

## EUROPEAN UNION ENLARGEMENT TO THE EAST

### The perspectives and expectations of the Visegrad states

#### ABSTRACT

*As the Central and East European candidates for the next round of negotiation on joining the European Union were nominated, the debate on EU enlargement has reached a critical point. Now the rhetoric of postulating European solidarity and emphasizing the openness of the Union for all European states is not enough any more. Concrete steps must be taken both in the Union and the states applying for membership. The internal political, economic and societal reforms of so called Visegrad states must be completed as well as the institutional framework of the European Union, including its patterns of decision-making. This article deals with question of reorganizing the administrative structure, e.g. to decentralize in order to anticipate the regional structure of the Union, and the question of how the structure of the European agrarian policy should be reformed to make it fit for the competition with the new members?*

*Key words: EU enlargement, reforms, political parties, development, structural policies, decentralization*

The European Union (EU) is a highly attractive community of states for the new democracies in East and Central Europe (CEE) since the beginning of the transformation processes of post-socialist societies. Ten countries of CEE have already signed association agreements with the European Union: Poland, Hungary, the Czech and the Slovakian Republics, Slovenia, Bulgaria, Romania, and the three Baltic states. The goal of becoming full members of the EU was, especially in the so called Visegrád-States,<sup>1</sup> not taken into doubt neither by the governing parties, nor by the opposition. After a first phase of maintaining the accession both by the countries of the EU and the governments of the CEE-states - against the background of the „return of these countries to Europe,“ with emphasis on the unique chance to establish a united Europe - it is the time now to concentrate on how to work out the unification.

The debate on EU enlargement has reached a critical point, when the candidates for the next round of negotiation on joining of the Union were nominated, i.e. Hungary, Poland, the Czech Republic, Slovenia and Estonia.<sup>2</sup> As of now, the rhetoric of postulating European solidarity and of emphasizing the openness of the Union for all European states is not enough anymore. As it becomes clear that these countries will join the Union in the near future,<sup>3</sup> concrete steps must be taken.

We all know about the obvious necessities which must be fulfilled in order to integrate the formerly socialist countries into the European Union. They are twofold:

First, internal reforms within these states must be completed - or at least be brought to a level that allows for joining a community of states whose experience of democracy and market-based economy goes back as far as more than forty years. This is not only meant to adjust the legal system to the *acquis communautaire*, the legal framework of the union, but also to establish an administrative system that works well and efficiently. Beside this it must be sure that the relevant political powers are sharing the wish of integrating their country into the Union and that there will be no fundamental changes in foreign policy after a change in government. And, finally, people must understand and accept European values in order to create a political culture which fits the civil society concept of Western European countries.

Second, the institutional framework of the European Union itself, including its patterns of decision-making, needs to be reformed. Mechanisms of consensual decision-making might be necessary and sufficient for an international organization. They are, however, less than optimal for a Union which assumes a major role in various fields of policy-making. This role has already reached a critical level and raised concerns about the democratic legitimacy of the Union. The joining of several new states in East-Central Europe might, however, lead to both a constant gridlock and the erosion of legitimacy to an extent unrivaled by what we have seen so far.

These two sets of problems, internal reforms within the candidates applying for membership and institutional reforms within the European Union, are well-known. However, if we break them down to the "micro-level," i.e. to concrete problems in various issue areas, we might get a better understanding of what is needed in practice. It is also necessary to deal with questions of interest constellations, i.e. what interests do prevail in the associated countries, what kinds of coalitions of interests can be observed and who are the proponents and opponents of EU enlargement? In this presentation we will focus on the so-called Visegrád states, mainly Hungary and Poland. This is not meant to be a complete overview. We will rather try to clarify a couple of points that seem important to us by referring to different examples from the Visegrád states and by focusing on one central point to be clarified by the EU before the enlargement. However, we want to ensure that these problems are seen in their political, societal and historical background. That is why it is necessary to refer to and clarify the wider structure of the above mentioned points. Some questions are:

- which are the developments in the party systems and which political forces support the process of European integration?

- what must to be done to reorganize the administrative structure, e.g. to decentralize in order to anticipate the regional structure of the Union?

- how should the structure of the European agrarian policy be reformed to make it fit for the competition with the new members?

## **1. Problems within East and Central European countries that ask for remedy**

There are three general sets of motives which nourish the wish of East and Central European countries to become members of the European Union relatively quickly:

- First, ensuring economic prosperity by developing a market economy.
- Second, ensuring democratization.
- Third, ensuring peace and independence from the former Russian hegemony.

Integration into the European Union is considered crucial in order to successfully pursue all three of them.

It might come as a surprise that many countries in East and Central Europe consider the enlargement of the EU as being of equal importance for their military safety and independence as the enlargement of the NATO. Becoming a member state of the NATO is not likely to happen for a couple of states, especially the Baltic Republics, in the near future.<sup>4</sup> However, membership of the EU can be an interim solution. This reasoning is even more sensible, as there is mutual assistance within the West European Union (WEU), which sometime will be part of the interior structure of the EU. Moreover, in the future the reformed common European foreign and security policy will strengthen this aspect. Especially the Baltic states can be expected to become proponents of an integrated European security policy if they are not becoming members of the NATO, so that for these states the EU must fulfill the role as the protector of security. This is particularly important as there is an outstanding consent with regard to integration into the military and political structures of the NATO in CEE.<sup>5</sup> Not considering their wishes to join NATO would create big distrust as to promises of Western states which even could lead to a break in the reform process. The European Union is the only organization which can counterbalance the disappointment of a possible „no“ for NATO-membership. Therefore the EU must reform its common foreign and security policy, e.g. in integrating the West-European Union (WEU) into the EU-structures in order to develop a system which is able to intervene militarily in a case of aggression to one of their member states.

Why is the European Union important for political democratization in the countries applying for membership? Four aspects must be mentioned:

- First, the European Union and its members serve as a role model for many young democracies in the East. They have been serving as models for both constitutional engineering and establishment of a multi-party system. The separation of powers within the institutional arrangement has often been copied from Western models, even though all countries in East and Central Europe have modified them.

- Second, as good constitutional engineering alone cannot ensure the functioning of democracy. The Union and its member states have served as role models for how to deal with the new institutional framework as well. That is, the now operating institutional arrangements need rules that ensure democratic decision-making and democratic bargaining among and between various societal, political and economic interests. Interests must be represented within political institutions and be integrated in all processes of formulating political goals. If the process of legislation is untouched by social and economic interests, the political system is likely to lose legitimacy soon.

- Third, the modes of dealing with specific issue areas, including very specific policies, have often been inspired by Western models. Three issues might be taken as examples.

A) Regulation and the establishment of regulatory regimes. Both institutions and policies in many fields such as transportation, telecommunication and utilities have been either copied from the West (and again modified), or have been designed in a way that fits with the standards and goals set by the European Union.

B) The relationship between church and state had to be based on a new foundation. This is, of course, more important in some countries, such as Poland, than in others.

C) The rule of law and due process (Rechtsstaat) had to be guaranteed. Western standards and Western understanding of what these principles mean and how farreaching they are have had a crucial impact.

- Finally, the process of European integration has served as a role model for the creation of regional structures of cooperation. That is, regional cooperation across national borders as well as among subnational units. There are several examples:<sup>6</sup>

- In 1991, the Visegrád group was founded by Poland, Hungary and former Czechoslovakia.

- Furthermore, there was the Central European Free Trade Agreement,<sup>7</sup> the Pentagonale,<sup>8</sup> the Black Sea Cooperation, and later the Central European Initiative.

- However, on the subnational level of regional cooperation, there are the Győr-Vienna-Bratislava cooperation, the Carpatian Euregio,<sup>9</sup> and since fall 1997 the Duna-Máros-Tisza Euroregion.<sup>10</sup> These forms of regional cooperation follow a West-European model of dealing with international problems that needed a new mode of addressing them as old structures of trade and economic exchange, in particular the CMEA, have broken down.

One might assume that these forms of cooperation serve as "substitute integration." Instead of joining the European Union, so the argument goes, CEE states copy modes of integration from the West. Eventually, they might even form a Union by themselves. This argument misunderstands, however, both intention and effect. As often emphasized, especially by the Czech prime minister, Vaclav Klaus, any cooperation among and between the newly formed democracies in Eastern Europe, is not meant to substitute for or even delay participation in the process of European integration within the framework set by the EU.<sup>11</sup> Nevertheless, both willingness and ability to take part in building up forms of cooperation by oneself may be seen as an indicator for how "fit" a state is to take part in the European Union. States that refuse to participate due to tactics and political rationale, be it an upcoming election or be it resentments against ethnic minorities, should not be surprised when their refusal now will be interpreted as a lack of ability to cooperate in general. Cooperation between the CEE-states is not just a possibility but a need in order to restructure the old trade-relations among themselves. West European countries transact the most of their trade with neighbors, the intra-CEE trade is much lower than the trade between the CEE countries and countries such as the United Kingdom, Japan and the United States. Here is a grand possibility for CEE to extend their trade and to develop new markets. This is the more important as even the Eastern parts of Hungary and Poland, in direct neighborhood to Romania, Belarus and Ukraine are the weakest in their industrial output and trade volume.

## **2. Problems in the regional structure of the countries asking for accession to the EU**

Notwithstanding optimistic views on behalf of most governments towards the European Union, there are still a lot of problems ahead to be resolved. Among the most fundamental reforms needed are the following:

First, due to the socialist tradition of central government, there is still a lack of subnational units that fit with the NUTS structure of the Union. This is not to say that there were no. Even socialist regimes depended on subunits to govern and to administer. However, these subunits need to be constructed and classified in accordance with the NUTS structure. The present structure of subnational units in CEE therefore is too fragmented, the units too small.

As we can see in table one, the average population at the subnational level of the CEE states is just between 500,000 and one million, in some countries just below. In comparison, the average of EU-countries is between 2,552,000 (Greece) and 6,304,000 (France).<sup>12</sup> The CEE-states must somehow reform their regional structure in accordance with the EU-NUTS-structure. The new units then will be orientated more to the lower level than to the structure of big countries such as Germany and France.

**Table 1**  
**Territorial-administrative structure in East-Central Europe, 1994**

Countries	Number of subnational units	Average surface area, sq km	Average population, thousands
Bulgaria	9	12,322	997
Czech Republic	76	1,671	137
Hungary	19	4,896	542
Poland	49	6,381	774
Romania	39	6,090	588
Slovakia	38	1,290	138
Croatia	20	2,835	239
Slovenia	147	138	13

Source: Gyula Horváth (1996): Transition and Regionalisation in East-Central Europe, Tübingen, S. 25.

To fit the NUTS structure is important in order to (eventually) participate in programs funded by the EU. To participate in this European structure, these regions must develop a kind of „European competence“,<sup>13</sup> which allows them to outline and to push forward their specific needs and interests in Brussels. But such an „foreign policy“ on a subnational level, the most effectively of which is practiced by the German „Bundesländer“, is possible only if the units gain more competence from their central governments to solve their own problems. Therefore in most accession countries the units are too small. This problem was often recognized by both central governments and the subnational units themselves and there are a lot of ideas how these problems can be solved.

There are plenty of alternative suggestions for reform in Poland. The idea is to reduce the relatively high number of administrative units (Wojewodships) and create larger regions. There is hardly any consensus about what competences these newly formed units shall have and thus, many regional elites oppose any reform as they cannot be sure that they will keep their powers. Considering the German experience of a failed fusion of two Länder, Berlin and Brandenburg, it is not surprising that there is massive resistance to change. It seems that this discussion gained new impulse when the new central-right government came to power in 1997. But not just the size of the subnational units is of importance, but also their legitimization. The Heads of the Polish

Wojewodships, the Wojewods are nominated by the central government. This is not a problem per se. Other European centralized countries are functioning in the same way. But if a system which takes the above mentioned possibility of a European competence seriously were established, there would be a lack of democratic legitimacy as the subnational units gained increasing competence. If more and more decisions are made on subnational level, according to the principle of subsidiarity<sup>14</sup> of the EC-treaty,<sup>15</sup> it must be clear which unit is responsible for the actions taken. There must be a way for people to agree or to disagree with the politics of the regional unit, and this is most effectually possible if there are free elections and an elected government. To us this seems to be not the only, but rather the best possibility in order to make the regions fit for European integration.

But a growing competence of subnational units is not often actually maintained by the central governments. Ilona Pál-Kovacs has described this problem for the Hungarian case:

„The technocrats of public administration might accept that regional level administration and coordination might accept that regional level administration and coordination are necessary but they are definitely reluctant to let non-professional representatives of a democratically elected political body interfere in professional issues.“<sup>16</sup>

In Hungary, on the other side, discussion has led to a law on regional restructuring.<sup>17</sup> According to this law, the existing subunits, the counties (Megye) have a choice of either keeping their status quo or "teaming up." The Hungarian capital Budapest is, however, exempted insofar as it must unite with its agglomeration. The same holds for the Lake Balaton and its surrounding area. As of now, negotiations have started and concrete ideas have been put forward. For example, the Westernmost counties Vas, Győr-Moson-Sopron and Zala consider to unite as all three of them lay on the border, especially to Austria. Thus, the joining of these three promises a multiplication of funding from European programmes supporting regional cooperation. Hardly surprising, that inland counties such as Veszprém try to join those efforts of cooperation. After all, it seems that the European Union and its programmes, i.e. its funding, has a major impact on regional restructuring in Hungary.

Finally, the Slovakian Republic has already reformed its former East-West structure of regional division and replaced it by a more North-South orientated division. This might make some sense with regard to the geographical situation of Slovakia. However, whether intended or not, there is another side effect: formerly homogenous settlements of the Hungarian minority in the South of the country are now sliced and merged with Northern parts of Slovakia. Thus, whereas there was a Hungarian majority in some regions before, there is no region with such a majority now. Furthermore, these new regions were not given more competences which strengthens our guess that Europe did not really play a decisive role here. Rather, the new structure seems to serve Meciar's policy towards minorities.

Second, due to a different chronological order of joining of the EU, a new boundary will be drawn in Europe. Poland, the Czech Republic, Hungary and Slovenia will probably accede to the Treaty at the same time. However, there is no reliable forecast of when Bulgaria, Rumania, the Baltic states or Slovakia can, not to speak of Ukraina or Belarus. The new frontier that will come into being if some East and Central European states join the *Schengen agreement*, will bring about several technical and financial problems for the new member states. If, for instance, Hungary joins the agreement, it will have an EU-border with Croatia, Serbia, Romania, Ukraina and Slovakia. Almost five sixth of its boundary will be identical with the outer EU-border as well. Beside enormous resources needed to make sure that this frontier is safe, a new boundary will develop right in the heart of an area that has just begun to unite as an economic region. Frontiers will become bottlenecks for both people and economic goods. This will have negative consequences in Hungary for the Eastern part of the country in particular. Whereas the West enjoys economic prosperity and a booming economy operating at a high level of employment, the East suffers from recession and high unemployment. High rates of crime, especially among adolescents, an overaging population and industrial decline bear witness of the negative consequences economic imbalance can have. Regional development must therefore become a first priority and the European Union should provide here for financial and technical help.

### **3. Political parties, political elites and the impact of „european orientation“ for a stable economic development**

Let us turn now to the goal of ensuring economic prosperity and creation of a market economy as a precondition for the stability of the political sytem as a whole and for the implication of both economic reform and Europeanization for the establishment of stable and functioning party systems. The latter has been crucial in particular for those countries, whose transformation was initiated by economic crisis. A prime example is Hungary. The now (again) governing Hungarian Socialist Party (MSZP)<sup>18</sup> had a group of reformers, namely Nemeth, Horn and Pozsgay, as a leading elite already in the late 80s. This elite knew that actual reforms need more than systemic modification. Any reform that is meant to be more than cosmetics would put into question the system as such. Economic crisis was no longer perceived as caused externally, but as an endogene problem of the system itself. Thus, system transformation was inevitable and even though Nemeth, Horn and Pozsgay could certainly not foresee the actual development, they were convinced that there was and is no alternative. In short, system transformation in Hungary was initiated by the political, socialist elite.

However, the people did not consider them able to "transform" the system and conservative parties and groups gained electoral victories in the „year of elections, 1990.“ The same holds for Poland and Czechoslovakia. What is interesting though is that the Socialists who had first been kicked out of the government came back to power in Hungary, in Poland, and in Bulgaria. Moreover, it was the old socialist "transformation



elites" who enforced consolidation of the market economy and thereby re-started the stuck process of economic transformation in Hungary. This might come as a surprise, it is, however, rather logical when looking at it in greater detail.

Conservative and liberal groups and parties endorsed the goal of becoming part of Western structures of cooperation and ultimately taking part in the process of European integration. However, their rationale was not necessarily economic in nature. There was a strong wish to "come back home to Europe," i.e. coming back to the roots of a christian, bourgeois culture and leaving behind socialist traditions which were then considered incompatible with the respective culture of the country. This ideological cause ignored, however, two historically grown circumstances in Poland and Hungary in particular:

In Hungary the trauma of Trianon in 1920, that is the loss of two thirds of the state territory, including the loss of a formerly hegemonic position, has not been forgotten. Foreign control over both the lost territories and the core country (through the Soviet hegemon) did not resolve any problem, e.g. the Hungarian minorities in that region. Nationalist groups brought this problem in particular back on the agenda right after the break down of the Soviet Union. However, this did not help the progressive and West-oriented parts of the government to cope with them. Nationalist overtones led some Western observers to the wrong conclusion that the break down of communism has freed a powerful wave of nationalism which is carried on by the whole people, when only parts of it actually supported nationalist ideas. This is all the more important, because such parties became governing parties, for example the Independent Smallholders Party (FKGP) in Hungary, or became important and influential wings in governing parties, such as the „Csurka-group“ in the Hungarian Democratic Forum (MDF), the winner of the first free elections in Hungary in 1990.

Under the rule of conservative government, the three "unwritten" goals of Hungarian foreign policy, Western orientation, protection of the Hungarian minorities abroad, and equalization (Ausgleich) with the Hungarian neighbors were unilaterally brought out of balance in favor of what they called the "protection" of Hungarian minorities. In this field their politics came into conflict with European standards. In this circumstances it would be rather difficult to establish a „good neighbor system“ with countries such as Romania or Slovakia. As the absense of ethnic conflict is an important precondition for joining the EU, this should have to be solved. As the Socialist-liberal coalition came into power in 1994, the three goals of Hungarian foreign policy came back into balance. But the question about the "conservative position" in this field couldn't yet be solved. But what would have been the answer of the conservatives to this question when they remained a governing party?

What is even important with regard to the process of European integration is the rhetoric of some conservatives. While verbally pushing for membership of the European Union, some conservatives revealed central cleavages within conservative parties:

One is, for instance, the alternative between Foreign Direct Investment and national accumulation of capital. Some nationalists feared the „sellout of of the country“ to Western speculators. One of the most sensitive question here was and is the selling of farm land to foreigner. This question will be the matter of a referendum in Hungary in 1998. Although the selling of farm land to foreigner had not been a problem in the past and is not a burning question in Europe either, nationalists and conservatives alike consider it a "sacred cow." It seems though that their concern is not purely ideological. Rather, the rationale for blowing up a minor question to a problem that needs resolution through a referendum is political as many conservatives and nationalists see little room for manoeuvre to compete with the governing MSZP which is a propagonist of liberalizing all parts of the economy in order to fully participate in the common European market as soon as possible. In this case we have the same problem as in the minority question. The conservative forces have to decide between Europeanization and their ideological and personal background. If we take the outlined contradictions into account, it must be better for the Hungarian conservatives not to receive governing responsibility after the 1998 elections. As a governing party they would have no choice but to choose.

A second example is what can be called "conservative collectivism." That is, there is a sharp cleavage between the dominant Western tradition of individualism and a specific form of collectivism in East and Central European states which cannot be seen independently from socialist tradition. Party camps and cleavages in CEE differ from those in Western Europe in the straightness of economic and political directions. As surprising it might sound, often socialist parties link market orientations with political individualism and freedom values. Therefore conservative groups are standing for an important role of the state in the economy and for a social collectivism which is based on an idea of the specific tasks for the "nation." Table 2 outlines this for the Hungarian case right after the breakdown of the socialist regime (see page 110).

The lack of liberal and individualist orientation can be observed when looking at electoral outcomes. All candidates for membership in the EU show that liberal parties with a classical orientation towards economic liberalism and the value of freedom have hardly a chance to get elected. The only way to survive electoral competition is to adopt socialliberal or nationalliberal positions. "Conservative collectivism" is characterized by an emphasis on national and populist values which sometimes support discrimination of foreigners and dissidents. That has, of course, nothing in common with the idea of European integration and is rather a hurdle on the way to a civic culture.

There is, however, a third cleavage which has gained great importance especially in Poland. That is, the separation of state and church. The Polish episcopate sharply criticized European orientations with regard to the fact that Western societies are individualistic and fragmented instead of based on social and Christian values. This is the more important as the pope was a Polish citizen and played a major role in the Polish dissident movements. The attack on Europeanization was partly supported by conservative parties. The church gained great importance in the electoral campaigns of

some of the successor parties to the Solidarnosc movement. The electorate disagreed, however, and shifted towards the unified left afterwards. In the 1997 elections the church played a more moderate role, which was an important factor for the victory of the conservative camp. One might see whether the separation of church and state which naturally was supported by the united leftist in their period of governance will be partly canceled by the new government.

**Table 2**

**Categorization of the Hungarian parties according to their programmes and political orientations**

left		right	
international	SZDSZ, FIDESZ, MSZP	national	MDF, FKGP
secular (atheistic, anticlerical)	SZDSZ, FIDESZ, MSZP	religious	KDNP (MDF, FKGP)
urban	SZDSZ, FIDESZ, MSZP	rural	FKGP (MDF)
industrial	(MSZMP, MSZDP)	agrarian	FKGP
employee disarmament ('lighter')	MSZDP SZDSZ, FIDESZ MDF, FKGP	employer defence ('stronger')	-
liberal (human rights, against death penalty, pro right to abortion)	SZDSZ, FIDESZ <sup>19</sup>	'conservative' (authority)	MDF, FKGP, KDNP

Source: Körösiényi, András (1990): Politische Gliederung (Political Structure); in: Bayer, József/Rainer Deppe (eds.): Der Schock der Freiheit. Ungarn auf dem Weg in die Demokratie (The shock of freedom. Hungary on its way to democracy), Frankfurt/Main, p. 122.

Cleavages such as the ones mentioned above could be observed in many conservative parties and the party systems and there were quite a few instances where they led to coalition crises and division. For example, MDF and the Christian-Democratic People's Party (KDNP) in Hungary split. There was, however, no real solution to these problems as the conservative parties lost their power in exactly those countries where the cleavages were most visible.

In short, it is the Leftist sphere of the political spectrum which represents the idea of European integration in some cases much better than the Right. This holds at least in countries such as Poland and Hungary where the former socialist parties were fundamentally modernized and reformed. These socialists have become socialdemocrats, even though there are still differences to their Western counterparts. However, Bulgaria and Romania differ somewhat as their conservative parties have not gained responsibility within the government until recently.

What is the rationale for leftists parties to endorse moderate but consequent integration into the EU? Two seem somewhat evident:

- First, there was a need to evade stigmatization during the first years of conservative government after the break down of communism. One promising way was to gain respect abroad. Socialist governments have quickly learned that nationalistic overtones put Westeuropean governments off. By not playing the nationalistic card, the socialists gained new standing. While conservative governments had just begun to get into conflict with European heads of government and heads of state, the newly elected socialist governments quickly settled disputes as they had nothing to lose with regard to "national questions."

- Second, there was strong fear of a "second failure." The economic breakdown of the socialist regime was inevitable blamed on socialist governments. As, for example, the Hungarian conservatives did a bad job when they were in government, they were kicked out in 1994. Now, the socialists had a second chance. They knew quite well why they were elected. People assumed that the Socialist Party was more professionalized with better expertise in governing a country than the conservatives. Thus it was clear that they had to follow a different line. As conservative collectivism prevailed before, they now had to do something which appears to be a paradoxon for a socialist government: cut back of the budget deficit, bring the budget back into balance and an economic policy which basically copies Western monetarism and a supply-sider philosophy. The former conservative government never dared to engage in such radical economic reforms. The lack of public funding for welfare and deficit spending provoked a lack of internal demand for goods and services. As a consequence, firms faced undercapitalization. To cope with this problem, the government quickly realized that capital from abroad was needed. From here, it was only a small step to make out European integration as an indispensable part of a socialist political profile.

Against this background it is surprising that different authors have seen the rule of post-socialist parties as a "cause of concern."<sup>20</sup> A cause of concern is rather the fact that in some countries conservative parties still haven't found their way to present themselves as an alternative to the leftist "governments of experts." If these parties are not seen as an alternative to the socialist government by the electorate, the possibility of change which is so important for democracies is not given, which an evident effect to the change of governments.

#### **4. European Union enlargement to the East and the pressure to reform European sectoral policies**

The economy of all East and Central European States is not yet fit for a common market. Industrial structures suffer in many cases from large and ineffective organization. Many countries still hesitate to make these industries subject to the full force of international competition. Therefore we can see a lack of real privatization in some sectors as the most sensible. Privatization in this sectors, however, will be necessary in the long run.

On the other side, the European Union has successfully built up barriers against products such as steel, textiles and agricultural products which actually could compete if we only let them. Here, the Union itself violates fundamental principles of the market. A future accession of the CEE's to the EU will strengthen the need to reform this sectors. It is against the background of recession in some EU-countries, the need to consolidate the central budgets in order to fulfill the Maastricht criteria for European Monetary Union (EMU), and not least the wish of the big „netto-payer“ Germany to reduce its payments that it is not conceivable that the current system (which would, strengthening it to the new members, mean around 12 percent of public spending<sup>21</sup> to the CEE countries) could be maintained after the enlargement.

Let us take the agrarian sector as an example for the current discussion: Poland, Hungary, Romania or Bulgaria are traditional strong agricultural countries. The average of people working in this sector is higher than in the EU. Therefore agrarian policy plays a key role for the „stabilisation of the associated countries.“<sup>22</sup> It is counterproductive that the association agreements between the countries asking for membership and the EU are to some extent a disadvantage to the CEE's.<sup>23</sup> Even though it was often mentioned that the Visegrád countries profit from the uneven reduction of trade barriers, the EU could gain a trade surplus not only as the result of the modernization process in the CEE-countries, but as the result of the unequal treaties. And besides the Association Agreement, there are fundamental non-market elements in the EU agrarian sector which make it difficult for CEE's to compete. It is unreasonable that e.g. the former socialist Hungarian agrarian sector gained less subventions than the taxes and payments they had to pay over to the state.<sup>24</sup>

Import restrictions, fixing quotas, subsidies, price fixing and EU standardization have effectively established a regulatory regime in the EU, that has hardly any market elements left. As Gabriella Izik-Hedri described the current European agrarian system, it is rather orientated to protectionistic central decision-making than free market system.<sup>25</sup>

With a couple of transformation states waiting to join, the European Union is trapped in a Catch 22 situation: liberalizing the current agricultural regime will open up the European market for products that are more competitive and will thus get EU-farmer into trouble. Beside, a laissez-faire market is impossible as certain standards as to nutrition facts, health, etc. seem indispensable. On the other side, extending the current mode of

pricing, subsidies and quotas will cause enormous costs for the EU member states. Therefore, any reform of the current agricultural regime must find a new balance of market-based pricing and production and state-guaranteed quality of food and income for farmers.

Several proposals for reform have been put forward. Beside a general call for freer markets, there are conceptions which argue in favor of a graduate integration of the new members and recommend decentralization and re-nationalization. Notwithstanding the reality of the agricultural sector just described, there are other aspects which have to be kept in mind when discussing reform proposals.<sup>26</sup>

First and foremost, agricultural policy within the EU is more than other policies characterized by a "status quo orientation."<sup>27</sup> It is a highly sensitive issue area that faces a lobby of interest groups, namely farmers, who are willing to defend their privileges. Those member states facing a particularly strong lobby of farmers, such as France, will probably protect these privileges in negotiations of a new agricultural regime. Not economic reasoning, but political bargaining has brought into being the current regime and consequently, it is protected by political interests rather than an economic rationale.<sup>28</sup> From an inside view of the Visegrád-states it is clear that it is difficult to accept a situation keeping the present advantages for old member states and refusing them for new member states. This is the more understandable when considering the Union's advice towards the CEE's to establish a regulatory regime which leaves the market a central role in the economy, but not taking this into account for their own interior market. For the CEE's in their rationale there are only two possibilities left: that the present system be opened toward them, or that a system of open and competitive markets be established. The differences in the expectations of the CEE's and the Union in the case of European agrarian policies once were the reason „for the standstill in negotiations in September 1991.“<sup>29</sup> This matter will be the most difficult part of the negotiations in the next years.

For the Undersecretary of the German Foreign Ministry, Hans-Friedrich von Ploetz, the question of the reform of the agrarian sector must not be answered now. Against the background of the negotiations of the World Trade Organization (WTO) there's a discussion starting anyway. Therefore the EU scarcely is making any „farsighted decisions“ (Vorratsentscheidungen) before time pressure leaves any room to make a decision.<sup>30</sup> It even could be a question of tactics not to make a decision in order to gain a stronger position in the WTO-negotiations.

Let's look at the proposals for reform in the agrarian sector in greater detail: graduate integration ultimately means that the new member states do not fully participate in the EU system of subsidies for agriculture. Although this would protect the budget for agriculture, which already accounts for about half of the Union's budget total, against overburdening, the new member states will not understand this two-class system. Furthermore, technical innovation and modernisation of agriculture in the new member states will certainly be hindered. This the same for the European agriculture as a whole in the

competition of the world market.<sup>31</sup> It seems rather unlikely that the European Court will tolerate any two-class system for longer than just a period of transition. However, if the European Union does not take this historical instance as a chance to fundamentally reform its agricultural regime, the pressure for change will weaken and the current strategy of "muddling through" will prevail once again.

Re-nationalizing seems to be an alternative, especially if one takes the principle of subsidiarity serious. Each state would set its modes of securing income for farmer and of fair pricing. The EU would then lose its dominant function. In view of a mere doubling of farmers after the candidates will have joined the Union, one might actually raise the question whether the current regulatory regime can cope with the new problems or whether agricultural policy should be given back to the member states. Moreover, as Ockenden and Franklin have argued, there is a fundamental problem to a commonly funded agricultural policy facing different conceptions of what agriculture means to the member states:

"For some countries rural policy could be about economic efficiency, for others the appearance of the countryside might be important. If this latter aspect is depicted as an arm of cultural policy, then, under close supervision from the Commission to ensure that competition is not distorted, there is no more reason to expect the policy to be commonly funded than that for opera houses."<sup>32</sup>

It has often been claimed that there is "competition between regulatory regimes," including subsidies. Two scenarios are possible. First, there will be a "race to the bottom" with weak and weaker regulation in order to compete with other countries on the world market. Second, governments will respond to the wishes for subsidies on behalf of the farmer's lobby and effectively create separate agricultural markets. According to their financial resources, countries will be more or less able to support their farmers. Neither scenario, race-to-the-bottom versus diversification of financial assistance due to budget resources, seems to be acceptable to the CEE's.

## 5. Summary and Outlook

As we have seen, the enlargement towards the East of the EU is despite all the problems the only way to maintain the CEE's „way back to Europe.“ Accession to the European structures would solve some of the most important problems in the region. The most helpful thing would be to ensure the accession of the candidate states to the European interior markets. Unfortunately these sectors, in which the CEE countries are strong, i.e. the agrarian sector, coal and iron, textil, are those which are protected the most in the EU. Therefore there's a serious pressure to reform not only single fields, but also the European decision-making system. In the mutual system of reform pressure both the EU and the CEE states can find a way of modernization which helps Europe as a whole to stand the pressure of globalisation.

Nevertheless, important steps must be taken to ensure that nationalist or even communist tendencies cannot find their way back to power. Therefore it is necessary to maintain the establishment of a civic culture. The rule of law, party competition, European orientation and not least market oriented politics must be guaranteed even when government is changing. Thus democratic European oriented forces - both on the left and on the right of the spectrum of the party systems - are needed to ensure the maintenance of this direction even when government is changing.

It's not new when we say that the CEE countries differ extremely in their development of structures mentioned above. But the accession of single states to the EU will create a bottleneck both in economic development and security structure. The EU must integrate the countries which cannot become members in the near future in some way. Nothing could be less useful even to Western Europe as a region than neighboring a region in which instability and backwardness destroys the wish of the people to find their way back to Europe. Avoiding such a situation is also in the interest of the countries accessing to the EU in a first wave.

Regional cooperation, both between states and between single subnational units can function as a „cardiac pacemaker“ for establishing structures ensuring the solution of minority problems as well as the potential problems resulting from the cut off of the former united economic regions divided by the breakdown of the federalist systems in Czechoslovakia or Yugoslavia or by a possibly newly established „iron curtain“ after the accession of a first wave of CEE's to the EU. Regional cooperation could also strengthen new and renewed trade relations which were often hindered by political reasons.

Now, as negotiations are leading to a critical point, the enlargement of the EU is not only a future goal but a real task for the negotiating teams. We will now see how the relations between the CEE's and the EU can stand even a situation where problems must be solved without just extending payments.

## NOTES

<sup>1</sup> Hungary, Poland and the successor states to the former Czechoslovakia, the Czech Republic and Slovakia.

<sup>2</sup> As Cyprus is not a country of Central- and Eastern Europe and its case differs from the above mentioned states, it cannot be taken into consideration here.

<sup>3</sup> Opinions about the concrete time for the countries of CEE to join the EU differs from article to article and from country to country. In our opinion an accession of a first group around the year 2005 as suggested by Michael Kreile seems to be more realistic than some of the expectations in the CEE's of a possible accession right after the year 2000, cf. to a timetable Kreile, M. (1997), p. 251 ff.



<sup>4</sup> As we have seen in the decision of NATO heads of governments and heads of state to accept in a first wave just three of the candidates, Poland, Hungary and the Czech Republic and if we take into consideration how difficult it is in domestic policy to gain acceptance of the enlargement (see e.g. the example of the discussions in the American Congress) nobody can guarantee if there will be a second wave at all, i.e. a second wave which considers more countries than Romania and Slovenia.

<sup>5</sup> See e.g. the result of the referendum about the accession of Hungary to the NATO of November 16, 97, which brought a 85.33 percent majority for the accession.

<sup>6</sup> For a detailed overview on these topics see Dieringer (1998).

<sup>7</sup> Which was founded in 1991 by Hungary, Poland and the former Czechoslovakia; new members are Slovenia and Romania.

<sup>8</sup> Founding members: Hungary, Austria, Italy, Yugoslavia and Czechoslovakia.

<sup>9</sup> Members are subnational units of Poland, Slovakia, Hungary, Ukraine and Romania.

<sup>10</sup> The Duna-Máros-Tisza Euroregion is a cooperation between four Hungarian countries, four Romanian countries and the autonomous region Vojvodina in Yugoslavia, see for this point the additional of the Hungarian daily *Népszabadság*, November 21, 1997.

<sup>11</sup> As mentioned by a speech of the Czech Ambassador to Germany, Jiri Grusa; c.f. Grusa, J. (1993), S. 9.

<sup>12</sup> Cf. Horváth (1996), p. 35; an accession to this size is Luxembourg (with a population of 318.000), which is as a national state a region itself.

<sup>13</sup> As discussed for West European subnational units by Schmitt-Egner (1995).

<sup>14</sup> We take into consideration that the principle of subsidiarity is understood in different ways by both the member states of the union and the institutions like European Commission. We understand that principle just as consideration of subnational units in the decision making system of the EU. Cf. to this discussion Große Hüttmann (1996).

<sup>15</sup> Cf. Art. 3b, EC-Treaty.

<sup>16</sup> Pál-Kovács (1996), S. 11.

<sup>17</sup> Law No XXI/1996 on regional development and regional structure (Törvény a területfejlesztésről és területrendezésről).

<sup>18</sup> To the return to power of the MSZP cf. Dieringer (1997).

<sup>19</sup> After 1994 elections the MSZP can also be described as liberal oriented (J.D.).

<sup>20</sup> Cf. Rose/Haerpfer (1995), p. 6 ff.

<sup>21</sup> Cf. data of Dauderstädt, M. (1996), p. 13.

<sup>22</sup> Altmann/Andreff/Fink (1995), p. 12.

<sup>23</sup> As mentioned by the Polish Ambassador to Germany, Janusz Reiter; Cf. Reiter, J. (1993), p. 11.

<sup>24</sup> Cf. Izik-Hedri, G. (1993), p. 161.

<sup>25</sup> Ibidem, p. 160

<sup>26</sup> These proposals are mainly outlined in the opinion (Gutachten) made by Prof. Dr. Roland Sturm for the Bertelsmann Wissenschaftsstiftung and the Forschungsgruppe Europa, Centrum für angewandte Politikforschung, University of München in 1997, cf. Sturm, R. (1997).

<sup>27</sup> Sturm, R. (1997), p. 160.

<sup>28</sup> Ibidem, p. 164.

<sup>29</sup> Mulewicz, J. (1995), p. 190. In this case concerning the negotiations of the association treaties between the EC and the countries applying for membership.

<sup>30</sup> Cf. von Ploetz, H.-F. (1997).

<sup>31</sup> Cf. Urff, W. von (1995), p. 103.

<sup>32</sup> Ockenden/Franklin (1995), p. 95.

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## Abbreviations

CEE	Central and Eastern Europe
CMEA	Council of Mutual Economic Assistance
EC	European Community
EMU	European Monetary Union
EU	European Union
FIDESZ	Fiatal Demokrata Szövetsége (Alliance of Free Democrats)
FKGP	Független Kisgazda Párt (Independent Smallholders Party)
KDNP	Keresztény Demokrata Néppárt (Christian Democratic Peoples Party)
MDF	Magyar Demokrata Fórum (Hungarian Democratic Forum)
MSZDP	Magyar Szocialdemokrata Párt (Hungarian Socialdemocratic Party)
MSZMP	Magyar Szocialista Munkáspárt (Hungarian Socialist Workers Party)
MSZP	Magyar Szocialista Párt (Hungarian Socialist Party)
NATO	North Atlantic Treaty Organisation
NUTS	Nomenclature of territorial units for statistics
SZDSZ	Szabad Demokrata Szövetsége (Alliance of Free Democrats)
WEU	West European Union
WTO	World Trade Organization

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