A special historical analysis: Europe's 35-year journey since the fall of the Berlin Wall

The Berlin Wall fell on 9 November 1989, triggering huge political and economic change; the question now is whether the gains can be safeguarded

Marek Dabrowski

ANALYSIS

On the evening of 9 November 1989, the East German authorities opened the border crossing points between East and West Berlin, triggering the spontaneous dismantling of the Berlin Wall, which had separated the city since 13 August 1961. The fall of the Wall was considered a critical moment in Germany's reunification and in bringing down the so-called Iron Curtain, which separated the western and eastern parts of Europe after the Second World War. However, it was neither the beginning nor the end of the process that liberated the eastern part of the continent from Soviet dominance and communist regimes, and eventually led to the collapse of the Soviet Union two years later.

Soviet-style communism meant not only lack of democracy and political pluralism as in 'traditional' autocratic regimes:the ruling communist parties of eastern Europe sought to apply the Marxist-Leninist ideology to almost every aspect of social and economic life. They drastically limited civil liberties and freedom of choice in daily life. To force people's compliance, far-going surveillance of society was necessary. Various kinds of repression against potential and actual opponents were employed, including mass terror, as in 1937-1939 in the Soviet Union, and in the entire communist bloc in the 1940s/early 1950s.

State ownership and central planning

In the economic sphere, the ruling communist parties tried to implement the Marxist utopia of a non-market and non-private economy, and Lenin's idea of the national economy as a single factory (Temkin, 1998). Private ownership of business assets (the 'means of production' in Marxist terminology) was ideologically unacceptable as the source of income inequality and exploitation of workers by capitalists, and with a few exceptions was banned. It was replaced by state ownership or cooperatives (the latter differing from the former only in name).

Market 'chaos' was replaced by a system of central planning in which central authorities set both detailed production targets and input allocations for each enterprise. They also made investment decisions. As a result, competition between enterprises (and from outside, because of the state monopoly on foreign trade) was eliminated, and market incentives to increase productivity and innovate were killed. Furthermore, the rigid system of central planning, supported by the fear of repression in case of non-compliance, led to perverse incentives, resulting in higher input allocations and lower output. The central planning authorities were unable to verify these demands due to insufficient micro-information.

Perverse micro incentives, together with administrative price controls, produced widespread shortages of goods and services (Kornai, 1980). Centralised investment decisions, often determined by political considerations, led to structural distortions, which were the main cause of transformation-related output decline in the 1990s when the post-communist transition started.

The centrally planned and state-owned economy was able to ensure rapid industrialisation (sectors working for military needs were major beneficiaries of this strategy) in economies that were historically backward compared with Western Europe. However, the social, human and environmental costs were huge, especially in the Soviet Union. From the mid-1960s economic growth decelerated everywhere, arriving at stagnation or even decline in the 1980s.

The communist economic system also helped to establish totalitarian control over society, in which both the employment and material status of each citizen depended on their attitude to the political regime.

The Cold War and Iron Curtain

Though central and eastern European countries (except the Baltic states) remained formally independent after the Second World War, they were controlled strictly by the Soviet Union – politically, militarily and economically. Apart from Yugoslavia, they all joined the political-military Warsaw Pact, created in 1955 as the counterweight to NATO, and the economic *Council for Mutual Economic Assistance (CMEA or COMECON), created in 1949*¹.

Soviet troops were stationed in most Warsaw Pact countries. Their task was not only to be on the front line of the potential military conflict with NATO, but also to intervene when communist rule in individual countries was threatened (the so-called Brezhnev Doctrine formulated in 1968²). Soviet troops intervened during the East German uprising in June 1953, the Hungarian revolution in October-November 1956 and the so-called Prague Spring in August 1968. Warsaw Pact intervention against the Solidarity movement in Poland was a real threat in 1980 and 1981, but ultimately Martial law was introduced in December 1981 by the Polish authorities.

To avoid population flight to western Europe, all communist countries except Yugoslavia introduced travel restrictions and sealed their external borders. Border guards were authorised to shoot those who tried to escape illegally. The Berlin Wall was the most visible sign of the Iron Curtain.

The death of the Soviet dictator Joseph Stalin on 5 March 1953 brought hope for a more humane variant of the communist system – and the regime did become less oppressive. Mass terror was abandoned, the system of forced labour (the Gulag system) was partly dismantled, more cultural and scientific freedom wasallowed and economic resources were partly redirected from heavy industry towards agriculture and consumer goods. Nevertheless, the basic characteristics of political and economic systems did not change, and each attempt at more fundamental change was brutally stopped. Furthermore, after a short political 'thaw', the system became more oppressive again (although it never returned to the Stalinist extreme).

Internationally, the withdrawal from Austria in 1955 of the Second World War victors, including the Soviet Union, was the most visible product of the first *détente* period. However, the expansive character of Soviet policies did not change. This was demonstrated, for example, by the Cuban Missile Crisis in October 1962, which brought the world to the brink of nuclear war. Another *détente* period in Europe came in the early 1970s, with mutual recognition of both German states and the Conference for Security and Cooperation in Europe³. However, the Iron Curtain dividing Germany and all of Europe persisted.

Reform of the sclerotic economic system was also attempted by granting enterprises more business autonomy. But this brought limited results or was reversed because of the basic incompatibility with the centralised system. Yugoslavia, which split with the Soviet Union in 1948, was most advanced in building a market-socialism model based on labour management (Uvalic, 2024). It was also the most open to the West in terms of trade relations and freedom of movement of people. However, it did not avoid economic stagnation and hyperinflation in the 1980s. Starting in the 1960s, Hungary experimented with another variant of a decentralised economic system, partly open to market forces and international cooperation, but with mixed economic results.

Glasnost' and perestroika

The election of Mikhail Gorbachev as General Secretary of the Communist Party of the Soviet Union (CPSU) in March 1985 was the turning point in the history of the Soviet Union and the entire Soviet bloc. The relatively young leader replaced the gerontocracy of the Brezhnev and post-Brezhnev era. He tried to reform the rigid system, declaring the policy of *glasnost'* (openness), which resulted in the liberalisation of the Soviet political system. *Perestroika* (reconstruction) was the label for the attempts at economic reforms (largely unsuccessful; see Dabrowski, 2023) but was subsequently applied to all Gorbachev-era political changes.

Several factors triggered the reform attempts: the inability to win the arms race with the United States and NATO, the tough responses to Soviet expansionism of the Carter and Reagan administrations (Busch, 1997), the failure of the Soviet military intervention in Afghanistan (1979-1989) and the increasingly poor state of the Soviet economy and public finances. The latter was caused by the systemic inefficiencies of a centrally planned economy, high military spending – exceeding 16 percent of the Soviet gross national product in 1987 (Cooper, 1998) – the costs of the war in Afghanistan, a sharp decline in global oil prices in the mid-1980s, the populist anti-alcohol campaign in 1985-1988⁴ and the catastrophes of the Chernobyl nuclear power plant meltdown in April 1986 and the earthquake in Spitak, Armenia, in December 1988.

The balance-of-payments and fiscal crises created a need for more foreign borrowing and required fundamental changes to Soviet foreign policy. These included a new round of nuclear-disarmament negotiations with the US, less confrontational relations with the Western partners, withdrawal from Afghanistan and the abandonment of the Brezhnev doctrine.

With some time lag, *glasnost'* and *perestroika* opened the door to the demise of the Soviet bloc, the Soviet Union and the communist system in its Soviet/eastern European variant (it survived in China and other Asian countries thanks to market-oriented economic reforms). Gorbachev had not intended it, but the *perestroika* process went out of control after a few years of implementation.

The Polish round table and the domino effect

The first country in which the communist party lost political power was Poland. After a series of strikes in summer 1988, General Jaruzelski's regime agreed to start negotiations with the Solidarity trade union, which had been outlawed after the introduction of martial law in December 1981. Negotiations took place from February to April 1989 and resulted in a complex political agreement that opened the door to partly democratic elections on 4 June 1989. Despite preferences enjoyed by the ruling party and its political allies, the Solidarity movement won the election overwhelmingly. The first non-communist government of Tadeusz Mazowiecki was appointed on 12 September 1989.

Changes in Poland influenced Hungary, where gradual political and economic liberalisation was initiated by the liberal wing of the communist party. In summer 1989, in negotiations with the political opposition, it accepted free multi-party elections. Hungarian authorities in August 1989 also opened the border with Austria for East German citizens (Hungarian citizens were permitted earlier to travel to the West), which led to a massive outflow to West Germany via Austria.

This had far-reaching consequences. East Germans started to apply for asylum at the West German embassies in Czechoslovakia and Poland. After negotiations between the West German government and the Czechoslovak and Soviet authorities, East Germans were allowed to travel to West Germany.

The flight of East German citizens and mass demonstrations in Leipzig, East Berlin and a few other cities undermined the position of Erich Honecker, East Germany's longserving communist leader. He was replaced by Egon Krenz on 18 October 1989. However, popular pressure for further change continued and led to the decision to open the border with West Berlin on 9 November 1989.

The next day, 10 November 1989, Todor Zhivkov, the Bulgarian communist leader since 1954 was forced to resign, leading to a peaceful democratic transformation in that country, with free multi-party elections in June 1990.

The Velvet Revolution in Czechoslovakia from 17 to 28 November 1989 was also peaceful.

Unfortunately, changes in Romania were not peaceful. Popular protests in Timisoara and Bucharest were crushed brutally with hundreds killed. However, the regime of Nicolae Ceausescu fell on 22 December 1989. The former communist leader and his wife were executed three days later.

Changes in Albania started with the attempt to demolish Stalin's monument in Shkodra in January 1990 and student demonstrations in Tirana in December 1990. They led to the first democratic multi-party election in March 1991.

German reunification and the end of the Cold War

After the fall of the Berlin Wall, changes in East Germany accelerated. A transitional government under Hans Modrow, which included opposition politicians, was formed on 13 November 1989. The first and the last free elections took place on 18 March 1990. After the elections, the government, led by the Christian Democratic Union, started unification negotiations with West Germany.

On 1 July 1990, the Treaty Establishing a Monetary, Economic and Social Union between the German Democratic Republic (GDR) and the Federal Republic of Germany (FRG) entered into force. In practical terms, it meant the adoption of the West German Mark in East Germany and East Germany's immediate accession to the European Economic Community (EEC). The full political and legal unification of the GDR and FRG was completed on 3 October 1990. On 15 March 1991, the Two Plus Four Treaty, signed on 12 September 1990 between the two German states and four anti-Nazi allies (the US, Soviet Union, United Kingdom and France), formally ended Germany's occupation status.

Mikhail Gorbachev and US President George H.W. Bush formally declared the end of the Cold War at their Malta summit on 2-3 December 1989. The Warsaw Pact was

dissolved in February 1991. COMECON followed in June 1991. The last Soviet/Russian troops left Czechoslovakia and Hungary in 1991, Poland in 1993 and the former East Germany in 1994.

Political liberalisation also progressed in the Soviet Union. In March and April 1989, there were partly free elections to the USSR Congress of People's Deputies, and between February and October 1990, to the legislative organs of the Soviet republics, and regional and local councils. The republican elections were won by non-communist forces in the three Baltic republics and in Armenia, Georgia and Moldova. On 11 March 1990, the victorious Sajudis movement declared the restoration of Lithuania's independence. Although opposed by the Soviet authorities (including by use of force, around the TV tower and parliament building in Vilnius on 13 January 1991) and non-recognised internationally, the independence declaration started an intensive statebuilding process and acted as a demonstration for other republics.

Overall, the republican elections triggered the political disintegration of the Soviet Union. Apart from the independence aspirations of the Baltic and Caucasian republics, the power struggle between the democratically elected authorities of the Russian Federation and the Union Centre (and the personal conflict between Boris Yeltsin and Mikhail Gorbachev) proved the strongest centrifugal factor. It affected all areas of political and economic management (Dabrowski, 1995).

The unsuccessful anti-Gorbachev *coup d'état* organised between 19 and 21 August 1991 by a group of communist hardliners marked the end of the Soviet state. Shortly after, the Communist Party of the Soviet Union was dissolved and the independence of three Baltic states was officially accepted. The attempt to transform the Soviet Union into a looser confederation (negotiated since spring 1991) failed. On 8 December 1991, the presidents of Belarus, the Russian Federation and Ukraine signed the Belovezha Accord, creating a loose Commonwealth of Independent States (CIS). Seven other republics joined the CIS on 21 December 1991. On 25 December 1991, Mikhail Gorbachev announced his resignation as Soviet President. The Soviet Union officially ceased to exist the next day.

Two other central European federations – Yugoslavia and Czechoslovakia – also did not survive the collapse of communism.

Although Yugoslavia did not belong to the Soviet bloc, had a partly market-oriented economy and was open to the West, it was ruled by the League of Communists of Yugoslavia. Tensions between republics and the federal centre had been observed since the 1960s but were kept under control by the non-democratic nature of the political regime. Democratic elections in the republics between April and December 1990 triggered the process of political disintegration. Slovenia and Croatia declared independence on 25 June 1991, meaning the end of the Yugoslav federation. Unlike the largely peaceful breakup of the Soviet Union in 1990-1991, the disintegration of Yugoslavia was violent, with military conflicts affecting Slovenia (1991), Croatia (1991-1995), Bosnia and Herzegovina (1992-1995) and Kosovo (1998-1999).

Unlike Yugoslavia, the Czechoslovak federation was dissolved in a fully peaceful and orderly manner in 1992-1993 (Musil, 1995).

Post-communist transition

In the 1990s, the former communist countries went through a painful transition to market economies. Today the Marxist-Leninist model of a centrally planned economy can be found only in North Korea and history textbooks.

In 2010, the share of the private sector in GDP varied between 25 percent in Turkmenistan and 80 percent in Estonia and Hungary, although it exceeded 60 percent in most post-communist countries⁵. Central planning collapsed spontaneously at the end of the 1980s and in the early 1990s, but government interventionism continues to play an important role in many post-communist economies, particularly those of the former Soviet Union. This distorts markets and helps to maintain an oligarchic symbiosis of economic and political power (Dabrowski, 2023).

The process of economic transition and its results were determined by the following factors (World Bank, 1996; 2002):

- The scale of inherited structural distortions: the larger those distortions were, the deeper the corrective output decline at the beginning of the transition. This factor explains the severity of the post-communist recession in most countries of the former Soviet Union, and its relatively less painful character in Poland, Czechia, Hungary and Slovenia (Table 1).
- The speed, comprehensiveness and consistency of reforms: faster, broader and consequent reforms helped to trigger an earlier post-transition recovery, and

underpinned faster growth, less corruption and less state capture by the oligarchic groups.

- Violent conflicts (internal and external) deepened output losses and delayed reforms and post-conflict recovery (the former Yugoslavia except Slovenia, Southern Caucasus, Moldova and Tajikistan).
- The prospect of European Union membership helped sustain the reform process and facilitated the most difficult institutional and governance changes (Roland, 2005).

Table 1: Cumulative decline in real GDP in selected post-communist countries inthe 1990s, in %, 1990 = 100%

Armenia 4 63 Azerbaijan 6 60 Belarus 6 35 Belarus 4 16 Bulgaria 4 36 Croatia 4 36 Croatia 3 12 Croatia 5 35 Estonia 5 78 Hungary 4 15 Addota 50 31 Kazekhstan 6 51 Addota 7 63 Addota 63	Region/Country	Number of consecutive years of GDP decline	Cumulative decline in GDP relative to 1990, %
Azerbaijan 6 60 Belarus 6 35 Belarus 4 16 Bulgaria 4 36 Croatia 3 36 Croatia 5 78 Augary 4 36 Augary 6 36 Augary 6 36 Augary 6 36 Augary 7 63 Audolova 7 6 Augary 3 23 Augary 4 36 Augary 3 36 Augary 3 37 Augary 3	Albania	3	33
Adaptan A 35 Bulgaria 4 16 Bulgaria 4 36 Creatia 4 36 Creatia 3 12 Estonia 5 35 Georgia 5 78 Hungary 4 15 Katakhstan 6 41 Kygyzstan 6 51 Holdova 7 63 Poland 2 6 Romania 3 21 Rowania 7 63 Rowania 7 63 Slovakia 7 40 Slovakia 7 50 Agikistan 7 50 Slovakia 7 50 Agikistan 7 50 Slovakia 7 50 Agikistan 7 50 Slovakia 8 48 Janakisa 70 50	Armenia	4	63
Bulgaria416Croatia436Croatia312Cacchia535Estonia578Georgia615Hungary650Atvia650Latvia563Addova763Addova763Romania321Stovakia740Stovakia763Stovakia763Stovakia763Stovakia763Stovakia763Stovakia763Stovakia614Stovakia763Stovakia623Stovakia763Stovakia763Stovakia634Stovakia763Stovakia763Stovakia763Stovakia6363Stovakia6363Stovakia6363Stovakia763Stovakia763Stovakia763Stovakia6363Stovakia6363Stovakia6363Stovakia763Stovakia763Stovakia6363Stovakia6363Stovakia6363Stovakia763Stovakia <td< td=""><td>Azerbaijan</td><td>6</td><td>60</td></td<>	Azerbaijan	6	60
Groatia 4 36 Creatia 3 12 Estonia 5 35 Estonia 5 78 Georgia 5 78 Aungary 4 15 Kazakhstan 6 50 Aygzyzstan 6 51 Authania 5 44 Voldova 7 63 Voldova 7 63 Voldova 7 63 Romania 3 21 Slovakia 7 40 Slovakia 7 40 Slovakia 7 50 Slovakia 8 8 Slovakia 8 8	Belarus	6	35
Zzechia 3 12 Estonia 5 35 Georgia 5 78 Hungary 4 15 Kazakhstan 6 41 Kygyzstan 6 50 Latvia 6 51 Lothuania 7 63 Poland 2 63 Romania 3 21 Russia 7 63 Slovakia 4 21 Kustan 3 21 Russia 7 63 Slovakia 7 63 Slovakia 7 60 Slovakia 7 60 Slovakia 7 60 Kutmenistan 7 60 Kutmenistan 7 60	Bulgaria	4	16
Estonia 5 35 Georgia 5 78 Hungary 4 15 Kazakhstan 6 41 Kygyzstan 6 50 Latvia 6 51 Lithuania 5 44 Poland 7 63 Romania 3 61 Slovakia 7 63 Slovakia 7 61 Slovakia 7 61 Slovakia 7 61 Slovakia 7 61 Kutmenistan 8 61 Jukane 7 61	Croatia	4	36
Georgia 5 78 Hungary 4 15 Kazakhstan 6 41 Kygyzstan 6 50 Lithuania 5 44 Moldova 7 63 Poland 2 63 Romania 3 21 Rowakia 7 40 Slovenia 3 23 Kajikistan 7 50 Kutmenistan 7 60 Juntania 3 23 Rowakia 4 23 Rowakia 7 50 Slovenia 7 50 Kutmenistan 7 50 Kutane 10 59	Czechia	3	12
Hungang 4 15 Kazakhstan 6 41 Kyggyzstan 6 50 Latvia 6 51 Lithuania 5 44 Moldova 7 63 Poland 2 6 Romania 3 21 Russia 7 40 Slovakia 3 23 Verenia 3 14 Tajikistan 7 50 Vurkmenistan 8 48 Janationa 10 59	Estonia	5	35
Kazakhstan 6 41 Kyrgyzstan 6 50 Latvia 6 51 Lithuania 5 44 Moldova 7 63 Poland 2 6 Romania 3 21 Russia 7 40 Slovakia 4 23 Intikistan 7 50 Turkmenistan 8 48 Janathanana 10 59	Georgia	5	78
Kyrgyzstan 6 50 Latvia 6 51 Lithuania 5 44 Moldova 7 63 Poland 2 6 Romania 3 21 Slovakia 7 40 Slovakia 7 40 Slovakia 7 23 Slovakia 7 50 Varkmenistan 8 48 Jkraine 10 59	Hungary	4	15
Latvia 6 51 Lithuania 5 44 Moldova 7 63 Poland 2 6 Romania 3 21 Russia 7 40 Slovakia 4 23 Slovenia 3 14 Tajkistan 7 50 Murkmenistan 8 48	Kazakhstan	6	41
Lithuania544Moldova763Poland26Poland321Romania740Slovakia723Slovakia314Jajikistan750Vurkmenistan848Jana Slovakia1059	Kyrgyzstan	6	50
Moldova763Poland26Poland321Romania321Russia740Slovakia423Slovania314Majkistan750Murkmenistan848Jkraine1059	Latvia	6	51
Poland26Romania321Russia740Slovakia423Slovania314Slovenia750furkmenistan848Jkraine1059	Lithuania	5	44
Romania321Russia740Russia723Slovakia423Slovenia314rajikistan750Turkmenistan848Jurane1059	Moldova	7	63
Russia 7 40 Slovakia 4 23 Slovenia 3 14 Slovinia 7 50 Iajikistan 7 50 furkmenistan 8 48 Jkraine 10 59	Poland	2	6
Slovakia 4 23 Slovenia 3 14 Fajikistan 7 50 furkmenistan 8 48 Jkraine 10 59	Romania	3	21
Slovenia 3 14 Tajikistan 7 50 furkmenistan 8 48 Jkraine 10 59	Russia	7	40
fajikistan 7 50 furkmenistan 8 48 Jkraine 10 59	Slovakia	4	23
Summer 8 48 Jkraine 10 59	Slovenia	3	14
Jkraine 10 59	Tajikistan	7	50
	Turkmenistan	8	48
Jzbekistan 6 18	Ukraine	10	59
	Jzbekistan	6	18

Source: World Bank (2002).

This raises the question of why some countries managed to implement reforms quickly and comprehensively, and to sustain them (for example the Baltic countries, central Europe), while others (most of the former Soviet Union, Western Balkans) were less successful. Empirical analysis points to the interdependence between economic and political reforms (EBRD, 1999). Countries that moved beyond the communist political legacy quickly, built a pro-reform political consensus and assembled competent economic governance teams had greater opportunities to adopt and sustain fast and comprehensive reforms. Unfortunately, the political transition to liberal democracy proved less successful than the economic transition. Countries that joined the EU in 2004, 2007 and 2013 largely managed to build sustainable democratic systems (Hungary and Poland are exceptions). But the EU candidates from the Western Balkans and eastern Europe struggle with imperfect democracies and weak institutions (Darvas *et al*, 2024). The situation is even worse in other post-Soviet countries (Smeltzer and Karppi, 2023), most of which reverted to autocratic regimes, this time based on nationalist ideologies.

This summary points to the fundamental role of European integration in guiding political and economic transitions (Roland, 2005). Countries that were given an EU accession prospect earlier (central and eastern Europe, Baltics) moved faster, especially in the most difficult areas of institution building and the rule of law. Those that were not so lucky – the countries of the former Soviet Union other than the Baltics – remained more vulnerable to domestic vested interests and unfriendly external interference. Georgia, Moldova and Ukraine received the EU integration offer only after the Russian invasion of Ukraine in February 2022 (Dabrowski, 2022).

The fall of communism had a positive impact not only on the eastern part of the continent. German reunification helped in securing political approval for a common currency project (Maes, 2024) and in transforming the EEC into the EU. The eastern enlargement of the EU provided a strong boost to the entire European economy. The end of the Cold War produced a peace dividend that lasted decade or two, helped advance global trade and financial integration and strengthened multilateral organisations.

Thirty-five years on

After building the foundations of market economies, most former communist countries entered a period of rapid economic growth (interrupted by the global financial crisis of 2008-2009 and the COVID-19 pandemic in 2020) and income *per capita* convergence with western Europe (represented by Germany in Figures 1-3). The best performances were recorded by the countries that joined the EU (though their initial GDPs *per capita* were higher), and those enjoying hydrocarbon rents. The poorest countries of Central Asia (Tajikistan, Kyrgyzstan and Uzbekistan) and the Western Balkans (Kosovo) have made little progress. Since 2009, Ukraine has recorded de-convergence because of poor reform performance in the 1990s and 2000s, and then the Russian aggression since 2014.



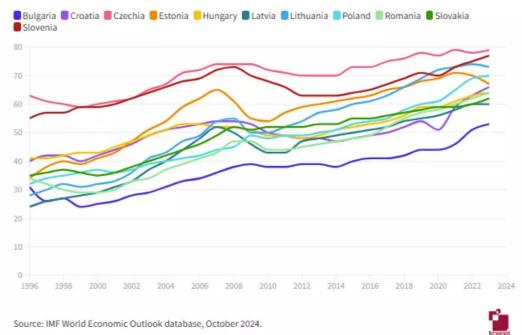
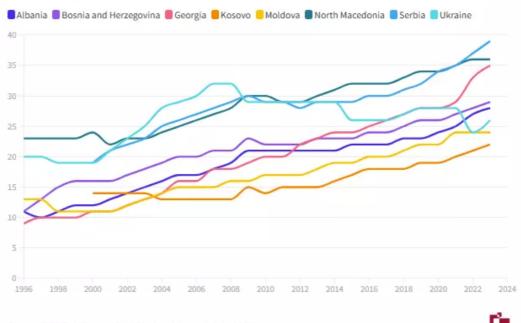
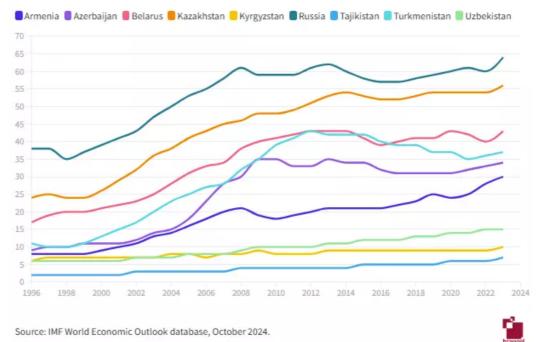


Figure 2: EU candidates and potential candidates: GDP per capita, constant prices, purchasing power parity, 2017 international dollar, Germany = 100, 1996 - 2023



Source: IMF World Economic Outlook database, October 2024.





Sadly, 35 years after the fall of the Berlin Wall and Iron Curtain, the political and security picture looks gloomy.

Since the beginning of the twenty-first century, democracy in many countries and regions has been in retreat (Gorokhovskaia and Grothe, 2024). Even the most mature Western democracies are exposed to populist challenges of various political colours.

For Europe, Russia's aggression against Ukraine is the most dangerous military conflict since the Second World War. The rise of Russia's imperial revanchism and its lack of respect for international law creates serious challenges for European and global security. The number and severity of violent conflicts outside Europe, especially in Africa and the Middle East is also increasing.

Meanwhile, the increasing geopolitical rivalry between the US and China, seen sometimes as a new Cold War⁶, undermines the global trade and financial order. The growing wave of protectionism in various corners of the world has the same negative effects (Dabrowski, 2024).

Fearful of large flows of illegal migrants some EU countries build fences and walls along the EU's external borders and reintroduce *ad-hoc* controls on internal borders. The same happens on the US border with Mexico.

These are the challenges the democratic world must cope with in the coming years.

The author would like to thank Uri Dadush, Ugne Keliauskaite, Ivo Maes, Lucio Pench, Niclas Poitiers and André Sapir for their comments.

References

Busch, A.E. (1997) 'Ronald Reagan and the Defeat of the Soviet Empire', *Presidential Studies Quarterly* 27(3): 451–66, available at http://www.jstor.org/stable/27551762

Cooper, J. (1998) 'The Military Expenditure of the USSR and the Russian Federation, 1987–97', *SIPRI Yearbook 1998*, Appendix 6D: 243–259, Stockholm International Peace Research Institute, available at https://www.sipri.org/sites/default/files/SIPRI%20Yearbook%201998.pdf

Dabrowski, M. (1995) 'The Reasons of the Collapse of the Ruble Zone', *CASE Studies & Analyses* 58, CASE – Center for Social and Economic Research, available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1312324

Dabrowski, M. (2022) 'Towards a New Eastern Enlargement of the EU and Beyond', Intereconomics 57(4): 209–212, available at https://link.springer.com/content/pdf/10.1007/s10272-022-1064-3.pdf

Dabrowski, M. (2023) A limping transition: the former Soviet Union thirty years on, Essay & Lecture Series, Bruegel, available at https://www.bruegel.org/sites/default/files/2023-02/Transition%20in%20the%20FSU_essay%20140223%20HB.pdf

Dabrowski, M. (2024) 'The Risk of Protectionism: What Can Be Lost?' *Journal of Risk and Financial Management* 17(8): 374, available at https://doi.org/10.3390/jrfm17080374

Darvas, Z., M. Dabrowski, H. Grabbe, L. Léry Moffat, A. Sapir and G. Zachmann (2024) 'The impact on the European Union of Ukraine's potential future accession', *Report* 02/2024, Bruegel, available at https://www.bruegel.org/system/files/2024-04/Report%2002.pdf

EBRD (1999) *Transition Report 1999: Ten years of transition*, European Bank for Reconstruction and Development, available at https://www.ebrd.com/publications/transition-report-1999-english.pdf

Gorokhovskaia, Y. and C. Grothe (2024) 'The Mounting Damage of Flawed Elections and Armed Conflict', *Freedom in the World 2024*, Freedom House, available at https://freedomhouse.org/sites/default/files/2024-02/FIW_2024_DigitalBooklet.pdf

Kornai, J. (1980) Economics of Shortage, Amsterdam: North-Holland

Maes, I. (2024) A tale of two treatises: the Werner and Delors Reports and the birth of the euro, Essay & Lecture Series, Bruegel, available at https://www.bruegel.org/system/files/2024-04/Essay%2001%202024.pdf

Musil, J. (1995) (ed) *The End of Czechoslovakia*, Budapest: Central European University Press

Roland, G. (2005) 'After Enlargement: Institutional Achievements and Prospects in the New Member States', in C. Detken, V. Gaspar and G. Noblet (eds) *The New EU Member States: Convergence and Stability*, European Central Bank

Smeltzer, M. and A. Karppi (2023) 'A Region Reordered by Autocracy and Democracy', *Nations in Transit 2024*, Freedom House, available at https://freedomhouse.org/sites/default/files/2024-04/NIT_2024_Digital_Booklet.pdf

Temkin, G. (1998) 'Karl Marx and the Economics of Communism: Anniversary Recollections', *Communist and Post-Communist Studies* 31(4): 303-328, available at https://www.jstor.org/stable/48609355

Uvalic, M. (2024) 'Workers' Self-Management in Yugoslavia', in A.V. Gevorkyan (ed) *The Oxford Handbook of Post-Socialist Economies*, Oxford Academic, available at https://doi.org/10.1093/oxfordhb/9780197621509.013.31

World Bank (1996) *World Development Report 1996: From Plan to Market*, Oxford University Press, available at https://hdl.handle.net/10986/5979

World Bank (2002) Transition – The First Ten Years: Analysis and Lessons for Eastern Europe and Former Soviet Union, The World Bank, available

at http://documents.worldbank.org/curated/en/319481468770972868/pdf/multi0page. pdf

Endnotes

- <u>1.</u> Albania withdrew in 1961 from both organisations, because of its ideological alliance with Maoist China and its split with the Soviet Union.
- The 'Brezhnev Doctrine' can be found at https://loveman.sdsu.edu/docs/1968BrezhnevDoctrine.pdf.
- <u>3.</u> See Organization for Security and Co-operation in Europe, 'History', https://www.osce.org/who/87.
- <u>4.</u> RFE/RL, "Not A Drop!" Seven Decades Of Soviet Anti-Alcohol Posters', 1 January 2020, https://www.rferl.org/a/soviet-anti-alcohol-posters/30336174.html.
- 5. See www.ebrd.com/downloads/research/economics/macrodata/sci.xls
- 6. Peter Robinson interview with Niall Ferguson, 'Cold War II: Niall Ferguson On The Emerging Conflict With China', Uncommon Knowledge with Peter Robinson, 1 May 2023, Hoover Institution, https://www.hoover.org/research/cold-war-ii-niallferguson-emerging-conflict-china.

Bruegel

Rue de la Charité 33, B-1210 Brussels (+32) 2 227 4210 info@bruegel.org

Bruegel.org

© Bruegel 2024. All rights reserved. Short sections, not to exceed two paragraphs, may be quoted in the original language without explicit permission provided that the source is acknowledged. Opinions expressed in this publication are those of the author(s) alone.