Should be able (as long as structural reform continues and necessary further reform occurs)</td>
</tr>
<tr>
<td>Poland</td>
<td>Market economy exists</td>
<td>Should be able</td>
</tr>
<tr>
<td>Romania</td>
<td>Not a functioning market economy</td>
<td>Not able</td>
</tr>
<tr>
<td>Slovakia</td>
<td>Market economy exists</td>
<td>Should be able (as long as structural reform is implemented and broadened)</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Market economy exists</td>
<td>Should be able (as long as completion of reform occurs to increase competitiveness)</td>
</tr>
</tbody>
</table>


conflict’ Balkans following the ‘end’ of military conflict in Kosovo. Here I will focus on two aspects of reconstruction—the construction of a region in crisis requiring intervention and the nature of that intervention in the form of capitalist marketization. A central aspect of reconstruction has been to socially construct the region of South Eastern Europe (SEE) as different from other parts of ECE. SEE is defined by the IFIs, particularly the World Bank, as comprising Albania, Bosnia-Herzegovina, Bulgaria, Croatia, The Federal Republic of Yugoslavia, FYR Macedonia and Romania (but not Moldova although it ‘participates in the Stability pact as an observer, [and] shares social, economic and cultural characteristics with the region’ (World Bank, 2000: 9, footnote 4)). Indeed, the region (whilst noted for its heterogeneity) is one constructed on the basis of shared lack of progress towards market capitalism:

It is clear that the pursuit of more consistent macroeconomic stabilization programs, and deeper and faster-paced structural reform programs are needed to improve economic performance. These reform programs would yield benefits in terms of economic growth and poverty reduction irrespective of the existence of a ‘regional’ approach. A major factor underlying the poor economic performance of the SEE [South Eastern Europe] region, as a whole, is a lack of progress in the transition towards a market-based economy. On almost all indicators of economic
reform, the economies of the SEE region have lagged behind the economies of Central Europe and the Baltic States. The key objective of these reform programs should be to improve substantially the climate for private sector development, which would need to underpin the achievement of prosperity and sustainable poverty reduction (World Bank, 2000: 12).

The region thus becomes a classifiable category (in contrast with other categories, such as Central Europe and the Baltic states) defined on the basis of lack progress towards a market-based economy. In this way, the same techniques of classification and ‘othering’ employed by the EBRD and other financial institutions are used to script the regions of South Eastern Europe. Indeed, such constructions reflect a much longer-term process of seeing the ‘Balkans’ as ‘the other’ in which the Balkans serve ‘as a repository of negative characteristics against which a positive and self-congratulatory image of the “Europeans” and the “West” has been constituted’ (Todorova, 1997: 188). It is also clear that such geographical imaginations of South-Eastern Europe underpin clear material interests of western countries. As the influential World Bank report on a regional development strategy for SEE makes clear, the

‘international community has a clear stake in achieving peace, stability and prosperity in SEE… continued instabilities will … affect Western European economies and societies. An unstable region is a fertile breeding ground for crime, smuggling, illegal activities, which will not only affect the lives of people in the SEE countries but also neighboring societies. A more prosperous, stable SEE region would also benefit Western Europe economically, by opening up new markets for investments, sources of skilled, low wage labor and trade opportunities’ (World Bank, 2000: 7).

There is therefore a clear sense in which the material interests of the western capital conjoin with the perceived need to cleanse the region of illegal activity. This sanitization provides the basis for widespread western assistance to ensure a particular pathway and direction for the forms that reconstruction will take.

Economic reconstruction through market-led transition is, however, given an additional role in South Eastern Europe. Capitalist transition is embodied with the task of not only securing the hegemony of capitalist transition but also of being the mechanism by which ‘the goals of peace, stability and prosperity’ can be achieved (World Bank, 2000: 2). Market transition is here also given the goal of securing a lasting broader regional peace for SEE in the aftermath of the Bosnia and Kosovo crises. These goals are to be achieved by ‘the countries of the region [making] … a deeper and longer-lasting commitment to reform and intra-regional cooperation

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13 This process of ‘Balkan othering’ is part of a broader process of attempting to situate ‘the East’ as barbarous, religiously orthodox, and distinct from the more western-oriented and, by implication, ‘civilized’ Central Europe or ‘Mitteleuropa’ (see, for example, Neumann (1999) and Heffernan (1998)).
than has characterized the past decade. Without such a commitment, no regional strategy can be effective’ (World Bank, 2000: 2). More specifically, this agenda of economic reform revolves around key tenets of the structural adjustment programs implemented earlier in Central Europe (see Pickles & Smith, 1998), namely trade liberalization, ‘restoring’ private investor confidence, small and medium enterprise development (see Smith (1997) for a critique of the limits of small and medium enterprise (SME) development programs in Slovakia), transparent forms of privatization, and creating stronger public institutions to foster private sector development (World Bank, 2000).

Indeed, these strategies for ‘regional reconstruction’ have been pushed forward forcibly through the signing of a Stability Pact for SEE in 1999. The Pact, which brings together South East European countries, EU Member States and the USA, the European Commission and international financial institutions (notably the EBRD and the World Bank), aims to secure lasting peace, prosperity and stability, foster effective regional cooperation, create vibrant market economies and integrate the countries of the region into European and Atlantic structures (Stability Pact for South East Europe, 1999a). Echoing the World Bank’s position, the Stability Pact aims at ‘creating vibrant market economies based on sound macro policies, markets open to greatly expanded foreign trade and private sector investment, effective and transparent customs and commercial/regulatory regimes, developing strong capital markets and diversified ownership, including privatization, leading to a widening circle of prosperity for all our citizens’ (Stability Pact for South Eastern Europe, 1999b: 3). Like other scriptings of the new European imaginary, the Pact envisages a key role for the European Union and the international financial institutions. For example, the Pact states that ‘we rely on them to develop a coherent international assistance strategy for the region and to promote sound macro-economic and structural policies’ (Stability Pact for South Eastern Europe, 1999b: 6).

The Pact envisaged a variety of mechanisms in order to foster market-led capitalist transition. Here I will focus on two key elements of the strategy. First, the Pact established three ‘working tables’ with one focused on ‘economic reconstruction, development and co-operation’. This working table aims to foster actively private sector expansion in close alignment with the EBRD and OECD. By March 2000, the private sector development initiative had secured some 356 million of financing, with some 70 percent derived from international financial institutions. Much of the activity involved in the development of the private sector focuses on the core concerns of trade integration, SME development and restructuring of business financing and credit systems and most of the funds derived from EBRD sources (Table 3).

Second, the OECD private sector development unit has been instrumental in the construction of cross-regional working groups on private sector and entrepreneurial development and inward investment promotion organized around a SEE Forum for Private Sector Development (OECD, 1999). The Forum agreed to establish two activities. The first, a Forum on Entrepreneurship and Enterprise Development (FEED), aims to promote ‘exchange of experience and the dissemination of best practices … and assist in the process of regional and international co-operation’ in the sphere of business development and entrepreneurship (OECD, 1999: 3). The
Table 3
Funding commitments for the Stability Pact for South Eastern Europe’s “Quick Start” Regional Private Sector Initiatives (euro, millions)

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Lead agency</th>
<th>IFI funding</th>
<th>Donor funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Facilitation Programmes</td>
<td>EBRD</td>
<td>62.0</td>
<td>6.7</td>
</tr>
<tr>
<td>Trade Insurance Programmes</td>
<td>EBRD</td>
<td>45.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Balkan Enterprise Fund</td>
<td>International Finance Corporation</td>
<td>5.0</td>
<td>18.4</td>
</tr>
<tr>
<td>Small Equity Funds</td>
<td>EBRD</td>
<td>14.5</td>
<td>21.0</td>
</tr>
<tr>
<td>Micro-Enterprise Banks</td>
<td>EBRD</td>
<td>12.7</td>
<td>29.8</td>
</tr>
<tr>
<td>Contractor Credit Support</td>
<td>USAID/EBRD</td>
<td>–</td>
<td>0.8</td>
</tr>
<tr>
<td>Bank Restructuring</td>
<td>EBRD</td>
<td>–</td>
<td>0.8</td>
</tr>
<tr>
<td>SME Finance Facility</td>
<td>EBRD/EU</td>
<td>38.0</td>
<td>14.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>177.2</strong></td>
<td><strong>102.0</strong></td>
</tr>
</tbody>
</table>


second, an Advisory Group on Investment Promotion, aims to ‘stimulate substantive new directions in policy and promotion leading to increased FDI in the region’ (OECD, 1999: 7). Once again, therefore, we have here a clear statement of the dominant paradigm of ‘transition’ thinking: capitalist development through inward investment and new business development apparently ignorant of the volume of research suggesting that both are unlikely to act in themselves a panaceas for post-communist (and post-conflict) reconstruction (see for example, Hardy & Swain (1998), Pavlínek & Smith (1998), Smith & Ferenčiková (1998), Grabher (1994)).

Conclusions

This paper has argued that the various processes of European integration, enlargement and post-conflict reconstruction bring with them a set of contradictory and problematic assumptions about the pathway that the countries of East-Central Europe should be ‘encouraged’ to take and the role that ‘the West’ should play. A clear set of agendas is at work, which revolves around an attempt to foster market-led capitalist transitions. The consequence of these moves is that East-Central Europe has found itself discursively situated in relation to perceived endpoints and outcomes that are theoretically expected to accrue from the ‘correct’ implementation of capitalist transitions. Capitalist transitions, returns to Europe and post-conflict reconstructions are all to occur with little due regard for the situated and embedded politics of national and local development (see Pickles & Smith 1998). As Pickles and Popke (1998: 13) have argued

‘The event as rupture is then not a ‘clean break’ from one socio-spatial system to another, not the emergence of the new as if inscribed on a clean slate. Such renormalizing—by which we refer to the neo-liberal understanding of the end of
communism, the return to an interrupted path of modernization, a return to Europe, to democracy, to capitalism—is a form of stabilization that can occur only through violence; the imposition of a stabilization, a new hegemony.

Furthermore, there is clear monitoring and surveillance of progress towards achieving these defined end points, resulting in some intriguing geographical imaginations of ‘success’ and ‘failure’ on the capitalist transition scorecard. As Larry Wolff has argued in his *Inventing Eastern Europe*, ‘In the Europe of the 1990s Eastern Europe will continue to occupy an ambiguous space between inclusion and exclusion both in economic affairs and in cultural recognition’ (Wolff, 1994: 9). Inclusion is possible but solely on the terms of powerful western interests (cf. Gowan, 1995). As such, then, this paper has attempted to ‘denaturalize’ the categories of capitalist transition, enlargement and reconstruction that have been so central to the experience of the post-1989 political economy of Eastern Europe. By examining the assumptions and practices of geo-economic discourse and surveillance I have attempted to situate these particular knowledges and constructions of ‘post-communism’, ‘Eastern Europe’, ‘transition’ and ‘South Eastern Europe’ within a broader frame that recognizes the problematic underpinning of these moments of post-1989 Europe. However, through this process of denaturalization, the question that becomes central concerns the rendering of alternative ways of thinking transition, enlargement and reconstruction, which go beyond those dominated by the material interests of international financial institutions. What kind of ‘bridge’ (see Sidaway (2001)) or ‘gateway’ (Cohen, 1991) central, eastern and south eastern Europe will occupy and create for itself in this reconstituted European space is a question at the heart of the redefinition of the geopolitics and geo-economics of the ‘West’.

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**References**


