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PILLARS OF EUROPEANIZATION IN CENTRAL
AND EASTERN EUROPE**

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**GOVERNED BY ACCESSION? HARD AND SOFT
PILLARS OF EUROPEANIZATION IN CENTRAL
AND EASTERN EUROPE¹**

Elena Iankova

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GOVERNED BY ACCESSION? HARD AND SOFT PILLARS OF EUROPEANIZATION IN CENTRAL AND EASTERN EUROPE

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I. European Union Enlargement and Central and Eastern Europe's Perspective

With the collapse of state socialism in 1989, the formerly communist countries of Central and Eastern Europe (hereafter CEE) had no choice but to shake off their deeply ingrained Cold War mentality and try to take their place in a world characterized by globalization and increased regional integration. Their “return to Europe,” or integration into the structures of the European Community/European Union (EC/EU), passed an important milestone in 1993, when the EU made the historic decision to enlarge eastwards and accept new members from the formerly communist countries. Accession negotiations opened in spring 1998 for "fast-track" countries (Poland, Hungary, the Czech Republic, Slovenia, and Estonia), and in February 2000 for "slow-track" countries (Bulgaria, Slovakia, Romania, Latvia, and Lithuania). This paper focuses on the CEE countries’ “accession perspective”—their motives, expectations, deliberations, and practical difficulties as they strive to become part of the EU’s anticipated eastward enlargement.

Accession is defined as *gradual formal and informal institutionalization and adaptation that leads to the entry of an applicant country into an international organization*. The EU accession process focuses on the relationship between an expanding organization and its prospective members. Before the formal accession outcome is achieved, the applicant countries remain “third” (outside) countries to the rules and norms of the international organization. However, it would be an oversimplification to characterize applicant countries as completely differentiated entities of “third country” rank. The particularities of each applicant country’s domestic affairs and of its position in the international environment are critically affected by the course of accession.

For the CEE countries applying for EU membership, accession is developing as a process with four overlapping stages: the association stage (dating from the conclusion of

the “Association” or “Europe” agreements, 1991-94); the pre-accession stage (beginning with the EU’s commitment to expand eastwards, formalized at the Copenhagen European Council in 1993); the formal act of accession (signing of the accession treaty); and a post-accession stage during which the new EU members from CEE will reach the “critical mass” of successful adaptation to EU membership and will be in a position to operate as first-class members in the EU structures.

Of the various forces for change in CEE countries, the most articulated and intense pressure is now from the EU, primarily because of the accelerated accession process. This pressure is felt both through official European supranational and trans-governmental channels and through transnational and regionally “tamed” global influences. To date, there have been a number of studies examining the role and influence of external factors on reform and democratization in CEE. The literature on the transition from state socialism to capitalism that has emerged in the ten years of transformation has widely acknowledged the search for “western models” in CEE’s return to capitalism. However, no study has particularly sounded the scope and depth of the impact of EU accession process on post-communist polities.

The effect of EU accession on the domestic politics, policies, and institutions of the CEE countries has often been referred to as “Europeanization.” The “Europeanization” approach attempts to define the interests of nation states and interest groups in an international and institutional context that includes the EU. (Andersen and Eliassen, 1993; Sandholtz, 1993; Ladrech, 1994) It aims at understanding the *dependence* of domestic institutions and actors on European integration. (Ladrech, 1994) One main proposition of the “Europeanization” argument is that EU membership changes the way states define their interests, so that “European” identity is sought not exclusively at the European supranational level but as something that is increasingly interwoven in the matrix of domestic politics and institutions of member states. (Sandholtz, 1993; Ladrech, 1994; Olsen, 1996; Forder and Menon, 1998) The “Europeanization” approach acknowledges the existence of continuous interaction and linkage between national and European levels, and builds on the “multi-level governance” model (Marks *et al.*, 1996; Hooghe, 1996) as a mid-point in terms of the extremes of inter-governmentalism and neo-functionalism in conceptualizing institutional and political change in EU member states. According to this model, national governments play an important role in the system but their sovereignty has eroded; states in the EU are being melded into a multi-level polity by their leaders and the actions of numerous subnational and supranational actors.

The term “Europeanization,” however, has traditionally been used in European regional integration theory in reference to the 15 EU member states, not non-EU member states or “third countries” in Europe, such as Croatia, Macedonia, Ukraine, or Moldova. This limitation also applies to countries with official EU applicant status, such as the ten CEE applicants. The Europeanization of nation-states aspiring for EU membership, has been only sporadically explored. Most studies in this area have focused on the southern enlargement of the EU—Greece in 1981, Portugal and Spain in 1986. This research demonstrated that the enlargement of the EU is a gradual process that begins before and

continues after the admission of new members. The southern enlargement required much greater pre-accession and post-accession change and adaptation to EU norms and standards (Borras *et al.*, 1998; Borzel, 1998; Featherstone, 1998; Borras-Alomar, 1999) than did the more recent 1995 enlargement, which included the more economically-developed and politically-consolidated nations of Sweden, Finland, and Austria.

Moreover, existing research on the Europeanization of post-communist politics, policies, and institutions remains generally embedded in studies investigating how the EU's eastward enlargement has affected EU institutions, governance rules, and policies. (Nello and Smith, 1997; Mayhew, 1998; Grabbe and Hughes, 1998; Van Brabant, 1999; Curzon Price *et al.*, 1999; Henderson, 1999) These studies have analytically marginalized the impact of the slowly but steadily evolving EU enlargement process on the CEE countries' domestic political economies, arguably because research has been limited to surveys soliciting the applicant countries' strong drive for a "return to Europe" and broad consensus on enlargement/accession.²

In this paper, I attempt to outline the contours of EU accession as a factor for domestic change in CEE.³ How greatly does EU accession influence ongoing domestic change, relative to the impact of domestic actors, institutions, and structures, on the one hand, and of global organizations and actors, on the other? The latter denote other important international pressures for change beyond the EU integration drive. However, bearing in mind the close entwining of processes of regional integration with processes of globalization in the post-Cold War world, I regard them not separately but as interwoven with the matrix of the "EU accession factor."

EU accession thus comprises a "hard" pillar with several inclusive "soft" pillars. The hard pillar includes the formal legal, institutional, and policy links aimed at facilitating the process of institutionalization and adaptation for accession. It refers to domestic efforts to meet the Copenhagen accession criteria, e.g. the creation of stable political institutions guaranteeing democracy, the rule of law, human rights, and the protection of minorities; a functioning market economy that can withstand competitive pressure from other EU countries; and the ability to take on the obligations of membership, including adherence to the aims of economic and monetary union and the adoption of the European common law, the *acquis communautaire*.

The additional "soft" pillars of accession and Europeanization include not only the informal spread of the EU's organizational norms and rules across the region but also, and more important, their deliberate channeling to serve the purposes of the accession process. The soft pillars comprise the trans-governmental institutional structures of association and accession that developed on the basis of the Europe agreements (association councils, association committees, association parliamentary committees) as

² As Schimmelfennig reveals, the question "Why Eastern Enlargement?" has primarily engaged western European organizations and remains uncontroversial for CEE applicants, from both rationalist and constructivist theoretical perspectives (Schimmelfennig, 2000).

³ Further study is needed to outline the actual effects and general impact of EU accession on CEE's polities.

well as, at a later stage, so-called institutional twinning; transnational party and interest group linkages through which important problems of the formal accession process could be resolved in a more flexible manner; involvement in the accession process of global lending actors such as the World Bank and the IMF, which provide accession-channeled financial assistance and consultancy to the applicant countries; and, finally, strategies of foreign investors, which are relevant given the importance of foreign direct investments for domestic restructuring and adaptation to meet, especially, the economic criteria for accession.

The next two sections of the paper examine and outline the general characteristics of the hard and soft pillars of CEE's accession and Europeanization. The concluding section analyzes their relative importance for domestic change.

II. The Hard Pillar of Accession and Europeanization

The analysis of the hard pillar of accession and Europeanization focuses on the EU accession conditionalities, timing, and process.

A. Accession Conditionalities

The major integration treaties, such as the Treaty of Rome (1957), Article 237, did not specify terms of membership except that membership is open to "European" states that are liberal democracies. Even Article O of the Maastricht Treaty on European Union (1992) specifies that "any European State may apply to become a member." The first enlargement in 1973 did not include new democracies, and there was no compelling need for the EC to define any (democratic) conditions for membership. In April 1978, with an eye to the EC's southern expansion to Greece, Spain, and Portugal, the European Council added some conditions. It declared that "respect for and maintenance of representative democracy and human rights in each Member State are essential elements of membership in the European Communities." These democratic conditions, apart from the traditional emphasis on fundamental rights, referred more specifically to: genuinely free elections; the "right" balance of party strength (a predominance of pro-democratic parties); a reasonably stable government, led if possible by a credible figure known in European circles; and the inauguration of a liberal democratic constitution. (Pridham, 1991: 235) In the 1995 enlargement, all three new entrants (Austria, Finland, and Sweden) were democratic and respected human rights, and again there were no specific accession criteria.

An eventual eastward expansion of the EU towards the formerly communist countries reflected conflicting pressures among and within member states. On the one hand, in light of political and security benefits, the EU favored prospective membership by the CEE countries. On the other hand, conscious of the great diversity of the CEE countries, especially in economic levels, and their divergence in some respects from the norms across current EU member countries, the EU was highly hesitant in making more concrete and detailed commitments to enlargement. The eastward enlargement that the

EU contemplates today is of much greater scope and diversity than any of its previous enlargements.

Specifically, it outstrips prior expansions in (1) number of candidates (thirteen—Poland, Hungary, the Czech Republic, Slovenia, Estonia, Bulgaria, Slovakia, Romania, Latvia, Lithuania, Cyprus, Malta and Turkey); (2) area (an increment that would increase total EU area by 34 percent); (3) population (representing an increase of 105 million if only the ten CEE applicants and Cyprus are added, and an increase of an additional 64 million with Turkey and Malta); and (4) cultural and historical diversity (European Commission, 1999). The challenge for the EU is furthermore enormous because if accession of all ten applicants occurred with no preparatory adjustments, it would boost the EU's population by a third, to 480 million, but the increase in the EU's gross domestic product would be a mere 5 percent. (*Europe*, 1997) As a result, the EU committed itself to an eastward expansion only within the framework of a complex set of conditions whereby the CEE countries would be committed to adopting certain fixed and core democratic, economic, and constitutional principles of EU governance. Curzon Price has argued that the EU is prevented by political security concerns from saying “no” and by economic concerns from saying “yes” to the CEE applicants for accession. Its solution to this quandary has been to vibrate between yes and no by setting an extremely high standard for the applicants to meet—adopting and implementing the *acquis* as far as possible before accession. (Curzon Price, 1999: 52)

The EU's accession conditions for CEE applicants cover political, socio-economic, and legislative conditions; and the legislative conditions encompass the adoption and implementation of the EU common law, the *acquis communautaire*, in both the economic and socio-political fields. The conditions include, firstly, the basic democratic and free-market-oriented principles and primary provisions of the internal market *acquis*, which form the core of the EU; secondly, the three basic criteria for membership that were outlined by the Copenhagen European Council (1993) in the areas of political democratization, market reform, and judicial and administrative adaptations (the 1995 White Paper on the Single Market strengthened economic conditions with more detailed provisions on the internal market); and thirdly, individually crafted aims for each CEE applicant country, through the reinforced pre-accession strategy and the accession partnership agreements concluded in 1998. The 1998 agreements extended the requirements not only by making further negotiations conditional upon the CEE ability to adopt and implement each EU goal as it is stipulated, but also by making financial assistance under the PHARE program conditional upon such progress.

The “Association” or “Europe” agreements, signed between December 1991 and spring 1993, proposed not accession but association. Specifically, they laid down a variety of conditions for better “association.” These included “the stability of institutions in the candidate country guaranteeing democracy, the rule of law, human rights and respect for minorities.” (European Commission, 1993: 2) The agreements were also designed to reaffirm the commitment of the CEE countries to the principles of market economy and social justice as the basis for association, and to make their economies competitive with West European economies. The agreements stated that the countries of

CEE had to be given a transitional period of ten years to manage their economic transformations and to integrate progressively with the internal market, in areas such as free movement of goods; movement of workers; establishment and supply of services; adjustment of laws to conform to EU common law; economic cooperation; and financial cooperation. The agreements were intended to establish a free trade area, on an asymmetric basis, with faster import liberalization on the Community side than on the CEE side. The EC had to abolish all quantitative restrictions and customs duties on products coming from these countries. The degree of market opening in sensitive sectors such as textiles, iron, steel, coal, and agriculture was limited, however. For these sectors, the EU imposed “safeguards,” “anti-dumping” provisions, and import restrictions.

The absence of any commitment to accession in the agreements, and their clear intent to impose protectionist policies, reduced the credibility of the reformers in all the countries, especially Hungary and Poland. Nonetheless, in general, the association agreements provided international political approval for processes of post-communist transformation. Policymakers and the public in the countries of CEE heralded the agreements as an act of high politics, “a dictate of the times,” and a political acknowledgment of the end of the Cold War.

The Copenhagen Council decisions of June 1993 provided that the Europe Agreement countries could become members of an enlarged EU as soon as they fulfilled certain general criteria for accession. The EU set three main criteria for beginning accession talks with the CEE applicants: stable political institutions guaranteeing democracy, the rule of law, human rights, and the protection of minorities; a functioning market economy that can withstand competitive pressure from other EU countries; and the ability to take on the obligations of membership, including adherence to the aims of political, economic, and monetary union, implementation of the EU’s common law or *acquis communautaire*, and administrative and judicial capacity. (European Council in Copenhagen, 21-23 June 1993, cf. Conclusions of the Presidency, SN 180/93, p. 13)

The three main conditions for membership were extremely broad; however, they did not provide any clear timetable for accession and were subject to varying interpretation. For example, it was not clear what the *acquis politique* included beyond the Maastricht Treaty. Furthermore, the Union did not clearly define the factors that had to be taken into consideration when judging whether or not an associate fulfilled the democracy condition. In terms of the *acquis économique*, no system was suggested for judging the relative importance of a variety of economic factors. Moreover, the macroeconomic criteria have not yet been fully met by all current EU member states, a fact that has spurred debates. The third criterion—the obligations of membership—was also open to interpretation, given the fact that new members have never taken on the full *acquis* at the time of their admittance, and many waivers have been granted to old member states at various times. The U.K. was even allowed to opt out of the Social Charter. Gradually, these controversies surrounding the accession criteria initiated a shift in domestic debates on accession, away from purely political and security arguments and towards more realistic and utilitarian reassessments of the “European dream.”

July 1997 marked a turning point in the evolution of EU conditions. The European Commission's blueprint for enlargement, "Agenda 2000," and the Commission's opinions (*avis*) of the ten CEE applicants for EU membership not only opened the negotiation process and further outlined the conditions for accession of CEE to the EU but also differentiated between two groups of applicant countries: fast-track (Poland, Hungary, the Czech Republic, Slovenia and Estonia, plus Cyprus) and slow-track (Bulgaria, Romania, Latvia, Lithuania, and Slovakia).

In an attempt to soften the impact of accession and differentiation and as a concession to the slow-track applicants, in 1998, the Commission drew up contracts for EU membership known as "accession partnerships." They propose further strengthening the pre-accession strategy for each applicant country, whatever stage it has reached in the transition process. The reinforced pre-accession strategy has two main objectives. The first is to channel some portion of financial assistance funds from all available sources—from PHARE and international financial institutions—into the implementation of national programs to help prepare the applicant nations to meet the requirements for membership. Among the objectives and necessary commitments are reinforcement of democracy and the rule of law; protection of minorities; macroeconomic stabilization; enhancement of institutional and administrative capacity; preparation for full participation in the internal market; attention to justice and home affairs, agriculture, the environment, transport, employment, and social affairs; adjustment, as necessary, of regional policy and cohesion; adherence to nuclear safety guidelines; and the adoption of the *acquis communautaire* within a precise timetable, focusing on the priority areas identified in each opinion. The second broad aim of the strategy is to familiarize the applicants with Union policies and procedures by inviting them to participate in Community programs.

With the reinforced pre-accession strategy, the Commission also attached strict conditions to its financial support; since 1997, the PHARE program has adapted to changing circumstances in its partner countries and has changed from a "demand-driven" program (based on projects introduced by the candidate countries in a wide range of areas) to an "accession-driven" program (concentrating on the priority needs related to EU accession as they are formulated in the respective accession partnership agreements). PHARE is now focusing its efforts on helping the ten candidate countries meet EU membership requirements. Its main priority has become institution building (30% of its allocation), to help the countries of CEE strengthen their democratic institutions and public administrations. These activities will enable national and regional administrations to familiarize themselves with the objectives and procedures of the EU and to participate in EU programs such as Leonardo, Socrates, and Media. PHARE will use the remaining 70% of its resources to finance investments aimed at helping candidate countries improve their enterprises and infrastructures, especially those vital to meeting the requirements of the single market. PHARE is expected to concentrate investments in areas in which the *acquis* is more and more demanding, such as the environment, transport, product quality, and working conditions. In addition, PHARE will participate in the financing and co-financing of large infrastructural projects, such as the Trans European Networks, environmental protection, the modernization of industry, and regional cooperation.

Starting in 2000, finance will also be available from the EU structural funds, mainly for infrastructure projects, in the fields of environment and transport. Significant further investments will be needed, however, by governments and the private sector alike if the infrastructure and industry in the ten candidate countries are to be brought up to EU standards.

B. Timing: Target Dates Versus Accession Criteria?

The EU has elaborated and stiffened its accession conditions without committing itself to a firm date for enlargement. The CEE applicants have repeatedly called on the EU to set an accession date. Most recently, the premiers of the Czech Republic, Hungary, Poland, and Slovakia, meeting on June 9, 2000, called on the EU to set a date for the completion of accession talks with the fast-track candidates at its December 2000 summit in Nice. Milos Zeman, Viktor Orban, Jerzy Buzek, and Mikulas Dzurinda said they hope all four Visegrad members will join the EU by 2003. (*RFE/RL Newslines*, June 10, 2000)

The fast-track applicants for accession to the EU had initially set 2000 as the year of their accession to the EU. However, with the start of accession negotiations in 1998 it became clear that this target date was unrealistic, and all five fast-track applicants amended the date to January 1, 2003. Accession negotiations have to be concluded by the end of 2001 at the latest, since procedurally, at least a year is required for ratification of the accession treaty.

The slow-track applicants determined their own target dates for accession to the EU. For Slovakia, the date is January 1, 2003, the same as that for the countries from the Luxembourg group (with the expectation that Slovakia will gain admittance together with the Czech Republic); for Latvia and Lithuania, January 1, 2004-5; and for Bulgaria and Romania, January 1, 2007.

The CEE's first and most important argument for a "firm deadline" to EU accession is political. It focuses on fears of political instability developing in the region, which would be exacerbated if there is a delay in the EU enlargement process. In a reference to the Austrian right-wing politician Joerg Haider, on June 8, 2000, Milos Zeman told EU European Commission Chairman Romano Prodi that if the Union procrastinates on enlarging eastward, "a Haider syndrome" could emerge in candidate countries, exploiting anti-European sentiments there. (*RFE/RL Newslines*, June 9, 2000) Additionally, conscious of the general reluctance of the EU to expand to much poorer countries, and of the internal tensions among member states on the issue of financing the costs of enlargement, the CEE applicants hope that if target dates are fixed, the EU members who are less enthusiastic about enlargement will not be able to slow down the process.

A second argument in favor of setting up target dates is an administrative-institutional one. A fixed accession date provides clarity in the time framework of the process of enlargement/accession; it facilitates the accomplishment of domestic reforms and the overall preparation for accession. A target date is generally necessary to mobilize

domestic administrations and bureaucratic structures, as well as parliaments and the public at large, in speeding up the preparation effort.

Thirdly, a target date is necessary from a purely technical point of view, for the formulation of the CEE governments' negotiation positions on each of the chapters of the *acquis*. Consequently, any grace periods or transition periods that might be requested in the CEE applicants' position papers require a tentative starting date, and the target date is taken as the basis in that regard. Moreover, technically, any analyses of the costs of accession, including budgetary spending, are made on the basis of an eventual accession date.

The EU, while acknowledging that target dates are important as a mobilizing factor for reform, has also worried that the debate over target dates might turn counterproductive. The debate was started in the fall of 1999, when EC president Romano Prodi raised the issue of target dates for enlargement, and it exploded in May 2000, when the French Prime Minister L. Jospin promised the CEE applicants that under the French Presidency (July-December 2000) the EU will set up dates for their accession to the EU. Later it was specified that the target date will only refer to the time when the EU will be internally prepared to open for the already prepared candidates. The governments of the EU-15 member states then declared that they do not want to name firm target dates because this might send wrong signals to the applicants. Instead of being convinced that they will become members of the EU solely on the basis of compliance with EU criteria and readiness, some of the CEE applicants may think that they will accede at a firmly fixed date irrespective of how well they have harmonized domestic legislation with the EU common law.

There were additional fears on the EU side that the whole enlargement process might get derailed and disrupted if the EU could not meet an already fixed target date—reflective of a concern that in some applicant countries the public reaction might turn negative and catastrophic for EU membership. Besides, on the EU side, the setting of fixed and final target dates might feed fears among the EU citizens that the enlargement process is determined by purely political motivations and not by the preparedness of each candidate. European Enlargement Commissioner G. Verheugen also rebutted the French prime minister with the argument that the date of enlargement should be determined by the progress made by each applicant in meeting the accession criteria, and not by hypothetical dates for enlargement. This position corresponds to the Commission's declared policy of treating each candidate country individually, with the speed of negotiation and accession depending solely on the work done by each candidate.

However, more and more often an official date of EU enlargement is linked with the end of the mandate of the current European Commission. Thus in response to the declaration of the Visegrad leaders in June 2000, EC president R. Prodi replied only that he is convinced enlargement will take place before his mandate ends in 2005. According to some experts in Brussels, the European leaders are already convinced that they will achieve internal preparedness for eastward enlargement by 2002-2003. There are

however, two major reasons behind the selection of 2005 as the expected date of eventual expansion to the east.

First, financial resources for the eastward enlargement will not be available before 2002-2003. In fact, often the money issue is seen as the only serious obstacle on the road of enlargement. Consequently, Agenda 2000, which determined the EU budget until 2006, financially backs up an enlargement involving a maximum of six states. Although the EU Helsinki summit, held in December 1999, envisaged that by 2006 the EU could absorb more than six new states, it was not clear where the money to finance that enlargement would come from. Most of the internal debates on enlargement among the EU member states start and end with the issue of money. On the one hand, some of the current beneficiaries from the EU structural funds want enlargement only after an agreement is reached on the redistribution of structural funds. Countries such as Spain and Portugal do not want to bear, by themselves, the costs of enlargement through the shift of structural funds from them to the new, much poorer members from CEE. On the other hand, the German government is also worried that it, as the biggest contributor to the EU budget, will have to bear most of the enlargement costs; furthermore, in response to fears of increased migration from the east, it does not want enlargement to become a problem for the 2002 elections in Germany. According to Berlin, the year 2005 is remote enough so that the enlargement issue will not become dominant in the pre-election campaign.

Second, there are doubts that the intergovernmental conference of the EU scheduled for December 2000 under the French Presidency will not resolve the issue of institutional reform, which means that the EU will not be institutionally prepared to absorb new members before 2002-2003. Hence, the recent French-German agreement for a new intergovernmental conference in 2004 to address institutional reform gives hope that by January 1, 2005 the EU's institutional reform will be completed enough to enable it to absorb new members.

The continuing debates within the EU are now shifting from the target date to the number of applicants to incorporate in a first wave. The vanguard of applicants will certainly include the most developed countries, both politically and economically, such as Hungary, Poland, the Czech Republic, Estonia and Slovenia. It is also possible, however, that the first wave will include 10 countries (all candidates excluding Bulgaria and Romania), with Bulgaria and Romania acceding after 2007. In an interview with the *Frankfurter Allgemeine Zeitung* on October 20, 2000, EU Commissioner for Enlargement Guenter Verheugen said "up to 10 countries" could join the EU by 2005. He noted that the only membership candidates unlikely to be admitted by that date are Bulgaria and Romania, both of which, he pointed out, have set themselves later target dates for accession. (*RFE/RL Newslines*, October 20, 2000) This second scenario supposes not only that the EU accomplishes the needed institutional reform, but also that it overcomes the financial hurdles of enlargement.

In November 2000, the European Commission issued a report that surprised many by stating that advanced candidates could finish accession talks as soon as 2002.

Assuming the first accession treaties are signed and ratification by all member states takes 18 months, new members could join by early 2004. That timetable was indirectly affirmed by the December EU summit in Nice. Union leaders said in a declaration that they hope the first new members can join in time to participate in the next elections to the European Parliament, scheduled for June 2004. However, the summit left the timing of any future accessions vague. (*RFE/RL Newsline*, December 18, 2000)

The vagueness and anticipated delay of accession are provoking contradictory reactions among the fast-track applicants who had expressed the hope of entering the EU in 2003. Their understandable disappointment is tempered by the fact that at last the EU will have a definite date of enlargement, thus eliminating fears that it is not really committed to enlargement. A target date will also facilitate the fast-track applicants' efforts in setting up deadlines for the accomplishment of domestic reform and adaptation—albeit the year 2004 will mean rewriting all their position papers, which premise requests for derogations on accession in 2003.

In addition to the technical difficulties associated with delay of the enlargement process, there are obvious political ones as well. The remoteness of the year 2004 as the year of accession to the EU might melt down the CEE public's faith in the advantages of EU membership, a faith that still exists despite the painful reform effort these countries have made to meet the accession criteria. There are rising fears that, inspired by the "Haider syndrome," far-right politicians in CEE might gain popularity and their xenophobic and protectionist propaganda might increase proportionally to the delay in accession.

Despite these trends, the period 2003-2005 will be a window of opportunity for all CEE applicants. It is based, on the one hand, on the Helsinki Council announcement (December, 1999), which declared that the EU will be internally ready to welcome new members by 2002-2003; and, on the other, on the EU's political goal to have the first round of enlargement by 2005. A "catch-up" mechanism and individualized negotiations are provided for each applicant, and the date of accession will depend on the level of institutional reform on the EU side, as well as on the preparedness of the applicants.

C. The Accession Process: From Technical to Political Approach?

The accession process encompasses the CEE's overall preparatory effort aimed at accession since the early 1990s, although since 1997 it mostly delineates the unfolding of accession negotiations. The accession negotiations, in particular, raise two important issues, concerning (a) the nature of accession bargaining; and (b) the nature of accession differentiation.

(1) Accession Bargaining

The EU is largely a legal entity, a union primarily built on the *acquis*. The EU's effort in the eastward enlargement has been to make negotiations as objective as possible by focusing on the technicalities of the transposition and implementation of the *acquis*. The

EU's integration philosophy thus excludes any "deals" to be struck under accession negotiations, since European integration is a process in which external members want to join a club with already established internal rules. The applicants are instructed that the only "deal" possible for them is the implementation of the accession criteria and conditions. Hence the accession process turns largely into an assessment process for the implementation of the internal rules of the club.

The process of accession to the EU is seen by the Union as largely dependent on the financial costs of both transposing Community legislative standards into national law and creating the monitoring capacity to ensure their effective implementation, as well as on the preparedness of the human resources, or the level of knowledge among officials, lawyers, and civil servants involved in the accession process. With the exception of the conditions contained within the Europe agreements, the overall body of conditions laid down during the accession process is not legally binding. The 1995 Single Market White Paper and the Accession Partnerships cannot be challenged or enforced in any court. However, as Krenzler notes, the tying of the "carrots" of the accession process—further accession negotiations and generous aid under PHARE—to the "sticks" of stalled negotiations and blocked aid has endowed the various conditions set with a, if not quasi-legal, at least very formal quality. (Krenzler, 1998: 14) The accession process has thus been vitally transformed into a rigidly structured technical process.

As a technically structured process whose pace of advancement seems to be largely dictated by the EU, accession negotiations are furthermore controversial with the lack not only of a firm target date for enlargement, but also with the lack of clear negotiation positions on the EU side. The EU lacks negotiation positions during the second, actual phase of negotiations where each applicant and the EU prepare position papers on each of the chapters of the *acquis*, and where derogations for transition periods are discussed.

The first phase—the screening exercise—is the EU's formalized mechanism of evaluating the approximation of applicant country's law with EC Law. In April 1998, the Commission launched an analytical examination ("screening") of the *acquis* with the CEE applicant countries and Cyprus to explain the EU legislation (multilateral screening). With the six countries with which negotiations started in March 1998 (five from CEE and Cyprus), the aim was also to identify areas where there may be problems (bilateral screening). With the five CEE countries of the second wave, the aim of the screening exercise was primarily to speed up their preparation for accession by facilitating a better understanding of the *acquis* and how its adoption should gradually be undertaken. Bilateral screening has also helped to identify areas in the adoption and implementation of the *acquis* where pre-accession assistance would help in overcoming difficulties. (European Commission, 1999d)

During the second phase of negotiations, which followed the screening exercise, each of the applicant countries has to prepare its negotiation position (formulated in a Position Paper) on each of the 31 chapters of the *acquis*. Each negotiation position represents a statement of the applicant country's level of preparedness to transpose the

acquis in domestic legislation and to monitor its implementation upon accession; it also identifies potential difficulties in that regard and asks for derogations and transition periods. On the basis of these position papers, the EU member states and the Commission formulate their joint positions in documents called Common Position Papers. While the CEE applicants have diligently formulated their negotiation positions on each of the chapters of the *acquis* under negotiations, the EU has not done so in a clear manner. Instead of formulating common positions, it often asks the applicant countries' negotiators for additional information on their negotiating positions. This turns the negotiation process into a process of question and answer and information exchange.

The continued lack of more specific negotiation positions on the EU side has made the fast-track applicants suspicious towards the EU's real intentions. Many feel that the negotiations are illusory or at least that they resemble a priest-penitent approach (see also Jacoby, 1999). Such feelings are further strengthened by the fact that the number of criteria for accession has expanded while the probability of satisfying them has diminished. This increases the EU's discretionary power to select its new members, paces the accession negotiations, and sets transition periods on the basis of a general argument of the "lack of preparedness" of the CEE applicants to become EU members.

These developments raise the issue of the political approach in accession negotiations. With the advancement of negotiations it becomes clearer that they are not purely a technical process but also a political process. First, while it is obvious that negotiations are about the *acquis*, the crucial issues are about whether or not to have derogations in the form of transition periods. Although the official position of the EU is to avoid transition periods as much as possible, transition periods will be inevitable. Behind the technicalities there are political issues: both CEE's and EU member states' governments have to reach consensus with their civil societies on enlargement/accession in general as well as in detail, especially when issues are related to money, public expectations or public fears. Otherwise, on the CEE side, the Norwegian scenario is a possible outcome. (Sciarini and Listhaug, 1997) On the EU side, a potential outcome already visible in some respects—the Danish referendum on the Euro—is increasing disapproval with the whole integration idea of the EU. As early as 1998, some unofficial positions/requests were expressed in Germany for an 18-year transition period for the free movement of labor. By 2000, such a period was largely reduced to 6-7 years, again unofficially. It is early to say how the question of the free movement of labor will be finally resolved in the accession negotiations, but it is clear that public expectations and fears will have an impact on the final resolution.

Second, the EU's political approach towards the applicants is further manifested in the potential to manipulate the conditions of accession based on the vagueness of the accession criteria; the differentiation approach which the EU has applied towards them; and the political pressure exercised by the EU towards the applicants, such as cutting off financial aid for Poland out of dissatisfaction with Warsaw's progress in adopting EU rules. (*European Dialogue*, May-June 1997/3, pp. 10–11)

Finally, it is difficult to evaluate the fulfillment of the accession criteria by the applicant countries on a purely technical basis. On the EU side, this will be a very individualized and subjective assessment, with the danger of political argumentation taking the lead in the evaluation. Besides, the EU insistence that the CEE applicants ask for as little derogations from the *acquis* as possible, raises the issue of CEE's domestic selection of issues to be presented as the most important ones for transition periods. This similarly involves political evaluation.

The EU's desire and consistent approach to push towards a narrower technical understanding of the accession process has found additional expression in its insistence that applicant countries adopt national plans for the harmonization of domestic legislation with the European common law. The applicant countries, however, have tried to push beyond the technicalities of legal approximation and institutional and administrative capacity. They have tried to include economic and social issues in their national programs for accession. Both in Poland and Hungary, governments have abstained from the EC recommendation for the adoption of national programs for legal harmonization. The Hungarian government thus adopted a National Accession Strategy, which is more general than a strategy on legal approximation. Similarly, the Polish government adopted a National Program of Preparation for Membership in the EU instead of a narrower national program for the adoption of the *acquis*.

In substantive terms, accession negotiations and the process of domestic adaptation to the requirements of EU membership face different types of problems: (a) purely technical, referring to the legal transposition of a certain piece of EU common law into national legislation and where the domestic effort of its implementation is minimal (as is generally the case with industrial policy); (b) financial, connected with huge budget problems of financing the implementation of the harmonized legislation, especially in the area of environmental protection and the CEE's overall access to EU funds (i.e., the World Bank has estimated that it will cost US\$30 billion to implement the new environmental legislation in Poland); and (c) politically sensitive issues of legal harmonization and domestic adaptation irrespective of financial costs, such as the free purchase of arable land by foreigners (arable land in CEE costs only a quarter of the price of arable land in Western Europe), justice and home affairs (especially border control and the issue of corruption) and the free movement of labor for the EU member states. The final stage of negotiations will focus on the last two groups of problems in the negotiation basket, which are considered to be the real problems of accession. Thus, final negotiations are expected to focus on requests for derogations and transition periods and will try to both redistribute financial resources and available funds to better finance the costly areas of legal transposition and implementation, as well as to strike some political deals for the politically sensitive issues.

(2) Accession Differentiation

The differentiation issue adds additional controversies to the question of CEE's preparedness for accession and the political approach applied in that regard. Its aim is largely to serve as a "carrot and stick" mechanism towards applicants for EU

membership. So far, the “carrot and stick” differentiation was manifested in two large waves.

First, the 1997 *avis* prepared by the Commission opened the way for the differentiation of two groups of applicants, those who are more advanced in their preparatory effort and those who lagged behind in meeting the accession criteria. Under political pressure from the second-group applicants, and in light of the negative implications of this differentiation approach in the second group, in 1998, the EU embarked on a new approach of individualized differentiation. The EU shifted from the concept of groups into the concept of individualized negotiations. Its strategy is to assess each applicant country according to its own merits and level of preparedness, not comparatively with the other applicants.

The second big manifestation of the “carrot and stick” differentiation followed the opening of accession negotiations with the slow-track applicants in early 2000. It targets only the second group and opened a different number of chapters for negotiations with each of the candidates. Thus, under the Portuguese Presidency (January-June 2000) the EU opened 8 chapters with Slovakia, Latvia, Lithuania and Malta; 6 chapters with Bulgaria, and 5 chapters with Romania. The French Presidency (July-December 2000) has followed this line: in early July 2000, Enlargement Commissioner Verheugen announced that the EU will open 9 new chapters with Malta, 8 chapters with Slovakia, Latvia and Lithuania, 5 chapters with Bulgaria and 4 chapters with Romania. This is in sharp contrast with the EU approach to the first group applicants where accession negotiations on the various chapters were opened en bloc for all applicants. By mid-2000, the EU has opened all chapters of the *acquis* with the first group, except the chapter on institutional reform, which will be opened after the end of the intergovernmental conference in 2000.

With this approach there is a chance for the more advanced applicants from the second group to catch up with the first group. And there is also the opportunity that all 12 applicants become members of the EU in one great wave. The opening of different number of chapters with the Helsinki group countries has created, however, some political tensions. Under this “carrot and stick” differentiation it was not clear whether the opening of a different number of chapters with the different applicants reflects objectively the “preparedness” issue on the CEE side or merely the different target dates set up by each applicant. On the one hand, the second-group applicants are aspiring for differentiation in the accession negotiations; on the other hand, countries such as Bulgaria and Romania find it unfair to have differentiation in the starting positions of the accession race, e.g., in the opening of different number of chapters of the *acquis*. They insist that differentiation should be targeted not at the opening of chapters but at the different pace of negotiations in accordance with the pace of preparedness of the applicant country to meet the accession conditions. Furthermore, there is some tension among the second group applicants that the negative experience of the more advanced negotiations with the first group applicants might negatively impact the negotiations with the second group applicants. When negotiations with the first group started, the EU assumed that these would be relatively easy but in reality they turned out to be much more difficult than

expected. Hence, the second-group countries have the feeling they are screened more carefully than the first group, largely because of the negative experience with the first group.

Despite the general approach that each CEE applicant holds separate negotiations with the EU on the chapters of the *acquis*, there is some coordination of the accession effort among the applicants, especially within each of the two groups and among the fast-track applicants. There are meetings of chief negotiators and the ministers of foreign affairs, mostly for the purpose of exchange of information and sometimes the issuing of statements of common will and political declarations, as was the case with the Visegrad states' June 2000 declaration to the EU announcing a fixed target date of enlargement. There are no official meetings of negotiators from the first and the second groups, perhaps because of the different stage of advancement of negotiations and the belief that the opening of negotiations with the second-group countries will somehow delay the accession of the fast-track countries. There are, however, several working contacts at the expert level, especially in Brussels.

In addition to this formal "stick and carrot" differentiation among applicant countries, there is another one, among small and large applicants, and among states which have borders with the EU and those which are geographically more distant. As some Brussels-based institutions such as the Center for European Policy Studies have announced, in practice the EU has only one set of accession negotiations and they are with Poland. The Polish negotiators already have the feeling that their country, as being the biggest one and bordering Germany, is especially carefully screened for its preparedness by the EU negotiation team. The potential impact on the EU of Poland's economy is much bigger compared with the small applicant states. If something fails in the accession process, the effect on the EU will be much larger. In addition, Poland and Hungary are very carefully screened in terms of the problem of free movement of labor. According to some EU studies, it is expected that of the projected 120,000 immigrants from the CEE countries upon accession, about 80,000 will go to Germany. It is thereby expected that the problem of immigration will be largely a problem of commuters from Poland and Hungary to Germany and Austria.

III. The Soft Pillars

The soft measures adopted to address the problems of enlargement/accession include, first, Euro-level institution-building and governance and the reorientation of the PHARE program towards delivering "accession-driven" assistance and making institution-building a priority. Secondly, the soft preparatory measures include the development of a twinning program, which has been designed to overcome the lack of personnel within the Commission who possess the necessary technical and expert knowledge to aid the CEE countries in their efforts to adapt to the *acquis*. Thirdly, the enlargement/accession process has involved transnational party and interest group networks; fourthly, global actors such as the IFI were also involved in the accession process, to finance the domestic

effort to meet the requirements of accession. And finally, the accession process also involved, to some degree, foreign investors.

A. Trans-governmental Institutions of Enlargement/Accession

Taking as a model the powerful European Council, the Europe Agreements regulated the establishment of “supreme” decision-making association councils between the EU and each applicant country. The association councils oversee the implementation of the Europe Agreements in each CEE country as well as the examination of major issues arising within the framework of the agreements. The councils are established at a ministerial level and generally meet once a year. So far, each of the ten association councils has held five to seven meetings. The association councils consist of members of the European Council and the European Commission, together with members of the governments or experts appointed by the governments (normally at Foreign Minister level). The presidency of the councils rotates annually between the EU and the associated country. The association councils have the power to make binding decisions and to issue appropriate recommendations drawn up by agreement between the two parties. They also facilitate bilateral political dialogue; handle trade and other economic and commercial issues; develop all areas in the agreements that are not fully resolved at the time of the agreements' negotiation; and, by fiat, settle disputes between the EC/EU and the associated country relating to the application or interpretation of the agreement. If the councils fail to reach a decision, arbitrators are appointed (one by each party, and one by the respective council) whose decisions, obtained by majority vote, are binding on each party of the council.

In much the same way that the European Commission assists the Council of Ministers, the association councils are assisted by expert association committees, which prepare the ground for decision-making and may be given any of various powers by the association councils, entirely at the councils' discretion. They consist, on the one hand, of members of the Council and Commission of the EC/EU, and on the other, of representatives of the government of the associated country at senior civil servant level. The committees meet at least once a year, typically to discuss four major categories of issues: political and economic developments in the European Union and the associated country; trade and trade-related issues; other cooperation issues, such as PHARE or questions of economic cooperation; and reports from subcommittees. The association councils can also establish specialized committees. Some specialized committees have already been established in all pre-accession countries to address, for example, agriculture, transport, economic policy, making national laws consistent with EU common law, and policy relating to competition. The hottest debates within these committees concern trade and trade-related issues; other topics on the agenda remain relatively routine and consensual. (Mayhew, 1998: 55)

The association committees became an important learning institution for both sides in preparing for accession. In Brussels, large numbers of member state, Council, and Commission officials participate in the committees and when these entities meet in the capital of the associated country, up to 50 civil servants of the associated country are

commonly present. (Economic and Social Committee of the EC, 1998a and 1998b) The work of the committees involves actors beyond governments on both sides, such as economic agents, usually from the business communities, representatives of EU institutions, and various social groups affected by the accession process. The association committees are thus evolving as important organs of accession, addressing problems that have a major impact on the economy of the associated country, the economy of the Union, public opinion, and on the image of the accession process in both eastern and western Europe.

In keeping with the model of EC institutions—in this case, the European Parliament—the Europe agreements also provided for the establishment of association parliamentary committees. The committees enable members of the parliaments of the associated countries to meet and exchange views with members of the European Parliament. The association parliamentary committees have no legislative powers. They can make recommendations to the respective association councils, but their recommendations may not affect the decisions of the association councils, mirroring the practice that most of the European Parliament's recommendations are not binding on the European Council. Furthermore, the association parliamentary committees are not empowered to dismiss the association councils. This reproduction of the EU's much-debated "democratic deficit" could create problems as Europe expands. However, through these joint parliamentary committees that monitor the progress and functioning of the Europe agreements, the European Parliament is playing an active role in fostering democracy in the applicant countries. Inter-parliamentary delegations discuss issues such as political and economic transition, environmental and social issues, minority questions, and regional cooperation. At the meetings, both sides can evaluate the progress of the EU PHARE Program.

B. Reinforced Trans-governmentalism: Institutional Twinning

In order to help applicant countries strengthen their administrative and judicial capacity to meet the challenge of the *acquis*, the European Commission and member states have decided to allocate 30 percent of available PHARE funds to the accession process, and to offer expertise in the legal approximation through a process of "twinning." Twinning involves the pairing of EU experts with the candidate countries' experts and focuses on the same four key areas of the *acquis* in each candidate country: agriculture, environment, finance, and justice and home affairs. Member state officials are made available to CEE applicants as pre-accession advisors for long or short periods, depending on the needs in the candidate countries. Twinning combines different means, such as short-term expertise, training, services (such as translation and interpreting), and specialized help (such as specialized computer software), in addition to these Pre-Accession Advisors.

Under the twinning program, the Commission has entered into cooperation with the member states in an effort to provide direct assistance from member state administrations to corresponding administrations in the applicant countries. Unlike earlier PHARE programs, twinning places additional emphasis upon efficiency and

introduces a new concept, or “the obligation to achieve a clearly defined operational result in a particular field of the *acquis communautaire*. (Lohan, 1998) More specifically, twinning is related to a specific measure—various “twins” are brought to assist with each single task as it arises. Long-term advisors from the member states form the backbone of the twinning program, which is implemented through efficiency-oriented contracts and tendering, funded by the PHARE program. Twinning is complimented by a networking concept (a Network of National Contact Points), or an effort to improve the training of CEE officials by encouraging current member states to establish on-going contacts among themselves, and between the member states and the CEE applicant countries. This is necessary to ensure the widest dissemination of information on the various training courses and programs which national administrations operate with and from which CEE applicants may benefit. (Krenzler, 1998: 18-19)

In its 1999 Regular Report on Progress towards Accession of each of the candidate countries, the European Commission emphasized the creation of twinning partnerships in order to strengthen the administrative capacity of the candidate countries to implement and enforce the *acquis*. A total of 108 such projects had been created, involving all candidate countries and almost all member states, and focused primarily on the priority sectors of agriculture, environment, public finance, justice and home affairs, and preparatory measures for the structural funds. (European Commission 1999a, 1999b, 1999c, 1999d)

C. Transnational Party and Interest Group Networks

EU countries are strengthening ties with the ten applicant countries not only through structured meetings at the European level, but also, in a less visible but effective way, through the actions of west European political parties and other groups, such as trade unions, employers, and non-governmental organizations. These latter entities and groups are helping the applicant countries cope with accession problems such as the implementation of the *acquis* through increased organizational cooperation and integration. Such transnational ties mostly reinforce the EU’s democratic conditionality towards the CEE applicant countries. They do not directly guarantee the fulfillment of the accession criteria; but indirectly make it easier for national actors to agree within a narrower range of rules and practices.

Important for the democratic conditionality of accession are transnational party linkages developed by the European Parliament, EU-wide party organizations and member states’ national political parties, with political parties in CEE (Pridham 1999). As Pridham reveals, these linkages have operated in several parallel ways. They function as parliamentary groups in the European Parliament but also through transnational party federations, such as the Party of European Socialists, the (Christian Democratic) European People’s Party and the European Liberal Democrat and Reform Party.

Transnational cooperation between parties in CEE and western Europe has taken several forms, including training, moral and material support, and political monitoring. This cooperation bears direct influence on party identity and early programmatic

development, the acquisition of political experience and expertise, and the build-up of organizational mechanisms. Through these trans-European political ties, the post-communist countries have learned some basic lessons in western European democracy, as well as many organizational lessons in preparing for EU membership, such as how to launch a political campaign, organize local members, and raise funds. (Dandridge, 1997) They have been further helped financially and organizationally through the activities of foundations that are closely linked with political parties.

Most recently, there is a shift from training to policy discussions against the background of growing official links with Brussels and the prospects of EU membership. With the advancement of the accession process, transnational linkages became more institutionalized through programs of mutual visits, common policy seminars, and associate or observer status with full EU and EP membership in mind. Overall, although this transnational activity has played a low-profile role for the democratization process in CEE, it is nonetheless increasingly seen as an informal channel for promoting entry into the EU and establishing influence in Brussels once accession occurs. (Pridham, 1999: 71-73)

Cooperation is also visible at the interest group and non-governmental level. European interest group organizations, especially the European Trade Union Confederation (ETUC), have developed a policy of active cooperation with trade unions in the ten associated countries. The ETUC has set up a standing committee on integration and employed experts on the ten associated countries in its secretariat in Brussels. The trade union federations affiliated with the ETUC are helping trade unions in the applicant countries to set up standing trade union committees on European integration, which have a coordination secretariat and specialized working groups (in particular, for economic, social, and legal policy) to help workers make themselves heard by their governments. The western European unions have been particularly active in helping applicant countries' unions formulate statements, opinions, and policies on accession.

D. The International Financial Institutions as a European Power

The Accession Partnerships now serve to mobilize all available resources to prepare the applicant countries for accession. Financial aid comes in part from a renewed PHARE program, the European Investment Bank, and the European Bank for Reconstruction and Development, as well as from international financial institutions and foreign direct investments.

The role of the IMF and the World Bank as heavy lenders in the early years of transition was gradually eclipsed by the impact of EU integration. With the expansion of the EU's eastward enlargement project, the international financial institutions and especially the World Bank have been actively involved in the preparations of the CEE countries for accession. The EU's Copenhagen accession criteria of 1993 and accession partnership agreements from the summer of 1998 have become a benchmark for the IFI's policies in the region. In view of the limited resources available from PHARE, the EU envisaged close cooperation with the European Investment Bank, the European Bank for

Reconstruction and Development, and the World Bank. In October 1997, the EU set up a joint working group to determine how the four institutions can best coordinate their interventions in the candidate countries. A Memorandum of Understanding spelling out the modus operandi among these institutions was signed in March 1998. The World Bank had already held discussions with most of the candidate countries to determine what type of assistance would best help them meet membership requirements. In Brussels in December 1997, the European Union and the World Bank established a joint accession initiative with the ten applicant countries, the so-called European Borrowers Network Initiative. The Network concentrates on the organization of educational and training seminars in Brussels for government and business officials from the ten applicant countries.

E. Foreign Investors

With enormous external debts, the countries of CEE see foreign capital as essential, and they have accordingly enacted legislation permitting foreign investment, launched privatization programs, and negotiated a network of investment protection and double-taxation agreements with the rest of the world.

During the early years of transition, flows of foreign direct investments into the countries of CEE were small, but subsequently they accelerated sharply. According to World Bank estimates, foreign direct investments in CEE and the former Soviet Republics nearly doubled in 1995, reaching 5% of world inflows compared with only 1% in 1991. Inflows of foreign direct investments to the CEE have been heavily concentrated in three countries—Hungary, Poland, and the Czech Republic. These countries have received over two-thirds of the total foreign direct investment. From 1990 until the first half of 1998, Poland attracted \$25.6 billion worth of foreign direct investment, Hungary \$22.5 billion, and the Czech Republic \$7.6 billion. (*CTK Business News Wire*, December 28, 1998) The EU accounts for about three-quarters of the foreign direct investments in Hungary and Bulgaria, two-thirds in the Czech Republic, Poland, Slovakia, and Slovenia, and over 50% in the Baltic states. (Nello and Smith, 1997) While market size is an important determinant of foreign direct investments, success in the political and economic transition is also a key attractant. Foreign investors are also attracted by the relatively cheap, well-educated labor supply and the proximity of some countries of CEE to the western European markets. As several authors have observed, in the case of foreign direct investments, success breeds success—a stable, successful transition attracts foreign direct investment, which further aids the transition. (Estrin *et al.*, 1997; Grabbe and Hughes, 1998). Most recently, foreign direct investments were favorably influenced by the decision of the EU to expand eastward. The prospect of EU membership was seen as a guarantee of economic and political stability, which foreign investors view as indispensable.

Private actors are vitally important in the transition to capitalism and accession to the EU. Foreign companies bring about direct capital inflows that help meet the economic conditions of accession. They facilitate industrial restructuring and lead to changes in economic structures, the technological base, product markets and services, and

labor markets. Foreign companies also create spillover investment effects on domestic suppliers. For example, VW has cajoled 80 foreign suppliers into setting up Czech factories or buying Czech firms. (*Business Central Europe*, 1999). In promoting a restructuring of domestic suppliers, foreign companies are modernizing the industrial base in CEE. Their impact is mostly felt through technology transfers in selected industries.

By creating their own interest organizations, and/or through their membership in domestic business associations and networks for active political lobbying, foreign companies are able to influence government policies aimed at restructuring the corporate sector and the domestic macroeconomic environment. Through their engagement in domestic policies and arrangements, foreign corporate actors can influence public policy at all levels. Despite the possibility that “investment wars” will result as growth rates, efficiency, and living standards are raised through technology transfer, new and better management techniques are introduced, improved market access in other countries is gained, and competition is increased (Bergsten, 1974; Bergsten *et al.*, 1978), while foreign companies are no longer viewed with suspicion by national governments as creating an unhealthy dependence of the host nation upon foreign capital. (Graham, 1996; Moran, 1998)

IV. Conclusions

The effects of European policy-making and global forces on the domestic structures of nation states have traditionally been described as “strengthening,” “weakening,” or “transforming” the “state.” Following Borzel (1998), I present a much more variegated picture of the effects of Europeanization on domestic politics and institutions in the CEE countries aspiring for EU membership. It reveals domestic political and institutional change as the result of combined pressures: (a) from below, by state and non-state actors in pulling down global strategies and European policies to the national level—by harmonizing their domestic legislation with the EU common law; and (b) from above, by European and global actors, in their coordinated attempts to enforce the implementation of the *acquis* in full before accession (with the prospect of infringement proceedings once CEE countries are granted membership). EU policies and policies of international lending institutions, as well as strategies of foreign corporations with subsidiaries in nation states, can, on the one hand, offer additional resources to some domestic actors (such as information, competencies, expertise, and money), and, on the other, deprive other domestic actors of the same resources.

Compared with the EU accession variable (including the specific features of the timing of accession, accession conditions, and the unfolding of accession negotiations), domestic structures have had subordinate and, at most, intervening effects on the CEE politics since the opening of accession negotiations in early 1998. Furthermore, while the “hard,” legislative aspects of accession to the EU are most important for domestic change and EU integration in general, the “soft” pillars of accession and Europeanization give flexibility and smoothness to the process of accession and hence to domestic change; they often serve as intermediating factors in CEE’s efforts to meet the accession conditions.

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