

THREE DECADES AFTER. ADVANCING CAPITALISM AND THE (RE)PRODUCTION OF ROMANIA'S SEMI-PERIPHERALITY

ENIKŐ VINCZE¹

ABSTRACT. The article elaborates upon the production of Romania's semi-peripherality at the intersection of *long-durée* dependency, uneven development, Eastern enlargement, and imperial politics, while addressing the advancement of capitalism not as a purely economic endeavour, but as a process of political subjection. It discusses the particular status of Romania in contemporary global capitalism by analysing the broader context of (1) a semi-periphery country subjected to a *long-durée* dependency; (2) uneven development underlay by imperial politics as endemic feature of the neoliberal European Union; (3) 'Eastern enlargement' and its economic conditionalities; (4) unevenness in the EU in the aftermath of the 2008 crisis. As its conclusion, the article notes that in the past three decades, each of these components had a productive (material or symbolic) function in the reproduction of Romanian's semi-peripherality as part of capitalism's advancement in the new Millennium.

Keywords: semi-peripherality, capitalism, *long-durée* dependency, uneven development, Eastern enlargement, imperial politics, Romania

Introduction

The document *Europe in 12 lessons* (European Commission, 2016) recalled that the European Union was created to achieve political goals through economic cooperation to ensure economic growth and be able to compete on the world stage with other major economies. Decision-makers recognized that the European Single Market (created in 1986) could provide for the European companies a broader base than just their national home market; therefore, the EU endeavoured to remove obstacles to trade (European Commission, 2016: 8). Out of the four freedoms established by the 1993 Maastricht Treaty, the free movement of capital was crucial for the evolutions of neoliberal global capitalism that needed new territories for capital investment, new markets for the surplus product as well as new sources of the cheap, both skilled and unskilled labour force. Critical

¹ Babeş-Bolyai University Cluj-Napoca, e-mail: eniko.vincze@ubbcluj.ro.

analysts of the neoliberal European Union observe that the Treaty defines the single market as an area without internal frontiers, in which the free movement of goods, persons, services, and capital is ensured, however this single market in reality functions as a union of states that compete with one another. Therefore, even if discursively the EU is constructed as a space where competition goes hand in hand with solidarity, and also with socio-economic and territorial cohesion, the actual construction of the Single Market shows that ‘in the rules, in accordance with which competition takes place, social standards do not have anything like the importance of the free movement of capital’ (Lehndorff, 2015: 10). Under these conditions, we expect that existing inequalities between the Member States will increase rather than diminish, the uneven development within the ‘competition union’ being mostly evident ‘between the export and surplus oriented core countries, and the periphery countries dependent to a considerable extent on imports and financed by external credit’ (Lehndorff, 2015: 10).

The story of incorporating Romania into global capitalism as ‘emergent market’ and ‘fragile democracy’ did not start in 1990. The economic exchanges and political diplomacy between Romania and the institutional predecessors of the European Union know an extended pre-history. Nevertheless, at this very moment of three decades after the end of the Ceaușescu regime, this paper aims to recall how the post-1990 ‘Eastern enlargement’ reproduced the country’s dependent semi-periphery status.

The significant contribution of this article to critical European Studies consists in adopting the political economy perspective of uneven development as endemic feature of capitalism (Smith, 1984; Harvey, 2005, 2006) to the critical analysis of ‘Eastern enlargement’ and imperial politics (Böröcz and Kovács, 2001; Behr, 2007; İçener, 2009; Russell, 2013; Stivachtis, 2018). More precisely, the paper aims to elaborate upon the (re)production of Romania’s semi-peripherality at the intersection of *long-durée* dependency, uneven development, imperial politics, and Eastern enlargement. In this sense, it examines how did the relevant EU institutions put into motion towards Romania three mechanisms of imperial politics during its accession to the European Union, i.e., conditionality politics, the geopolitics of centre-periphery, and the civilizational discourse (Behr and Stivachtis, 2016: 1). Besides, this article also applies to the domain of European Studies Nancy Fraser’s (2016) understanding of the economic and political conditions of possibility for the formation and advancements of capitalism. In particular, it stresses that the creation of the European Single Market (1986)²

² <http://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-the-treaties/single-european-act>.

and European Monetary Union (1992)³ – continuing the primordial goals of the European Economic Community (1958)⁴ or those of the European Free Trade Association (1960) –,⁵ is not a purely economic endeavour, but also a process of political subjection. The custom union, the single market, and the capital market union were created politically by a system of national and supra-national legal regulations (treaties, strategies, international law). While enabling capital to circulate across borders freely, – at a particular moment of their histories – these regulations also ranked the former socialist countries according to how functional their market economy was and put them in the line of waiting for their time to become Member States of the EU. Romania's time came in 2007 when the first signs of the worst crisis since the Great Depression already appeared.⁶ Once the ruins of actually existing socialism were cleaned from its territory, the country was entirely dependent and ready to offer multiple investment opportunities for Western capital, to provide cheap labour force, to create an open market for imports, but as well as to release a large amount of precarious labour force engaged in transnational migration. Bad, i.e. communist dependencies were replaced by supposedly good, i.e. anti-communist ones.

The empirical material of my inquiry includes documents of the European Commission, European Council, Council of Europe, the International Monetary Fund, and other institutions; Eurostat statistics that highlight uneven development in the EU through displaying territorial, social and income inequalities, as well as discrepancies in what regards investment into social protection; information about the creation of the Romanian private banking sector published on the banks' websites.

After this Introduction, my article unfolds through the following four sections, each of them discussing Romania in broader contexts: 1) A semi-periphery country subjected to a *long-durée* dependency; 2) Uneven development underlay by imperial politics as endemic feature of the neoliberal European Union; 3) The 'Eastern enlargement' and its economic conditionalities; 4) Unevenness in the EU in the aftermath of the 2008 crisis. In its Conclusions, the article notes that in the past three decades, each of these components played a productive (material or symbolic) role in the reproduction of Romanian's semi-peripherality as part of capitalism's advancement in the new Millennium.

³ https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/economic-and-monetary-union/what-economic-and-monetary-union-emu_en.

⁴ <https://www.econlib.org/library/Enc1/EuropeanEconomicCommunity.html>.

⁵ <https://www.efta.int/about-efta>.

⁶ <https://www.thebalance.com/2008-financial-crisis-3305679>.

A European semi-periphery country subjected to a *long-durée* dependency

The world system is made up of three groups of countries: the hegemonic core (the dominant Western capitalist countries), the periphery (developing countries of the South), and the semi-periphery, including countries with some industrial capacity and national capital (Wallerstein, 1974). The semi-periphery includes states that are in an intermediary stage: they exhibit characteristics both of the core and peripheral countries. This group includes commodity-exporting and newly industrializing economies (Knox and Agnew, 1998), as well as the post-socialist states in East-Central Europe. The latter share the dominant values of the EU and participate in its political institutions and alliances, nevertheless, they are not equal partners but depend both economically and militarily on the core states they are attached to (Büdenbender and Aalbers, 2019).

Viewed in the world system of the 1990s, the accession process of Romania to the European Union – as part of its Eastern enlargement – started in the decade of the creation of the EU itself by the Maastricht Treaty.⁷ The 1990s were also an era when the international financial organizations began to play out their economic surveillance role in Central and Eastern Europe, which they globally have strengthened even earlier, after the collapse of the Bretton Woods system.⁸ At least since the 1980s, the loans and debts from the West always (re)created dependency, came with conditionalities, fostered austerity measures, and enforced economic liberalization. When Romania joined the EU in 2007, the ‘internal market’⁹ set up by the Single European Act (1987),¹⁰ was already fully developed.¹¹ Initially focusing on the facilitation of the free movement of goods, integration of the services markets, the reduction of tax obstacles and simplification of the regulatory environment, in years the European Single Market made substantial progress in opening up transport, telecommunications, electricity, gas and postal services, and eliminating all the restrictions on capital movements between Member States,¹² in 1994 benefiting from defining the free movement of capital as a Treaty freedom.

⁷ <http://www.europarl.europa.eu/factsheets/en/sheet/3/the-maastricht-and-amsterdam-treaties>.

⁸ <https://www.imf.org/external/pubs/ft/silent/index.htm>.

⁹ http://www.europarl.europa.eu/ftu/pdf/en/FTU_2.1.1.pdf.

¹⁰ <http://www.europarl.europa.eu/factsheets/en/sheet/2/developments-up-to-the-single-european-act>.

¹¹ http://www.europarl.europa.eu/ftu/pdf/en/FTU_2.1.1.pdf,
<http://www.europarl.europa.eu/factsheets/en/sheet/33/the-internal-market-general-principles>.

¹² <http://www.europarl.europa.eu/factsheets/en/sheet/39/free-movement-of-capital>.

In the decades before the collapse of actually existing socialism, Romania was not disconnected either from the capitalist world system. Its need to rely on external capital was reproduced despite the socialist state's developmentalism strongly oriented to industrial growth (Ban, 2014), which aimed to avoid dependency. In the 1960s and 1970s, the West highly acclaimed Romania's pretended sovereignty towards the Soviet Union. However, the Ceaușescu regime began to be repudiated later in the 1980s when it refused to follow the reforms and conditionality policies enforced both by Gorbaciov and the occidental creditor countries and international organizations. During the 'Cold War,' under the umbrella of pretended independence, the Ceaușescu regime recreated Romania's dependency, since it assured capital for the country's industrialization and infrastructural development mostly from some Western, especially US commercial banks.¹³ After joining it as a member in 1972, it also looked for lower interest rate loans from the International Monetary Fund, especially since 1981, when it aimed to repay its previous debts to the private banks.¹⁴ Following such an aim, Romania also applied for and was granted the statute of a 'developing country.' Even more, after 1974, when the US legislation allowed this in relation with non-market economies,¹⁵ it requested and received the most-favoured-nation clause¹⁶ that reduced barriers in its external trade, but it gave up this status in 1988¹⁷ (and applied again for it after 1990¹⁸). Moreover, the country was part of economic exchanges with different states of the globe since it searched external markets for its products, regardless of their political regime. By this, too, it played its independence card to the Soviet Union. However, after its external trade with the westerners did not bring the expected results, Romania increased its exchanges with other developing countries and the member states of the Council for Mutual Economic Assistance (Comecon).¹⁹ Between 1949-1991, the latter was the Eastern Bloc's reply to the formation of the Organization for European Economic Co-operation, a prelude to the European Economic Community founded in 1957 and the Organization for

¹³ <https://www.profit.ro/povesti-cu-profit/financiar/banci/documente-oficiale-americane-ceausescu-ar-fi-impus-in-1978-o-taxa-pe-dobanzi-bancilor-straine-de-la-care-se-imprumuta-17643054>.

¹⁴ <https://www.historia.ro/sectiune/general/articol/cum-a-ascuns-ceausescu-de-fmi-situatia-reala-a-economiei-romanesti>.

¹⁵ <https://www.investopedia.com/terms/t/trade-act-of-1974.asp>.

¹⁶ <https://www.investopedia.com/terms/m/mostfavorednation.asp>,
<https://digitalcommons.law.uga.edu/cgi/viewcontent.cgi?referer=https://www.google.com/&httpsredir=1&article=2349&context=gjicl>.

¹⁷ <https://www.romania-insider.com/romania-lobbied-favored-nation-status>.

¹⁸ <https://www.congress.gov/congressional-report/104th-congress/house-report/629/1>.

¹⁹ <https://www.britannica.com/topic/Comecon>.

Economic Co-operation and Development established in 1961. In a sense used by Verdery and Chari (2009), these institutional frames were manifestations of the Cold War rivalries between the ‘First’ and ‘Second Worlds.’

Altogether, external trade became vital for the country during the 1980s, when Romania’s economic policy directed production towards export and reduced food import in order to repay its debts. But in the 1980s, the developed countries were also confronted with a new cycle of economic crises (that of ‘stagflation,’²⁰ i.e., the decline in GDP mixed with high unemployment and inflation) in a world system marked by the effects of the oil crises and the end of the fixed-exchange-rate regime in the 1970s. Their demand for imports from developing countries decreased, which affected the latter’s economy negatively.²¹ Romania was not so much dependent in this sense on the West as Latin-American or African countries were since it belonged to Comecom, but it still was vulnerable to the external economic crises of the 1980s. Besides, it aimed to fully reimburse the IMF-owed money in the context of a generalized debt crisis, marked by increasing loan interest rates. Romania did not want to accept the conditions of structural adjustment programs, which became attached to such loans in the case of the developing countries. The price of this was paid by the population subjected to severe austerity measures. Developing countries of Latin America and Africa agreed to implement the so-called Washington-consensus policies²² in the exchange of enjoying debt relief plans.

After 1990, Romania started to receive a new series of loans from the International Monetary Fund (IMF), European Commission (EC), World Bank (WB), and the European Bank for Reconstruction and Development (EBRD), and to enter into a new stage of dependent development. The loan allocated to Romania from EBRD in June 1992 aimed to support ‘actions, objectives, and policies for the implementation of structural adjustment of the economy,’ more precisely to ‘finance urgent imports necessary for the execution of the program.’²³ Between 1991-2004, the country signed seven stand-by agreements with IMF, which all came with conditions regarding macroeconomic policies and, most importantly, privatization. After Romania’s accession to the EU, in 2009, the eighth agreement of the government was signed with the Troika formed by the EC, IMF, and WB. This was completed in the same year with a loan for development

²⁰ <https://www.investopedia.com/terms/s/stagflation.asp>.

²¹ https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/WESS_2017_ch3.pdf.

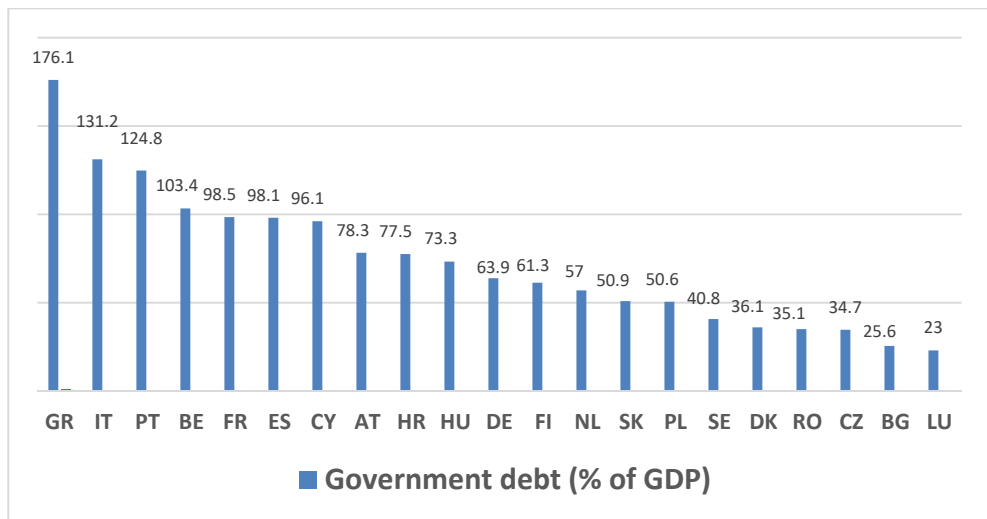
²² https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/WESS_2017_ch3.pdf.

²³ <http://lege5.ro/Gratuit/heydmmzr/acordul-de-imprumut-imprumut-de-ajustarestructurerala-intre-romania-si-banca-internationala-pentru-reconstructie-si-dezvoltare-din-02061992>.

received from EBRD. As far as the IMF loan from 2009 is concerned, it was justified by saying that this was needed to ‘help the country in reducing the effects of global financial crises.’ However, some analysts state that, as it happened in other countries too, the loan and the accompanying structural adjustment in Romania worked as means to subordinate the economy of the country to the economic interests of powerful states such as the USA or Germany. As such, they negatively impacted workers’ rights, public spending for social protection, and social development because they supported the privatization of goods and deregulation in the economy (Horvath, 2009).

In the subsequent years, the Troika continued to surveil the country’s performances in terms of privatization and marketization. In 2014, Romania signed with the WB the Country Partnership Strategy for 2014-2017, which aimed ‘to improve the country’s capital, real estate, and energy market essential for private capital.’ In 2017, compared to the other EU Member States, the public debt of Romania was among the lowest (Figure 1), so the country respected in a very disciplined manner the norm of keeping public debt under 60% of its GDP.

Figure 1. Public sector debt in the EU, 2017

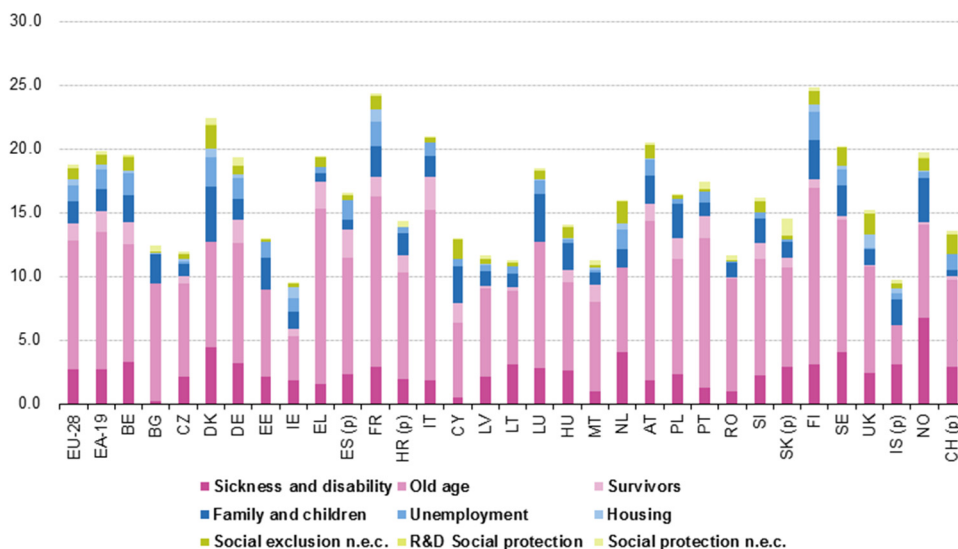


Data source: Chart made by the author based on Eurostat²⁴.

²⁴ https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=sdg_17_40&plugin=1.

Besides – even if it is not a euro-zone country – Romania also considers the EU regulations regarding the public deficit; therefore, it keeps its expenditures on social protection on a low level, which is among the lowest in the EU (Figure 2).

Figure 2. Total general government expenditure on social protection, 2017 (% of GDP)



Data source: Eurostat²⁵.

In the past three decades, in Romania, the neoliberal public discourse maintained the fear of ‘too much public spending,’ especially scapegoating the ‘socially assisted’ but also the employees in the public sector. By this, dependent neoliberalism (Ban, 2014) continued to justify the austerity measures applied to the population and privatization of public services. Moreover, it did so even in periods, such as the recent one, when Romania is characterized by economic growth and low public debt. Neoliberal governance always expressed the country’s continuous dependence from foreign capital: it responded to its demands by assuring low taxation of capital, profit, and high incomes, in parallel with maintaining the labour force cheap and vulnerable to the precarious labour contracts endorsed since the legislative changes from 2011. Up to all, after 1990, in Romania, dependency was beautified by discourses of Europeanization and anti-communism used as moral arguments for the post-socialist changes, which supported the interests of global and local capital.

²⁵ [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Total_general_government_expenditure_on_social_protection,_2017_\(%25_of_GDP\).png](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Total_general_government_expenditure_on_social_protection,_2017_(%25_of_GDP).png).

Uneven development underlay by imperial politics as an endemic feature of the neoliberal European Union

Uneven development is a systematic product and geographical premise of capitalist development: it is a landscape of developed and less developed spaces at different scales, but also the ground of further capitalist expansion, which means that uneven development is exploited by capital for further accumulation (Smith, 1984). Differently put, uneven development is an endemic feature of capitalism (Harvey, 2005, 2006): capitalism depends on the capacity to expand towards territories, sectors, and domains not yet incorporated into the circulation of capital. What Harvey calls the quest for a spatial fix (1982), i.e., the intrinsic need of capital to spread out over space to overcome its inherent crises of over-accumulation, is not a new evolution of capitalism. However, since Romania's accession to the EU happens in the broader context of neoliberal capitalism, it is relevant stressing how spatial fix manifests under such particular circumstances. Most importantly, it is to highlight: because this accession happened after the dismantlement of actually existing socialism, it was a process that created new spaces where Western capital could freely move for accumulation, being a case of the penetration of neoliberal capitalism into the collapsed economies (Schmidt, 2018) looking for new sources of accumulation.

As said above, spatial fix is not a novelty in the history of capitalism. Its formation shows that one of its crucial resources was the colonization of non-European territories by European powers, in the absence of which internal forces on their own could not lead to the development of capitalism as we know it (Brewer, 1980; Wolf, 1982; Seth, 2012). It was precisely imperial politics that pushed the former colonies towards the paths of dependent (under)development and provided the empires or the core countries with resources for the creation of their wealth. If one compares the historical 'Western' and 'Eastern' part of the European Union, should definitely notice that the latter did not have colonial past and consequently 'did not benefit of the original influx of value in the form of colonial trade or extraction' as several countries of Western Europe did (Böröcz, 2001: 28). Therefore, he/she may conclude that this is one of the primary sources of their underdevelopment compared to the wealth produced in Western capitalist countries as a result of the exploitation of their colonies. It is not the paper's aim to describe the debates around 'Europe as empire' or around what kind of empire the EU is (as discussed by Böröcz, 2001; Zielonka, 2006; Behr and Stivachtis, 2016). The article only highlights how are used the three technologies, which historically resembled as features of an empire, in the process of 'Eastern enlargement.' Therefore, in what follows, I am briefly addressing how were

conditionality politics, the geopolitics of centre-periphery, and the civilizational discourse put into practice during the incorporation of CEE territories into the circuits of global capital and in particular towards Romania.

Romania's accession to the European Union was conditioned most importantly by the privatization of state-owned companies as a core condition of marketization. Nevertheless, Romania's relationships with what became later the European Union did not start with the beginning of the country's 'transition' to a market economy, but with the 1970s, when the country signed its first trade agreements with the European Community. Likewise, as already discussed in the second section of the article, the membership of Romania in the International Monetary Fund dated back in 1972, and the conditionalities imposed on the loans that the latter offered to this country started well before the collapse of actually existing socialism. The novelty of conditionality politics practiced towards Romania starting with the 1990s was that this happened in an era when capitalism became global in its neoliberal form. By the end of the 1990s, the Romanian governments, together with the international financial organizations, agreed that the economic problems of the country, respectively, the negative economic growth resulted from the structural weaknesses of the entrepreneurial and the banking sector. Differently put, from the limited privatization of these sectors and from the weak corporate governance that leads to 'excessive raise' of the salaries in the country (IMF, 1999). Consequently, all the powerful actors stated the need to restructure the banking sector, to privatize the societies with predominant public capital, to improve the business environment, and to decrease the social costs of the reform.²⁶

In what regards the EU geopolitics of centre-periphery, one should recognize that development (at the centre) and underdevelopment (at the periphery) are the two faces of the same phenomenon, i.e., of uneven development as an endemic feature of capitalism. Uneven development reflects the asymmetric relations of wealth between, for example, Romania and other European Union Member States (see Figures 2-7). Moreover, the geopolitics of centre-periphery practiced by the 'Eastern enlargement' of the EU is based on the fact that the former socialist countries of CEE constitute new sources for the commodification of nature (raw resources). They are also sites of cheap wage labour force or even less expensive labour outside the wage contracts (used in the home countries or in the host countries of immigrants looking for sources of living outside their countries of origin). Furthermore, they are open markets for goods produced

²⁶ Aims defined in the National Strategy of Privatization, 2000, accessible here - <http://www.monitoruljuridic.ro/act/strategia-nationala-de-privatizare-din-26-octombrie-2000-pentru-anul-2000-emitent-guvernul-publicat-n-monitorul-oficial-24894.html>.

elsewhere by multinational companies and for the financial products of different monetary organizations. Even recently, in January 2019, before Romania took on the EU Council Presidency, Commission President Jean-Claude Juncker voiced his doubts on this in an interview, saying that Romania is 'one of the poorest and most peripheral countries in the EU.'

The different colonial histories of Western and Eastern Europe made possible that by the beginning of the 2000s, a wild consensus could be built around the civilizing and disciplining processes (reminisces of imperialism) in the EU's Eastern politics (Böröcz, 2001: 30). The use of civilizational discourse in relation to the former socialist countries might be detected in how the economic backwardness of these countries and the cultural cleavages between their population and the population of the Old Member States of the European Union was explained. From the very beginning, 'Eastern enlargement' was put in terms of democratizing those who were supposedly undemocratic before their accession to the EU: 'By inviting 12 more countries to join it, the EU ... was putting an end to the division which had split the continent in two since 1945. European countries which, for decades, had not enjoyed democratic freedom were finally able to rejoin the family of democratic European nations' (European Commission, 2016: 21). Moreover, EU's foreign policy, which was added by the Maastricht Treaty to the existing community system as a new dimension of intergovernmental cooperation together with justice and internal affairs, mentioned among its objectives the aim to promote not only democracy and peace, but also the rule of law and human rights all over Europe and beyond. It was not only the local economic elites' interest that generated support at the decision-making level for international power groups such as multi-national firms, assistance agencies, and other agents. The contemporary Romanian cultural elite was also ready to support the 'transnational re-socialization' of the country by the means of 'moral regulation' or 'liberal othering,' similar with how the 'synchronization with the West' in the process of Romanian nation-building was a core preoccupation of the intellectuals in the past (Arfire, 2011).

Addressing the civilizational discourse productive of subjectivities, which are part of creating the conditions of possibility for capital accumulation in the context of 'Eastern enlargement,' one may recognize why the EU as a new form of empire needs the racialization of Eastern Europe. Racialization – a technology of creating a subject as inferior or as 'naturally' of lesser value – happened during the process of mixing different entities (nation-states) under a new (supra-national) subject. Who imposed the rules of the mixture had symbolic power over the ones supposed to become part of this process later, pending on their capacity to change. They had to become suitable to belong or to play the role that the founding fathers prescribed to them on the global stage of capitalism.

In the case of CEE, the capacity to change meant the capacity to get rid of their socialist past in all the senses of the word, since it was 'socialism' in itself that was considered polluting their essence and supposedly transformed them into something inferior. Moreover, the assumption that (collapsed) socialism was of less value from the very beginning than the regime which survived the 'Cold War' (capitalism), and the association of the political regimes with geographical spaces and people inhabiting these spaces, easily led to the supposition that these spaces and people are not only having something inferior to struggle with but are in themselves inferior. Additionally: from observing how 'the problems' continued to remain with them (not enough privatization and liberalization, fiscal insecurity, poverty, corruption, democracy deficit), it was only a step to conclude that 'these people' and 'these territories' are immutable. Meanwhile, the fact that such problems resulted from how their transition to capitalism was administered, remained unspoken. By racialization, the supposedly superior actor not only could justify its entitlement to dominate (via the instruments of economic power), but it also could re-enforce itself as a stance of normality that should become hegemonic. In due process, the need for transforming particular social categories into symbols of the inferiority and immutability of the territory as a whole also had to be solved. This role was played by 'the poor,' respectively by 'the Roma' (from Romania), especially at the moment when they appeared at the doorstep of the Old Member States looking for a living or trying to make use of EU's principle of free movement of people.

The 'Eastern enlargement' and its economic conditionalities

In 2001, Böröcz proposed to understand the term 'Eastern enlargement' used in the EU discourse as an orientaling tool, which was applied as a marker of current re-division of Europe (Böröcz, 2001: 6). This linguistic device was used to hide the economic interests of Western companies behind the narrative of democratization and the promotion of human rights in Eastern Europe. The 'mainstream transitology, a perspective that continued to organize the world in flat Cold War binaries of capitalist West and communist East' (Verdery and Chari, 2009: 9), continued to view Eastern Europe as polluted with the wrongs of socialism or communism as backward forms of modernity.

It is not difficult to recognize that since the creation of a single market was one of the essential foundational ideas of the EU, the same aim informed its enlargement towards Central and Eastern Europe, too. However, while this was explicitly assumed as a target in the relationship between the supposedly equal and dignified capitalist countries, in the case of CEE, decision-makers emphasized

the civilizational mission of the EU extension. Nevertheless, in fact, the dividing wall between 'West' and 'East' was never civilizational, but economic and political: by its means, before 1990 the Soviet bloc wanted to protect itself from the intrusion of Western capital, and the Western market guarded itself against the invasion of cheap goods produced by the centralized socialist economies. However, both sides used cultural reasons as justifications of the 'Cold War.' Furthermore, the 'West' justified breaking this wall and conquering the territory behind for the reasons of capital accumulation in the name of a supposedly true, i.e. Western and capitalist modernization, and with a colonial self-confidence according to which 'what people are being dispossessed of (in CEE, note by the author) has no value anyway because socialism was in all respects inferior' (Verdery and Chari, 2009: 14).

Viewed from the perspective of uneven development, 'Eastern enlargement' was shaped by the search for profit during the times of crisis of capitalist over-accumulation when the excess capital from the Old EU Member States looked for new profitable investment opportunities. Moreover, the mainstream views about how the market economy should develop on the ruins of the bankrupted centralized socialist economy to become able to nurture a business environment favourable for foreign direct investments also defined the direction of the 'transition' from actually existing socialism. Eventually, Romania became one of the most FDI friendly countries. It has one of the lowest flat tax, VAT, and income tax in the EU. One may enjoy here tax exemption on reinvested profit and income tax exemption. In what regards the real estate business, the gross annual rental income is situated in Romania at 7.76% (third position in the European ranking of Gross Rental Yields). In this country, there is no interdiction on ownership rights over real estate (apartments, commercial, or industrial buildings) for foreign citizens and companies (Global Property Guide, 2018).

The European Council adopted the 'Copenhagen criteria' in June 1993 that dealt with the application for EU membership of the countries in Central and Eastern Europe. This document and the position of the Council presented in Madrid two years later, on the one hand, referred to the fact that one of the conditions to be fulfilled by a candidate country is the existence of a functioning market economy (European Council, 1993). Moreover, on the other hand, it defined the pre-accession strategy of the applicants as consisting of the development of market economy, the adjustment of their administrative structure, and the creation of a stable economic and monetary environment (European Council Presidency, 1995).

Romania presented its EU accession request in June 1995, and it became an EU Member State in January 2007. The document *Agenda 2000 - Commission Opinion on Romania's Application for Membership of the European Union* (issued

by the European Commission in 1999) assessed its application. As a starting point, the document observed that in the 1980s, Romania was marked by Ceausescu's policy to pay off the country's external debt by engaging the economy in a forced export drive and compression of imports. Most importantly, it assessed privatization as a core element of the formation of a market economy. The document noted: 'while in 1996, in Romania, the private sector generated 52% of GDP, the economy was still dominated by state-owned, loss-making monopolies and value subtracting enterprises [...]. Foreign Direct Investment (FDI) was low ... and ... they have remained insufficient to make a strong impact on the economy. In a clear change of policy, the new government has been actively courting foreign investors' (EC, 1999: 20). In what regards trade, the document observed that 'external trade has been substantially re-oriented away from the former Comecon partners and towards Western Europe, so trade with the EU member countries represented about half of Romanian's foreign trade in 1996 and trade with Germany, France, and Italy has been particularly dynamic' (EC, 1999: 26).

The overall conclusion of the EC at that time was that Romania could not be considered a functioning market economy yet. The regulation of property rights was not yet fully enforced (especially in what regards land, energy, and telecommunications); a well-developed financial sector was still awaited; prices have not been totally liberalized; the barriers to trade were not entirely removed. However, those who were deciding on Romania's accession to the EU were hopefully looking to the implementation of the structural reforms announced by the new right-wing authorities in early 1997. Moreover, there were also some advantages of this country that made it attractive for the European Single Market. According to this document, its key advantages were: its geographical location, the size of its population, the relatively young population, and its low level of labour costs – which could make Romania a strong export base for accessing markets of smaller neighbours, especially for consumer goods. Besides, the EC positively appreciated that 'the new Romanian authorities have already recognized the crucial role that foreign investors and international financial institutions will play in the success of their reform efforts' (EC, 1999: 34-35).

The political decision, which announced the end of 'transition' in Romania or its acknowledgment as a functional market economy was taken in 2003: 'Romania can be considered as a functional market economy once the good progress made has continued decisively' (quoted in the *2004 Report on Romania's Progress Towards Accession*). This Report repeated that 'the existence of a functioning market economy requires prices and trade to be liberalized, and an enforceable legal system, including property rights, to be in place.' The Commission was pleased to note that the share of the private sector in GDP has steadily

increased; the private sector employment grew; the private majority-owned companies accounted for 81.6% of turnover in 2002; 96.3% of all land was privately owned. The document stressed the vital role played in these processes by the stand-by-agreements with the International Monetary Fund that conditioned the loans offered to Romania to the privatization of state-owned companies. In parallel with these appreciations, the Commission expressed its concerns about the fact that the privatization of companies remained unfinished, and the continuing influence of public ownership largely rested upon its predominant role within the energy sector. However, it positively assessed the establishment of the Romanian Agency for Foreign Investment in 2002, as part of the endeavour of the government to improve the country's business environment. As a result of all these processes, in April 2005, the Accession Treaty to the European Union of Romania (and Bulgaria) was signed in Luxemburg, going through a lengthy ratification process among the EU Member States and institutions. The European Commission published its last report on these countries in September 2006, confirming January 1st, 2007, as their accession date, which was acknowledged by the European Council on 14-15 December 2006.

Meanwhile, the privatized banking sector (except CEC Bank) was almost entirely taken over by foreign banks. *Banca Comercială Română*, the inheritor of the commercial operations of the Central Bank of Romania, sold in 2006 the state shares to the Austrian Erste Bank. *Banca Română de Dezvoltare*, formed as a commercial bank from the former *Banca de Investiții*, being responsible for administering the WB loans, in 2003 was rebranded as BRD - Groupe Société Générale, and in 2004 it sold out the residual stock held by the Romanian State to the French Société Générale. *Banca Agricolă* was sold by the state in 2001 to the Austrian Raiffeisen Zentralbank and Romanian-American Investment Fund, and functioned as Banca Agricolă-Raiffeisen Bank till 2002, when it merged with Raiffeisen Bank, becoming Raiffeisen Bank Romania. Foreign banks also purchased the commercial banks created after 1990 (except *Banca Transilvania*). *Banc Post*, created in 1991, was taken over by Greek Eurobank Ergasias Group (however, in 2018 was sold to Banca Transilvania); *Banca Comercială Ion Țiriac*, established in 1991, merged in 2005 with HVB Bank Romania becoming Unicredit Țiriac Bank, which was taken over in 2015 by Unicredit Bank Austria AG, becoming Unicredit Bank. *Banca Românească*, formed in 1992, was taken over in 1999 by the Romanian American Enterprise Fund, and in 2003 by the National Bank of Greece. In 2016, the latter sold its shares at *Banca Românească* to OTP Bank Romania. Some other foreign banks opened branches in Romania. In 1994 Alpha Bank was created as a subsidiary of Alpha Bank Group, Greece's largest financial group (this was the first bank that in 2001 launched housing and real estate loans, and in 2019 began the first

program of mortgage bonds in Romania, together with the investment bank Barclays Bank). In 1994, Raiffeisen Bank was first opened by the Austrian Banking Group Raiffeisen as a dealership in Bucharest. In 2000, Pireus Bank was opened when Piraeus Bank Greece entered into the Romanian market by acquiring Pater Bank. Later, in 2018, it was acquired by JCF IV Tiger Holdings SRL, part of JC Flowers & Co, which is a leader in private equity investment services specializing in global investments in the financial services industry. As a result of such developments, by those years, more than 80% of the banking sector was owned by foreign banks.

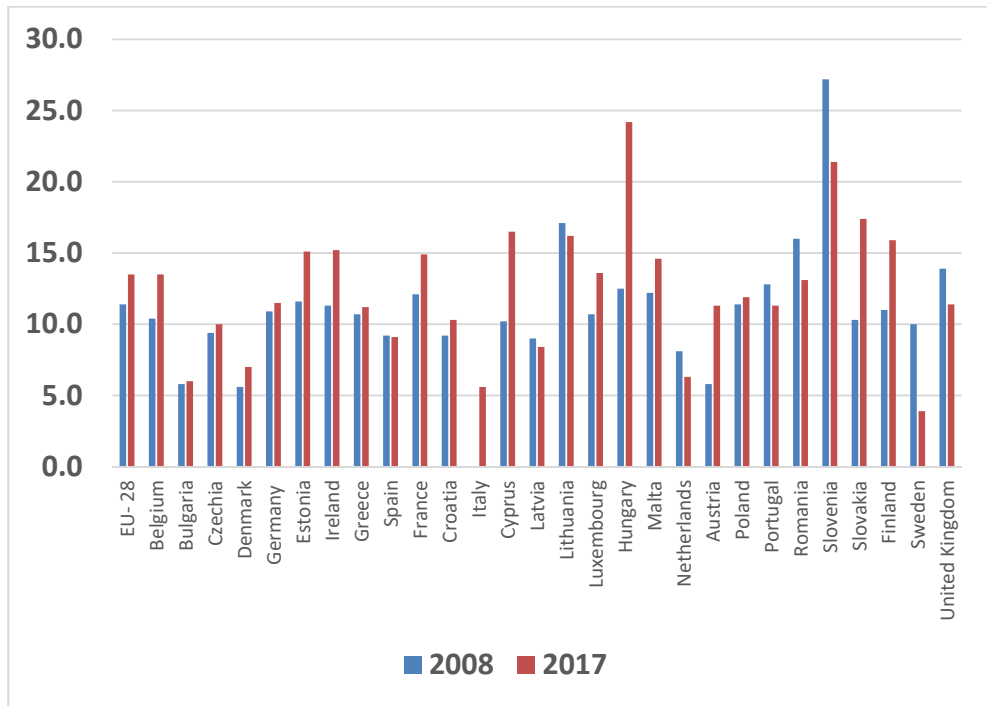
Unevenness in the EU reflected in the aftermath of the 2008 crisis

The privatization process, unfinished in a sense perceived by the EC at the moment of Romania's accession into the EU, continued after the very moment of its integration, and it gained a new impetus under the conditions of the 2008 financial and economic crisis.

Generally speaking, this crisis 'led to the establishment of new EU mechanisms to ensure the stability of banks, reduce public debt, and coordinate Member States' economic policies, particularly those using the euro' (European Commission, 2016: 17). As critics observed, in order to save the Monetary Union, the deployed rescue packages were conceived in a neoliberal tone. 'The European Central Bank compelled the endangered states to take medicine that only makes the illness worse', i.e., it 'provided the banking sector with unlimited credit at zero interest in order to boost lending to the crisis states at lower interest rates', while 'the loans given to the crisis states were conditioned by austerity measures' (Lehndorff, 2015: 11-12). Moreover, the Commission enforced a new economic governance system, the so-called European Semester, that became an instrument of economic surveillance. This step also reflected that the 2008 crisis produced by neoliberal capitalism was used to re-enforce neoliberalism and to re-legitimize the anti-Keynesian economic policies. While in the past, the solution of several crises of capitalism stood in rising public investments, social expenditure and supporting demand, the 2008 crisis of financialized capitalism was thought being solved by financial interventions, i.e., via supporting the private banking system that was credited to save the economy by re-boosting growth. The other side of this 'solution,' imposed mostly in the periphery countries (both within and outside of Euro-zone), was the re-enforcement of privatization and structural reforms and the related cuts in public spending, respectively the austerity measures regarding healthcare, social services, pensions, and even infrastructural investments.

In what regards Romania, it is its specificity among the EU Member States (shared with Bulgaria) that the time of its accession almost coincided with the 2008 global financial crisis. One should observe that whatever caused the latter, and whatever was its impact on the economic development of this country (measured, for example by the indicators of economic growth), the neoliberal policy of crisis management has had dramatic effects on its population in terms of in-work-poverty (Figure 3), income inequality (Figure 4), poverty and social exclusion (Figure 5), or housing deprivation (Figure 6). Selected Eurostat statistics from below shows Romania's situation comparative to other EU countries and EU average data.

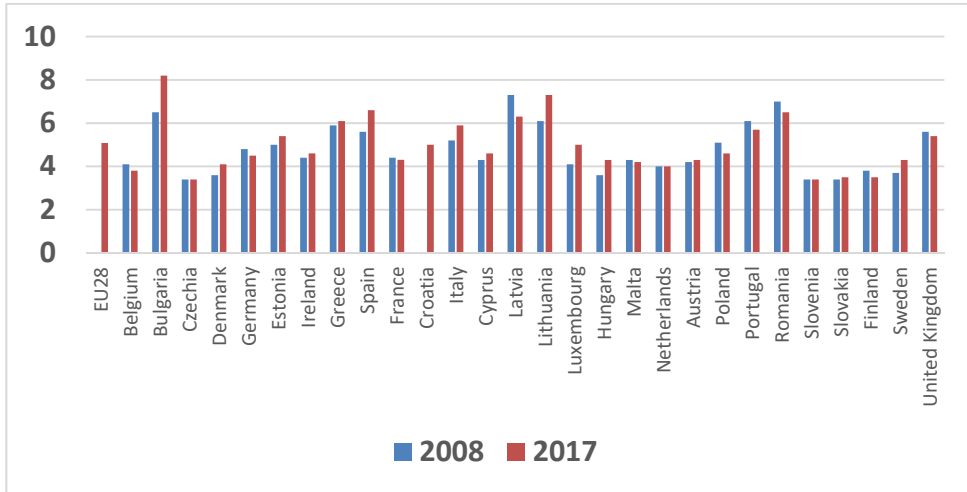
Figure 3. In-work at-risk-of-poverty rate by household type, single person



Data source: Chart made by the author based on Eurostat²⁷.

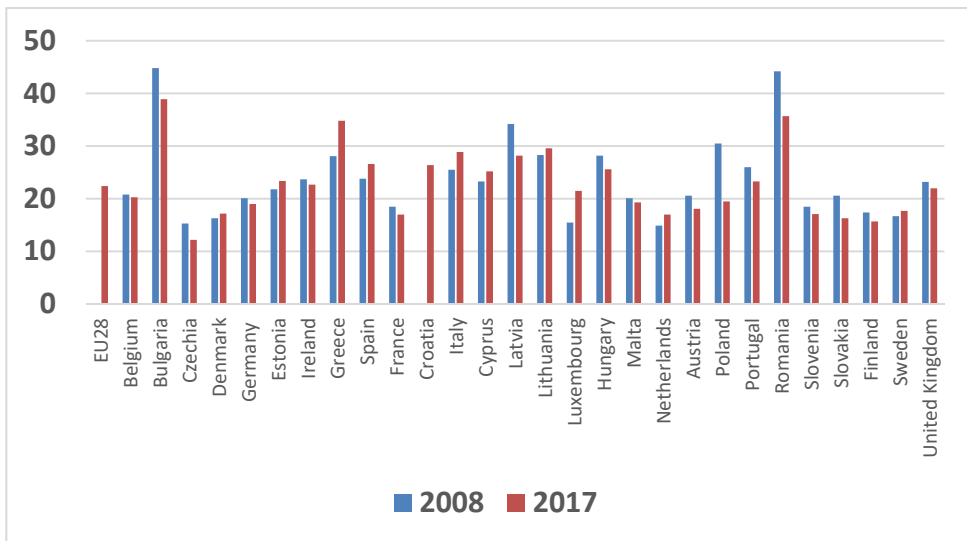
²⁷ <https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>.

Figure 4. Inequality of income distribution



Data source: Chart made by the author based on Eurostat²⁸.

Figure 5. People at risk of poverty or social exclusion

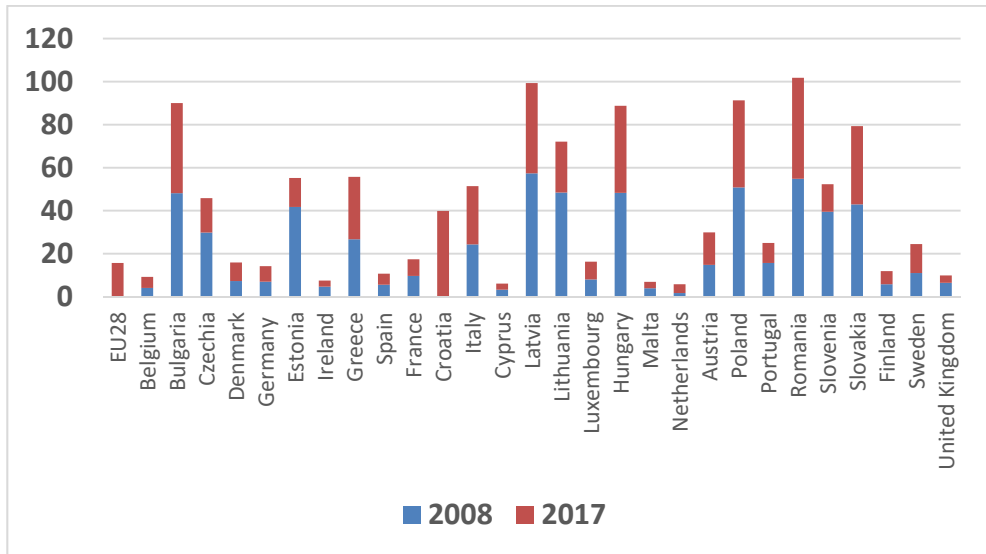


Data source: Chart made by the author based on Eurostat²⁹.

²⁸ <https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tespm151&plugin=1>.

²⁹ https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=t2020_50&plugin=1.

Figure 6. Housing deprivation - overcrowding rate



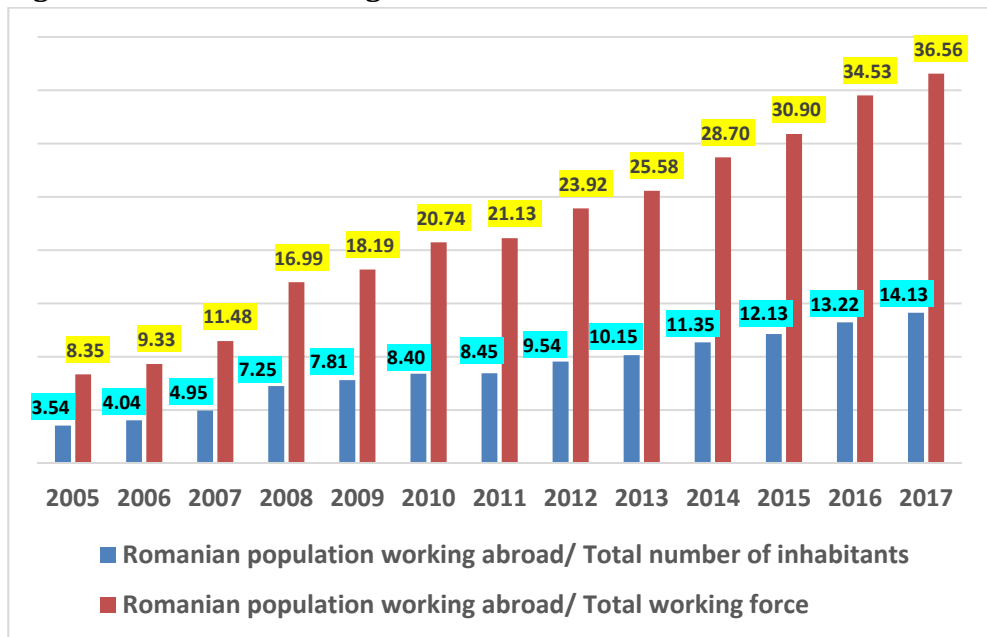
Data source: Chart made by the author based on Eurostat³⁰.

The international financial institutions' loans offered to the Romanian Government since 2009 came with a set of conditions that were acting as instruments of neoliberal governance adopted by the Romanian government of that period (Vincze, 2015). The idea of 'economic recovery' was thought to be served by 'the reform of the state,' i.e., by strengthening its market-maker role and by dismantling the reminiscences of the welfare state. When the austerity measures were imposed in Romania by Troika, one could observe that this country was among the countries with the lowest levels of public debt in the EU (Eurostat, 2009, 2011, 2014). Thus, public indebtedness alone could not have justified cutting the funds for social policies. Moreover, cutting these funds was not justified either because the population of Romania was second after Bulgaria regarding the poverty rate; life expectancy in this country was among the lowest in Europe; funds for social welfare represented one of the smallest shares of GDP compared to the other Member States. In 2007, social expenditure in Romania represented 12.8% of GDP compared to 29.5% in Belgium and 30.5% in France; in 2009, the percentage allocated to social protection was below 20% of the GDP in countries like Poland, Estonia, Slovakia, Bulgaria, Romania and Latvia, while in countries like Denmark (33.4%), France (33.1%), Sweden (32.1%), the Netherlands (31.6%) and Germany (31.4%) the ratio was evidently higher

³⁰ https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_lvho05a&lang=en.

(Eurostat 2011, 2013).³¹ The low wages in Romania (being its comparative advantage on the global market), the reduction of the public investments including costs of social protection, and all the measures enforcing the country to appeal for foreign investors – were realities in the front of which the rising poverty level in the country and the increase of emigration could not have been a surprise to anyone. According to a United Nations estimation of migration in 2015, "Romania entered the world's top 20 countries that are source of migrants, with over 3.4 million citizens living in another country" (which, compared to its whole population counted on 1 January 2016 meant over 17%), and, as such, it 'registered the fastest growing number of immigrants from a state that did not face war.'³² Figure from below, extracted from the data-base of the Romanian Central Bank presented in its annual Financial Stability Report (2018) reflects the increase of the number of the Romanian laborers working abroad, which remained dramatically high across the years.

Figure 7. Transnational migration for work from Romania



Data source: Romanian Central Bank Data-Base³³.

³¹ Eurostat. Key figures on Europe, editions 2009, 2011, 2013, and 2014.

³² Information accessible here - <http://cursdeguvernare.ro/romania-enters-the-top-20-states-with-the-largest-diaspora-according-to-the-un-report-on-migration.html>. (Accessed on 25 January 2018)

³³ <https://www.bnr.ro/Financial-stability-report--7674.aspx>.

Nevertheless, during the post-crisis period, when in Romania the neoliberal measures were eased with small interventions on behalf of the laborers, one could observe an improvement of the amount of minimum income. In March 2019, the gross minimum wage was three times higher than in 2011, but – due to the changes of fiscal regulations – the net salary in March 2019 was only twice higher than in 2011. Most importantly, one needs to note that in both of the years of our comparison, the minimum wage of workers in Romania was meagre, respectively 108 Euro in 2011, and 265 Euro in March 2019, while the percentage of working contracts with minimum income remained close to 50%. Moreover, compared to the minimum costs of consumption, the reality in Romania is still that 85% of the working contracts do not provide enough income to cover these costs (Syndex Romania, 2019). Discursively, nowadays there is a contestation from the liberal parties of the sustainability of the recent income increases in the public sector, while some foreign companies are threatening the government that they are going to leave the country if salaries have to be raised in the private sector as well.

Conclusions. Advancing capitalism and the (re)production of Romania's semi-peripherality

In contemporary globalized capitalism, national and supranational political actors are strongly preoccupied with creating the legislative frames that enable market economy to function, i.e., to assure the free movement of capital across national borders. Neoliberal governance (re)produces uneven development between the global South and global North or between the West and East or between the core and the semi-periphery countries (of Europe). The division between the Euro-zone countries and the non-Euro territories also reproduces unevenness among others due to how the post-crisis neoliberal fiscal surveillance was practiced in the Member States in a way that increased poverty and income inequalities especially in the countries where the rate of poverty and inequality was always the highest. The above processes unfold under a global post-socialist condition or capitalist hegemony, which includes not only the breakdown of actually existing socialism in the 'East,' but also the crisis of the welfare-state regimes in the 'West.' Besides, this hegemony seems to suppress for a long time the ability to imagine socialist alternatives to neoliberal capitalism and to actually existing socialism, while also justifying unevenness among territories playing different roles in the advancement of capitalism.

My article addressed the reproduction of Romania's semi-periphery status in the past three decades, but also as a result of its *long durée* dependency. It viewed this process as both product and constitutive element of uneven development. The paper demonstrated that this endemic feature of capitalism functioned – among others – through the EU's Eastern enlargement. The latter was facilitated by the means of imperial politics and re-created dependency between the core and semi-periphery countries by making use of conditionality politics and civilizational discourse.

In the post-1990 capitalist world system, Romania's semi-periphery status was reproduced due to its economic dependency, which at its turn resulted from how its dismantled socialist economy created a new space for foreign capital investment, for the goods produced in the West and for profitable businesses exploiting a cheap labour force. Romania's dependency was also rooted in the conditionality politics to which it had to respond in order to secure capital for its development during the 'Cold War,' balancing in-between the demands of the capitalist West and the communist Soviet-Union.

The architects of the neoliberal European Union knew well that capitalism depended on the capacity to expand towards territories not yet incorporated into the circulation of capital. The stake of EU's 'Eastern enlargement' unfolded in the context of the global expansion of neoliberal capitalism was precisely this. Romania, transformed from an export-based to an import-dependent country and into a pool of cheap labour force, also had a role to play in this scenario. Its broken economy cried not only for foreign capital, but also demanded new waves of loans from international financial organizations, which functioned at their turn as conditions for more and more privatization and marketization, or more and more territories, sectors and domains transformed into sources of capital accumulation.

Economic conditionalities and the geopolitics of centre-periphery, as elements of imperial politics, were inscribed into the very documents that prepared and monitored the accession of Romania to the EU, which embodied the political agreements between the national governments and several international organizations. Moreover, the EU's civilizational discourse also played a productive role in the creation of subjectivities ready to justify capitalism as the only possible direction to be taken after the collapse of actually existing socialism.

In Romania, both Europeanization and anti-communism were and still are the moral arguments that legitimized the post-1990 changes underlay by the interests of capital accumulation. Eventually, besides its economic function played in the contemporary world system, Romania – the Eastern border of the EU – continues to be used as a semi-periphery, which has to demonstrate that the wrongs of the past three decades of great transformations are due to communist legacies and not to capitalism.

Funding

FAFO, Institute for Labour and Social Research from Oslo, Norway supported this work within the project 'When poverty meets affluence: Migrant street workers in Scandinavia.'

REFERENCES

- Arfire R. (2011). The Moral Regulation of the Second Europe: Transition, Europeanization and the Romanians. *Critical Sociology*, 37(6): 853–870.
- Ban C. (2014). *Dependență și dezvoltare. Economia politică a capitalismului românesc*. Cluj: Tact.
- Behr H. (2007). The European Union in the legacies of imperial rule? EU accession politics viewed from a historical comparative perspective. *European Journal of International Relations*, 13(2): 240-291.
- Behr H. and Stivachtis Y.A. (Eds.), (2016). *Revisiting the European Union as Empire*. London: Routledge.
- Blackburn R. (2010). *The Making of New World Slavery*. London: Verso.
- Böröcz J. and Kovács M. (Eds.), (2001). *Empires New Clothes. Unveiling EU Enlargement*. Central Europe Review.
- Brewer A. (1980). *Marxist theories of imperialism: a critical survey*. Routledge.
- Büdenbender M and Aalbers MB (2019). How subordinate financialization shapes urban development: The rise and fall of Warsaw's Służewiec business district. *International Journal of Urban and Regional Research*, 43(4): 666-684.
- Commission of the European Communities (2004). *Regular Report on Romania's Progress Towards Accession*.
- European Commission (1999). *Agenda 2000 - Commission Opinion on Romania's Application for Membership of the European Union*.
- European Commission (2016). *Europe in 12 lessons*.
- European Council Presidency (1993). *Official positions of the other Institutions and Organs - European Council. Presidency Conclusions*. Copenhagen. 21-22 June.
- European Council Presidency (1995). *Official positions of the other Institutions and Organs - European Council. Presidency Conclusions*. Madrid. 15-16 December.
- Foster R. (2013). Tabula Imperii Europae: A Cartographic Approach to the Current Debate on the European Union as Empire. *Geopolitics*, 18: 371–402.
- Fraser N. (2016). Expropriation and Exploitation in Racialized Capitalism. A Reply to Michael Dawson. *Critical Historical Studies*, Spring: 163-179.
- Global Property Guide (2018). <https://www.globalpropertyguide.com/Europe/Romania>. (Accessed 20 May 2019).
- Harvey D. (1982). *The limits to capital*. Basil Blackwell. Oxford.

- Harvey D. (2005). *Spaces of neoliberalization: towards a theory of uneven geographical development*. F.S. Verlag.
- Harvey D. (2006). *Spaces of Global Capitalism: A Theory of Uneven Geographical Development*. London: Verso.
- Horvath J. (2009). The IMF and Romania: A Road Well Travelled. *Heise Online*, 18 April. <http://www.heise.de/tp/artikel/30/30129/1.html>. (Accessed on 24 January 2018).
- İçener E. (2009). Understanding Romania and Turkey's Integration with the European Union: Conditionality, Security Considerations, and Identity. *Perspectives on European Politics and Society*, 10 (2): 225-239.
- International Monetary Fund (1999). *Memorandum of the Government of Romania on Economic Policies*. <http://www.imf.org/external/np/loi/1999/072699.htm#memo>. (Accessed on 24 January 2018).
- Lehndorff S. (Edt.), (2015). *Divisive integration. The triumph of failed ideas in Europe – revisited*. European Trade Union Institute.
- Romanian Central Bank (2018). *Financial Stability Report*. <https://www.bnr.ro/PublicationDocuments.aspx?icid=19966>. (Accessed on 10 November 2019).
- SAPRIN (Structural Adjustment Participatory Review International Network) (2002). *The Policy roots of economic crises and poverty. A multi-country participatory assessment of Structural Adjustment*.
- Seth S. (2012). *Postcolonial Theory and International Relations: A Critical Introduction*. Routledge.
- Schmidt I. (2018). Neoliberal capitalism and its crises in Europe: towards a Luxemburgian interpretation. *New Formations* 94: 100-120.
- Smith N. (2008). *Uneven development: nature, capital, and the production of space*. The University of Georgia Press. Third edition (Prior editions 1984, 1990).
- Stivachtis Y.A. (2018). The 'Civilizing' Empire: The European Union and the MENA Neighborhood. *Athens Journal of Mediterranean Studies*, April: 91-106.
- Syndx Romania (2019). *Situația salariatilor din România - studiu anual*. <https://www.syndx.ro/situatia-salariatilor-din-romania-studiu-anual>. (Accessed on 10 November 2019).
- Verdery K. and Sharad C. (2009). Thinking between the Posts: Postcolonialism, Postsocialism, and Ethnography after the Cold War. *Comparative Studies in Society and History*, 51 (1): 6-34.
- Vincze E. (2014). The racialization of Roma in the 'new' Europe and the political potential of Romani women. *European Journal of Women's Studies*, (Special issue: The New Europe: 25 Years after the Fall of the Wall) 21: 435-442.
- Vincze E. (2015). Glocalization of neoliberalism in Romania through the reform of the state and entrepreneurial development. *Studia UBB Europaea*, LX (1): 125-151.
- Zielonka J. (2006). *Europe as Empire. The Nature of the Enlarged European Union*. Oxford University Press.
- Wolf E. (1982). *Europe and people without history*. University of California Press.