

The EU membership, consolidation, and quality of democracy in Central and Eastern Europe.¹

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The latest EU enlargement completed in 2004 has been hailed as one of the most significant EU accomplishments. It has also been called the most effective democracy promotion mechanism ever developed and applied. There is a lot of truth in such claims. The eight Central and East European countries that joined the EU have been the most successful examples of democratic consolidation and transition to a market economy in the entire postcommunist region. This paper poses the question about the impact of the EU accession process on democratic consolidation and the consequences of EU membership on the quality of new democratic regimes in these countries. In the first part of the paper, I will review some empirical evidence showing the diverging trajectories of postcommunist transformations and the deepening split between two parts of the former Soviet bloc. In the second part, I will sketch five dilemmas faced by the new, postcommunist members of the EU. These dilemmas reveal the tension between requirements of EU membership and continuation of postcommunist transformations aimed at improving the quality of democracy and securing faster economic growth.

1. The EU accession and democratic consolidation: complementarity or conflicting logics.

Since its inception, the European integration process has aimed at strengthening liberal democracy across Europe. The participation in emerging European institutions has been reserved to the states with secure democratic systems and a consistent record of respect for political and civil rights. The collapse of communist regimes across Central and Eastern Europe opened the opportunity to extend the zone of freedom and democracy beyond the former “Iron Curtain” and the prospect of EU membership has emerged as a powerful factor shaping the internal and external policies pursued by political actors in new European democracies. “Rejoining Europe” became a grand political project for the “other” Europeans. Consolidating democracy and building a market economy were means to achieving this goal.

The EU member states, its leaders, and institutions responded generously to this aspiration. Shortly after 1989, enlargement to the East became an official policy objective of the EU. In order to prepare postcommunist countries for the future integration with the EU, complex aid schemes and conditionality frameworks were developed and significant resources were committed (e.g. Bailey and de Propriis 2004; Schimmelfennig, Engert and Knobel 2003, Vachudova 2005). The purpose of these policies was to facilitate economic transformations, lock in the democratic gains, diminish the prospects of domestic conflicts and cross border security threats, and support further strengthening of democracy in the region. In many respects this has been one of the most consistent and powerful democracy promotion mechanisms ever developed (cf. Smith 2001).

The prospect of EU membership was the centerpiece of this policy. It provided powerful incentives that shaped policy preferences, identities, and agendas of political

actors in the region. Membership in the EU, according to Whitehead (1996) “generates powerful, broad-based and long term support for the establishment of democratic institutions because it is irreversible, and sets in train a cumulative process of economic and political integration that offers incentives and reassurances to a very wide array of social forces [...] it sets in motion a very complex and profound set of mutual adjustment processes, both within the incipient democracy and in its interaction with the rest of the Community, nearly all of which tend to favor democratic consolidation [...] in the long run such ‘democracy by convergence’ may well prove the most decisive international dimension of democratization...”

Although most of the EU efforts since the early 1990s focused on supporting the transition to a market economy and on strengthening the governance capacity (Smith argues that only 1% of aid was spent on direct promotion of democracy) the presence of democratic institutions and practices was a condition *sine qua non* for establishing formal linkages and mutual obligations, and for commitment of resources. Very early in the accession process “human rights clauses” were added to all co-operation and association agreements (Schimmelfennig, Engert and Knobel 2003). The so-called “Copenhagen criteria” formalized conditions for membership and stipulated that “Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressures and market forces within the Union” (Council of the European Union, Presidency Conclusions” Copenhagen European Council, Brussels, 1993).

Consequently, the yearly Commission Reports assessing the progress of preparations for the accession focused on investigating the quality and stability of democratic institutions and procedures, presence of social, economic and cultural rights and minority protection rights, respect for civil and political rights, fairness of elections, independence of judiciary. Political pressures and threats of exclusion from the subsequent stages of the enlargement process were applied at any sign of backtracking from commitments to democratic procedures and guarantees of equal political rights. And some countries made notable political efforts to respond to such criticism as cases of Slovakia or Latvia illustrate. The European Commission’s concerns with the quality of democracy in the candidate countries suggest that the process of EU enlargement was designed to facilitate the consolidation in newly established East European democracies.

The assumption about the complementarity between the process of European integration and requirements of democratic consolidation in Central and Eastern Europe has often been challenged. Critics of the enlargement process, coming from different political persuasions, cast a suspicious eye on the EU motives, goals, and tactics in pursuing the “eastern enlargement.” They described it as a “neo-Byzantine,” “neo-colonial,” or “neo-imperial” project (Engelbrekt 2002, Borocz 2001). They claimed that elite efforts to succeed in membership negotiations distorted a democratic policy making process, made emerging East European democracies shallow, postcommunist states unaccountable, and the publics disenchanted with both Europe and democracy. Accepting that accession requirements may be beneficial in

the short run because of the inherent challenges of postcommunist transitions, the critics insisted that the long-term consequences of accession are less certain and potentially harmful to democracy. They argued that EU accession policies undermine consolidation of democracy by restricting and suppressing public debates, excluding popular actors from the policy making process, and distorting political accountability. In their view, the EU exports its democratic deficit to Eastern Europe, magnifies it, and jeopardizes the historical opportunity to create fully legitimate and participatory democracies in the region. The fact that the EU assigns relatively meager resources to promoting democracy relative to resources directed towards state-building and economic reforms reinforced this point. As Alex Pravda (2001, 13) once quipped the EU “can live with democratic deficits more easily than with budgetary or administrative ones.” The claims about conflicting logics between EU enlargement and democratic consolidation in Eastern Europe were cast, however, in a very general way and based on selectively presented evidence. The possible negative scenarios, their exact causes, mechanisms and consequences are not well specified and investigated.

Negotiating the EU accession was indeed one sided and elite driven. Power asymmetries inherent in this process created various grievances and challenged unrealistic expectations. A distinct “institutional tutors and pupils” dynamics (Jacoby 1999) was resented by East European politicians and bureaucrats. The EU double standards (for example, in protection of ethnic minorities rights) were criticized (see Johns 2003). As in previous enlargements, “bargaining demands by applicants countries for recognition of their particular circumstances were stripped away one by one until a deal was struck that disproportionately reflected the priorities of existing members” (Moravcsik and Vachudova 2003, p. 45). They argue, nevertheless, “while candidates have had to comply with the EU’s requirements and acquiesce to certain unfavorable terms, EU membership has remained a matter of net national interest. On balance, the sacrifices demanded of them seem entirely in keeping with the immense adjustment, and immense benefits, involved” (p. 42).

Another set of arguments pointing to the possible conflicting logics between EU accession and requirements of postcommunist transformations focused on the process of transition to a market economy. In their 1996 paper, Sachs and Warner (1996) argued that the policy of harmonization with the EU economic institutions, regulations, and policies is likely to slow down the economic growth in the region and dramatically increase the time needed to close the existing income gap between old and new members. They calculated that after adopting the EU economic model, it would take 141, 120, and 111 years for the GDP of Poland, Hungary and Czech Republic to reach 90 percent of the EU average. Adopting very liberal economic institutions and policies could reduce this time period to 31, 23, 20 years. This argument was echoed in the report published by the Cato Institute (Tupy 2003). According to the report (p. 1), “incoming EU members had to choose between the common market on the one hand and economic liberty on the other. Instead of concluding free-trade agreements with the EU, the CEECs were cajoled into and increasingly centralized super state, in which most of their comparative advantages will be legislated out of existence. As a result, economic growth in Central and Eastern Europe will continue to be suboptimal.” Giving the example of Estonia, Tupy

(p. 2) claimed that “as a result of enlargement negotiations, Estonia was forced to introduce 10,794 new tariffs against imports from outside of the EU. Estonia was also forced to adopt a number of nontariff barriers, such as quotas, subsidies, and anti-dumping duties. Unfortunately, such protectionism increases food prices and lowers Estonians’ standard of living.” One could assume that slower economic growth and persistent wealth disparities in Europe may generate adverse consequences for democratic politics in new member states.

In sum, in the eve of the EU enlargement to the East, there were two images of possible effects of the EU membership on new East European democracies: one that emphasized the complementarity between EU accession and building democracy and market economy in the region, and second, that stressed conflicting logics between requirements of accession and necessities of further political and economic reforms. Supporters of the conflicting logics view claimed that the EU undermines new democracies in Eastern Europe by exporting its democratic deficit and dictating unfavorable conditions for the membership. All available evidence, however, show that new members and candidate countries are better off both politically and economically than the other countries in the former Soviet bloc.

In order to better understand of the impact of EU membership on democracy and economic growth, we need more systematic empirical research that employ comparative research designs. Such research should include not only East European cases but also cases from previous rounds of EU enlargement and from other democratizing countries and regions. We also need analytical approaches transcending theoretical and methodological divisions among various sub-fields within social science disciplines. I agree with Schimmelfennig and Sedelmeier (2002) that existing research on enlargement is under-theorized, rely too heavily on single case, policy and descriptive studies and neglects important aspects of enlargement. But, I also think that the existing studies are too heavily influenced by analytical frameworks developed within the sub-field of international relations. In short, the study of enlargement and its implications needs more theoretical, methodological, and empirical diversity.

2. The state of postcommunist transformations

What is the state of democracy across the postcommunist world and what evidence do we have to assess how successful countries of the region have been in building democratic political regimes? A few conclusions emerge from the simple review of existing and widely available comparative data.

First, there has been striking divergence in political outcomes across the postcommunist space. A graph charting the progress of economic reforms as measured by the EBRD index and the extent of political rights and liberties as measured by the Freedom House Index shows that postcommunist countries that have recently joined the European Union have made considerable progress on both dimensions. They have working market economies and the quality of their democratic

institutions is similar to the quality enjoyed by the citizens of established Western democracies. These eight countries are closely followed by Bulgaria and Romania scheduled to join the EU in 2007 and by another likely EU member Croatia. The political and economic reforms in other Balkan countries and other countries that emerged from the former Soviet Union are less advanced as evidenced by much lower scores on these two indexes.

**Graph 1: Economic Transformations and Political Rights
in Postcommunist Countries, 2004**

While the pace of change in the leading countries has recently become more consistent, their political and economic reforms were already more advanced in the mid-1990s. The recent data show a growing split between two parts of the former Soviet Bloc and deepening of sub-regional divisions. On the one hand, there is striking convergence among the new member states of the EU and official candidate countries. They are richer, have lower level of income inequality and poverty, their economies grow faster, and liberal democratic standards are safeguarded by consolidated democratic systems. On the other hand, the majority of former Soviet republics, including Russia, are poorer, more unequal, plagued by economic difficulties, choked by massive corruption, and increasingly authoritarian.

Diverging patterns of postcommunist transformations are thoroughly debated in comparative politics (see, for example, Vachudova and Snyder 1997, Hellman 1998, McFaul 2002, Frye 2002, Bunce 2003, Ekiert and Hanson 2003, Grzymala Busse 2003, O'Dwyer 2004) and there is a consensus among the scholars on many important issues. But various authors cite different explanatory factors, including: historical legacies, initial social and economic conditions, types of democratic breakthroughs, choice of democratic institutions and dominant features of domestic political competition, and the influence of powerful international actors in support of democratic consolidation. Given a small number of cases under consideration, it is difficult to decide which factor is more important. By looking carefully at these cases we can, however, propose a number of possibilities.

One possible way of testing these alternative explanations would be to look at such cases where the outcomes of transitions were uncertain. Scholars have proposed just such a strategy evaluating the impact of EU democratic conditionality policy on states that have a strong geographical claim for EU membership but have followed different postcommunist trajectories (Schimmelfenning 2003, Vachudova 2005). They show that it is difficult to detect its impact in consistently pro-Western, liberal and reform-minded countries that have been the leaders of postcommunist transformations. In countries such as Poland and Hungary, EU conditionality simply reinforced the existing trajectory of liberal democratic and economic reform (though it did make a substantial imprint on specific policy areas). Similarly, the EU has had little impact on the countries dominated by nationalist and authoritarian political forces such as for

example Belarus. In countries with both pro and anti-reformist parties and shifting patterns of policies EU conditionality had, however, more discernible effects (Slovakia could be a good example here). More research is needed to entangle complex relations between historical legacies, domestic factors and international constraints.

Another useful way to assess the outcomes of postcommunist transformations is to compare East European countries to other cases of democratization in different regions of the world. A comparative look at the progress of democratic consolidation across different regions (measured again by the Freedom House index) shows that postcommunist Europe splits into two distinct groups: in one democracy is more advanced than in any other region that experienced the third wave democratization with the exception of Southern Europe. The other group, however, democracy is lagging behind all the other regions.

Graph 2: Freedom House Average Scores by Region (2004)

This simple comparison shows that postcommunist countries can claim both the best and the worst record in securing transition from authoritarianism to democracy. First, in eight leading countries the speed of democratic consolidation (defined as an improvement in the areas of political rights, liberties, and democratic practices) was unexpectedly fast. In the case of these countries, early concerns about impeding legacies of communist rule and the initial conditions unfriendly to democracy that prevailed in the region proved to be largely unfounded. Second, the extent of rights and liberties in the new EU member countries reached the level enjoyed by stable Western democracies shortly after the transition. Finally, these rapid democratic gains stabilized at a high level; there were no significant setbacks to democracy in these leading countries (their Freedom House scores have not declined). By contrast, Freedom House scores for many countries that emerged from the Soviet Union including Russia not only showed lower initial gains but also have been declining persistently in recent years.

In sum, there is compelling evidence showing that the progress of democratic transformations in one part of the former Soviet bloc has been swift and consistent during the last decade and a half. By contrast, the other part of the former Soviet bloc has been sliding back into authoritarianism. This fact suggests that the EU policy of making countries eligible for EU membership provided a powerful mechanism for facilitating the consolidation of democracy. If consolidated democracy is characterized by the stability of political institutions, the rule of law, and extensive protection of political and civil rights, as well as transparency and predictability of the political process, the accession process seems to be compatible with these objectives. Qualifying for EU membership required significant expansion of the administrative and judicial capacity, imposed clear standards of legal protection, and safeguarded expansive social and political rights. But in order to strengthen this conclusion, we need to investigate carefully the role of regional differences and historical legacies because it may well be that difference in initial conditions are responsible for a large

part of this outcome. Future waves of enlargement that may include other Balkan countries and possibly Turkey, Ukraine, Moldova and Belarus may provide additional empirical evidence to test the impact of EU conditionality.

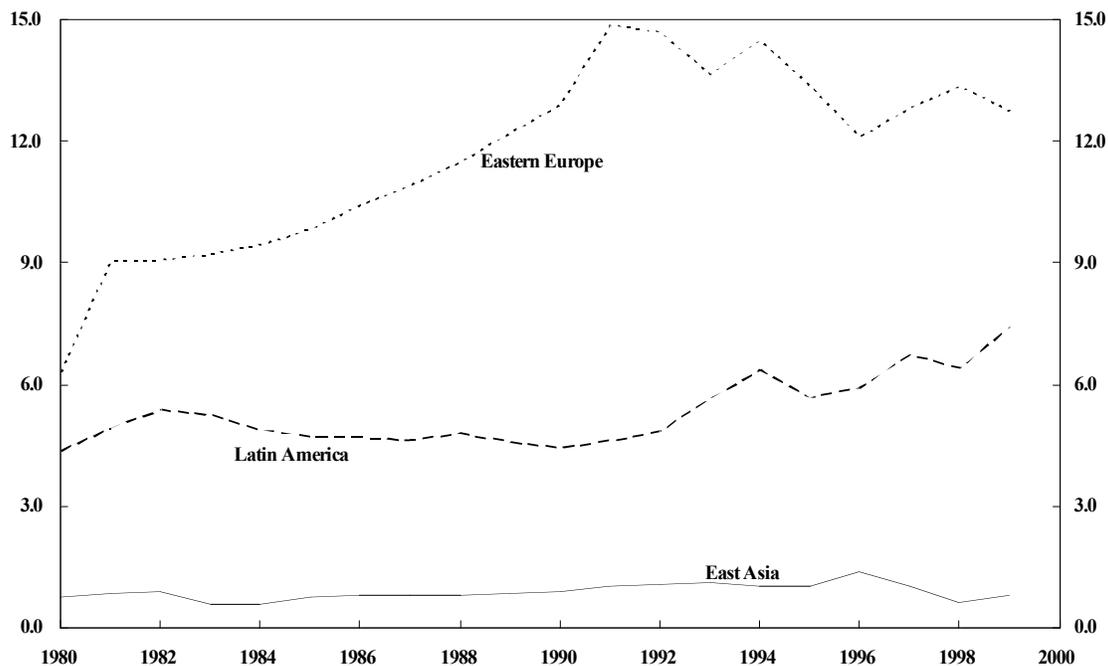
It should be also noted that successful postcommunist countries not only made swift and significant progress in building democracy. Their transition to a market economy was also faster and more durable than in other postcommunist sub-regions and post-authoritarian regions. This is important since historical experience indicates that a working market economy provides the indispensable foundation for a working democratic polity. While the EBRD index captures well the differences in economic transition among postcommunist countries, it is more difficult to find equally consistent and solid cross regional comparative data. One possibility is to use the Heritage Foundation index of economic freedom that ranks 10 policy dimensions on the scale from 1 (most free) to 5 (not free).

Graph 3: Levels of Economic Freedom by Region (2002)

Despite legacies of centrally planned economies, eight East Central European countries rank relatively high in terms of economic freedom. In institutional terms, these economies are very similar to Southern European economies that were never collectivized and have enjoyed the benefits of EU membership for over two decades. East Central European economies also rank higher than the economies in other recently democratized regions. This is a surprising outcome given the well-known difficulties in constructing market economies and sustaining liberal economic policies.

Cross-regional comparison also shows that broad social protection programs and a high level of social expenditures characterize the postcommunist political economy systems. According to Robert Kaufman (2005), these expenditures are remarkably higher in Eastern Europe than in other regions. Moreover, they increased significantly following the collapse of the communist regimes.

Average Social Security Expenditure as a Share of GDP 1980-2000



Source: World Development Indicators

There are striking intra-regional disparities in levels of national wealth, economic growth, poverty and social expenditures. All economic and social indicators show the substantial and growing gap between the new EU members and candidate countries and other parts of the former Soviet bloc. For example, in 2004 the Gross National Income per capita for new EU members was \$7,876 while it was only \$1,279 for the CIS countries (World Bank 2005). Similarly, the new EU members have the lowest poverty levels among former communist countries, while the low income CIS countries region are characterized by high poverty levels (in par with the poorest regions of the world) and middle income CIS countries have moderate poverty levels. There are also significant disparities in social spending as the table below shows.

Table 1: Estimates of cash transfers and social expenditures²

	Cash Transfers/GDP ^a	Social expenditure/GDP ^b
Poland	17.7	29.5
Czech Republic	12.1	25.5

² Robert R. Kaufman, Market Reform and Social Protection: Lessons from the Czech Republic, Hungary, and Poland. Paper prepared for the IV General Assembly of the Club of Madrid, Prague, 10-12 November 2005

Hungary	16.5	32.3
Bulgaria	11.8	14.1
Romania	8.9	16.5
Estonia	10.0	26.0
Latvia	11.8	26.5
Lithuania	9.6	19.3
Belarus	8.9	8.3
Kazakhstan	6.9	
Russia	7.5	8.5
Kyrgyzstan	12.4	
Ukraine	9.4	9.8

Sources: a. Keane and Prasad (2002:34), from Milanovic 1998) b.Orenstein and Wilkins (2001: 4, Table 1), from Boeri 2000)

What can be concluded from this cursory overview of the progress in political and economic transformations in the postcommunist world? Explaining the economic success is as difficult as explaining the political one. The most obvious fact is that fifteen years after the collapse of communist regimes, there is a wide range of political systems in the region and the split between the two parts of the former Soviet bloc is deepening. While some countries enjoy high quality working democratic institutions, others suffer under authoritarian regimes of various hues. More importantly, despite the welcome phenomenon of “colored revolutions” – an attempt to renew the commitment to democracy in some postcommunist countries - the prevailing tendency in the post-Soviet regions is toward “competitive authoritarianism” (Levitsky and Way 2005, Hanson 2005). It is also evident from this overview that the most successful postcommunist countries established the closest relations with the European Union and benefited from European aid and monitoring, democratic conditionality strategies, institutional and knowledge transfer, foreign investment, and above all from the real prospect of the EU membership. The benefits and constrains offered by the EU shaped the character of domestic political competition, informed the agendas of many political and economic actors, and expanded opportunities for reformers. The new EU member countries have the most advanced economic reforms, low inequalities and extensive welfare policies, and have experienced consistent economic growth. In fact, their trajectory resembles most closely the successful pattern of South European transformations in the 1970s and 1980s. One of important challenges is to establish whether these developments should be explained by contextual factors specific to the location of these countries in the immediate periphery of Western Europe, “correct” institutional choices and reform strategies, favorable historical legacies, beneficial configurations in patterns of domestic politics or some external factors such as becoming a credible candidate for EU membership or being subject to concerted Western pressure.

The existing literatures focusing specifically on effects of European integration on its member states, the impact of enlargement on the accession countries, and role of

international factors in democratic consolidation do not offer any conclusive evidence about the nature of the interaction between external actors and domestic politics. This may be a result of inadequate research design as well as specific analytical weaknesses and methodological shortcoming. Studies of Europeanization deal almost exclusively with old EU members and the impact of European integration on the existing member states is undertheorized and understudied, although a large number of works focusing on these issues have been recently published (cf. Olson 2002). As Goetz and Hix noted (2001, 14-15), “Europeanization has all the trademarks of an emerging field of inquiry.” The consensus emerging in the work on Europeanization seems to support the contention that “...core features of the democratic polity across Europe have proved strikingly resilient in the face of the transformational effects of integration. An exception can be found among the newest democracies in the EU which exhibit signs of modest convergence.” (Anderson 2002, 793; cf. also Mair 2003 on party systems). This finding may suggest that an interesting relation between the strength of democracy in accession countries and their propensity to adopt externally generated institutions, rules, and policies. It would be interesting to investigate to what extent political, economic or cultural backwardness promotes a more extensive convergence process.

We know even less about the concrete impact of enlargement on Central European democracies. According to Schimmelfennig and Sedelmeier (2002, 501-2) “it is striking that EU enlargement has been a largely neglected issue... The bulk of the enlargement literature consists of descriptive and often policy-oriented studies of single case [that] ignore important aspects of enlargement – such as the pre-accession process, substantive policies and the impact of enlargement on both the EU and the accession countries.” Moreover, studies design to explore the impact of enlargement find surprisingly little solid evidence. For example, studies of the impact of the enlargement on regionalization and development of territorial governance structures in candidate countries show that the EU influence is at best limited and ambivalent (Marek and Baum 2002 see also Grabbe 2001, Hughes, Sasse and Gordon 2001, Keating and Hughes 2003, and Brusis 2005).

4. Dilemmas and long-term challenges to the quality of democracy

Although there is relatively little doubt about the short-term benefits of the accession process and the role of the EU in facilitating consolidation of democracy and market reforms, the long-term consequences of accession for the quality of democracy in postcommunist Europe are not clear. Comparisons to Southern European cases may not provide the right evidence, since new members joined a very different European Union. This is the Union at the more advanced level of integration but, at the same time, facing major challenges to compete internationally, sustain economic growth, and maintain its generous welfare regimes. As a result, new members had to adopt a larger body of European laws and regulations, were offered less generous aid, and more constraining conditions for accession. Moreover, the 2004 enlargement unfolded in the radically transformed international geo-political and economic environment. Different experiences, security concerns, and preferences among old and new members generated tensions and disagreements that spilled over into other policy domains.

New members also face specific contextual problems generated by the multi-dimensional nature of postcommunist transformations. David Cameron (2003) argued that new member states face a number of specific challenges with potentially problematic long-term consequence. These challenges include: administration of *acquis*, deepening of economic reforms, reducing high level of unemployment, large government, as well as trade and current account deficits, financing accession, and coping with popular ambivalence about EU membership. Failure to meet any of these challenges may have profound consequences for the quality and stability of democracy in these states. Apart from these policy challenges, the accession strategy and requirements of EU membership create distinct dilemmas and pose problems for ways democracy functions in new member states in the future. The following issues form a core of potential challenges to the quality of democracy in postcommunist countries:

A/ recipient state dilemma

According to Moravcsik and Vachudova (2003, 46) requirements of accession are “massive, nonnegotiable, uniformly applied, and closely enforced.” Their full adoption required by the accession treaties amounts to a revolutionary transformation of the existing institutional and legal systems. The mandatory adoption of the existing *acquis* (with some negotiated temporary exemptions) was supplemented by the additional informal pressure to adopt institutions and policies that are not regulated at the EU level but are commonly found and practiced in the member countries (soft *acquis*). Fulfilling these requirements produced tensions between policy outcomes and policy process. As David Cameron (2003, 21) noted “the new members will be re-created as states, committed to processes of policy making and policy outcomes that in many instances bear little or no relation to their domestic policy-making processes and prior policy decision but reflect, instead the politics, policy-making processes, and policy choices of the EU and its earlier member states.”

A result of this massive and pre-determined policy implementation is a closure of public debates on policy alternatives and the distortion of party competition. As Grzymala-Busse and Innes (2003) argued, new member states and their ruling parties administer the pre-set policy agenda and tend to compete on administrative efficacy not on policy issues. This has a direct impact on party systems and party politics in these countries. Domestic politics tends to play a catch-up game with policy choices imposed by the EU and intense partisan debates my focus on secondary issues that are not constrained by EU regulations. Such a situation makes accountability of domestic political actors feeble and generates public skepticism about the importance of political debates. The disconnection between politics and policy choices gives more freedom to the political elites and governments but at the same time undermines their effectiveness. Political parties may alienate parts of their electorate by glossing over important policy issues in their programs and campaigns. Governments may not have domestic allies to implement specific directives, regulations, policy requirements in the formulation of which they had no role or influence. On the other hand, governments may not face any organized opposition at the early implementation stage but may face delayed opposition and defection of important allies.

Such a dynamics can be more disruptive and politically costly. One likely consequence of such characteristics of domestic politics may be the rise of populist movements and political forces (cf. Grzymala-Busse and Innes 2003). Populist parties can build their political capital by rising questions about non-negotiable policy choices and perceived EU dictate threatening vital national interests.

This situation points to another problem: the accountability dilemma emerging in these new democracies. When governing elites are accountable to supranational authorities and policy choices are imposed on them how this can be reconciled with accountability to their own citizens. The “recipient state” created by the accession process may suffer not only from the attrition of legislative power and prestige (Holmes 2003), feeble legitimacy, distorted party competition and populist backlash (Grzymala-Busse and Innes 2003). It may not be able to mobilize citizens, assure their compliance with laws and regulations, and counter their ambivalence or opposition to the integration process (Cameron 2003).

B/ activist state dilemma

The most fundamental dimension of the accession is the state building process and strengthening of its administrative capacity. As Bruszt and Stark (2003, 74) put it “the prescriptions for European accession are about getting the rules right. The definition of success is not reduction of the state but an increase in its regulative, administrative, and (horrible dictum) planning capacity. State capacity, moreover, becomes increasingly defined as the capacity not simply to regulate but, in fact, to adopt specific regulations emanating from Brussels.” This, of course, is not solely the East European predicament. Many students of European politics noted growing autonomization of the executive power that results from the European integration process.

According to Goetz and Hix (2001, 10), for example, European integration has two types of impact at the domestic level politics. First, the delegation of political competencies and power to the European level “constrains domestic choices, reinforces certain policy and institutional developments, and provide catalyst for change in others.” Second, the emergence of a supranational system of governance generates “new opportunities to exit from domestic constraints, either to promote certain policies or to veto others, or to secure informational advantage.” Moreover, “the design of the EU means that policy-making at the European level is dominated by executive actors: national ministers in the Council, and government appointees in the Commission. This, by itself, is not a problem. However, the actions of these executive agents at the European level are beyond the control of national parliaments. [...] As a result, governments can effectively ignore their parliaments when making decisions in Brussels. Hence, European integration has meant a decrease in the power of national parliaments and an increase in the power of executives.” (Follesdal and Hix, Why there is a Democratic deficit in the EU: a Response to Majone and Moravcsik, forthcoming)

Existing studies show that this phenomenon has a more visible impact on late accession countries (required to adopt much larger body of European laws and regulations) and

countries with less robust democratic traditions. As Anderson (2002, 795) noted “The existence of a supranational governance system has allowed political executives to expand their room for manoeuvre within their national political systems. This general phenomenon carries troublesome implications for a country such as Portugal which, unlike many of its fellow Member States cannot fall back on a long tradition of a strong, independent parliament, active regional government, political parties with established credentials, or robust civic institutions (Barreto, 1999).” In both of these respects new democracies in Eastern Europe face even more challenges than Portugal or Greece. In East European cases the terms of accession are less generous than in previous enlargements and applicants had to adopt the EU *acquis* in its entirety to qualify for membership.

If European integration increases prerogatives of executive power and decreases national parliamentary oversight ((Andersen and Burns, 1996; Raunio, 1999), the result is weakening of the importance of the legislative branch and the prestige of domestic law making. The legitimacy and political role of the East European legislatures turned into “rubber stamp” parliaments is at risk and may distort the nature of political representation. Newly found importance of parliaments after the collapse of communist regimes may significantly erode with profound consequences for the functioning of democracy (cf. Holmes 2003, Zielonka 2005).

Building up the state capacity, the complexity of European integration, and the EU concerns about *acquis* implementation and enforcement have produced a remarkable growth of the state administration in new member and candidate countries (see Ekiert 2003, Grzymala Busse and Luong 2002). The new postcommunist states are larger in terms of employment and the number of central state agencies than old communist states. The local administration is also larger than under the old regime. These large state bureaucracies may not be the best promoters of democratic norms and practices.

C/ dilemma of compressed institutional revolution

The accession process was first and foremost the institution building and rebuilding process that affected all institutional domains of the state and all functional domains of policy making. Moreover, this institutional revolution followed in the footsteps of the earlier institutional revolution spawned by the collapse of communist regimes. The extent and speed of institutional transformations experienced by postcommunist countries may adversely affect the legitimacy of new institutions and their embeddedness.

The quality of the rule of law and the effective implementation of *acquis* depends not only on the administrative capacity of the states but also on levels of internalization of the new rules, values, and practices by state functionaries and citizens. From this point of view, faster and more extensive institutional transformations produce serious problems of compliance, especially in societies demoralized by decades of authoritarian rule (cf. Sztompka on the civilizational deficit). Transparency International’s Corruption Perceptions Index shows, for example, that levels of corruption in the new member states

are significantly higher than in the old member countries (4.81 versus 7.73 where 10 is the highest score) (Transparency International 2005).

Moreover, the massive institutional changes can create profound uncertainties and shifts in public attitudes as well as in patterns of political participation. Lower levels of public engagement may affect over all quality of these new democracies. One striking example of such effects is provided by the public participation in accession referenda and in European elections.

Table 3: Voters turnout in accession referenda and 2004 European elections.

The data show considerable lack of public interest and involvement in one of the most momentous developments in these countries histories. In comparison to both previous enlargements and current voting patterns among old members, publics in new member countries are less politically active and engaged. This may reflect the above dilemmas and herald the low quality democracy stabilizing in these countries.

D/ dilemma of economic convergence

The new member states are much poorer. Their GDP average is less than 50% of the pre-enlargement EU average. They need to grow very fast in order to narrow the economic gap in the foreseeable future. They need vast amounts of direct foreign investment on the top of the regional aid promised by the EU. New members face massive macroeconomic problems, including high unemployment, high budget, current accounts, and trade deficits and need huge investments to bring their infrastructure up to the European standards. Moreover, they face intense competition for foreign investment not only from other regions but also among themselves (the bulk of foreign direct investment during the last decade or so went to just three countries: Czech Republic, Hungary and Poland).

In order to respond to the challenge of fast economic growth, new members need to move away from over-regulated markets, excessive public spending and social protection. They also need to secure a friendly business environment with low taxation, flexible labor market, limited regulations and red tape. During the last several years all new member and candidate countries introduces significant deregulation and tax reforms that have made their economies more liberal than those of the Euro-zone. For example, Poland and Slovakia reduced its corporate tax to 19%. Hungary's rate is 16% and Estonia does not levy corporate tax on reinvested income at all. By contrast, the corporate tax stands at 38.3% in Germany and 34.3% in France. Several countries (e.g. Baltic Republics and Romania) also introduce single rate income tax, the so-called flat tax.

The economic benefits of accession and economic liberalization have indeed produced faster economic growth. New members are growing on average twice as fast as old members (in 2004 the average GDP growth in East Central Europe was 4.6% in comparison to 1.8% for old members). The reduction of the income gap between the parts of the enlarged Union requires that this trend becomes deeper and continue in the

foreseeable future. Faster economic growth can only be maintained by additional liberalizing measures and large direct investment and subsidies.

The cost of maintaining fast economic growth in the East should and will be shared disproportionately by the wealthy Union members. But economic growth is slow in the Euro-zone and the old members are not in the mood to subsidize the new members to the same extent they did after the South European enlargement. The recent agreement on the EU budget that reduced the amount of structural aid to new members in the next budgetary cycle reflects the concerns and constraints faced by the old EU members. Moreover, in order to placate their worried publics and slow down the relocation of businesses to new member countries, France, Germany and Belgium called for harmonization of the corporate tax across Europe. These countries also threatened to seek the reduction of structural aid to countries that decide to reduce their taxes. The reluctance of the majority of EU members to open their labor markets to East European workers is another indication of concerns about the economic impact of the enlargement on the old Europe.

E/ dilemma of marginalization

New EU members face a threat of marginalization both within the enlarged EU and in global politics. New members are not only poor but, with the exception of Poland, they are also small countries that can hardly carry any cloud in the internal EU politics and their interests can easily be ignored by large countries of the old EU. In the eve of enlargement, Ekiert and Zielonka (2003) argued that, “enlargement is doomed to produce disappointment and frustration if it creates a center-periphery syndrome. [And that] enlargement can only be a success if it contributes to overcoming divisions in Europe rather than creating new ones.” These issues still loom large and need to be successfully managed by the EU.

The idea of multi-speed Europe based on the principles of enhanced cooperation poses a serious threat of permanent marginalizing the new members and creating a club of second-class citizens within the EU. Inevitably, the enlarged EU will face multiple divisions and conflicts over specific policies and future directions but it must avoid the danger of permanent and predictable divisions between East and West.

European foreign policy has provided another ground for generating differences and divisions between old and new members. The new EU members are generally pro-Atlanticist, pro-NATO, and distrustful of Russia. They are comfortable with current security guarantees provided by the NATO as well as value the political and economic cooperation with the USA. The debated over the war in Iraq magnified these preferences and divisions. The uneven political support for the “orange revolution” in Ukraine and divisions on the issue of Europe’s energy dependency on Russia show again different foreign policy preferences. New members and especially Poland, seek to contain Russia, support future enlargement to the East to include Belarus, Ukraine and Moldova, and are deeply concern about energy dependency.

5. Conclusions

This paper suggests that new EU members face a number of dilemmas that could significantly affect the quality of their democracies. It does not endorse the view that there is a conflicting logic between the requirements of EU membership and the challenges of deepening democratic and economic transformations. The findings of this paper can be summarized in three points:

First, the empirical evidence presented in this paper suggests that the EU accession process was a powerful instrument in the facilitating consolidation of democracy in candidate countries. It also provided an impetus for their successful economic transformations and building their state capacity. Among all postcommunist states, those that were offered a realistic opportunity to become EU members experienced fast and extensive consolidation of democracy and created a functioning market economy. The other postcommunist countries experienced either a significant erosion of initial democratic gains or have lingered in a semi-reformed political and economic abyss. The accession process increased the state capacity and in turn provided a more secure and effective regulatory environment and facilitated the consolidation of the rule of law. It also made available external aid and oversight all of which are indispensable conditions for securing a working democratic order.

Second, the nature and speed of the accession process and the requirements of EU membership pose several dilemmas that may affect the long-term quality and viability of these democracies as well as their economic competitiveness and growth. While the swiftness and extent of the initial democratization and democratic consolidation are fundamentally important, potential challenges to the quality of democracy outlined in this paper should not be ignored or belittled. The critics of enlargement may have identified real issues and challenges that need to be addressed and rectified by well-designed policies to promote participation, deliberation, subsidiarity, and diversity on both the national and European levels.

Third, fifteen years after regime change swept across the former Soviet Bloc liberal democracy has emerged and taken root in only a small number of postcommunist countries, contrary to the widely held hopes and expectations at that time. In the majority of former communist states, political transformations either have lost their momentum and resulted in partially democratic systems, or have reversed, followed by the establishment of new authoritarian regimes. This reveals a fundamental puzzle of postcommunist politics: **Why some countries have succeeded and others failed in building and consolidating democracy and a market economy?** Understanding and explaining this puzzle is a challenge to comparative politics and political sociology. Social scientists face significant theoretical, methodological, and empirical problems in their efforts to investigate the causes of diverging outcomes of postcommunist transformations and the impact of EU policies on facilitating successful construction of democracy and market economy. In order to understand these complex dynamics we need to transcend entrenched disciplinary and sub-field segmentation and synthesize more specialized EU studies and comparative politics approaches. We also need a better comparative perspective and research designs that pay attention to both intra-regional and

cross-regional differences as well as investigate the differences across subsequent waves of EU enlargement.

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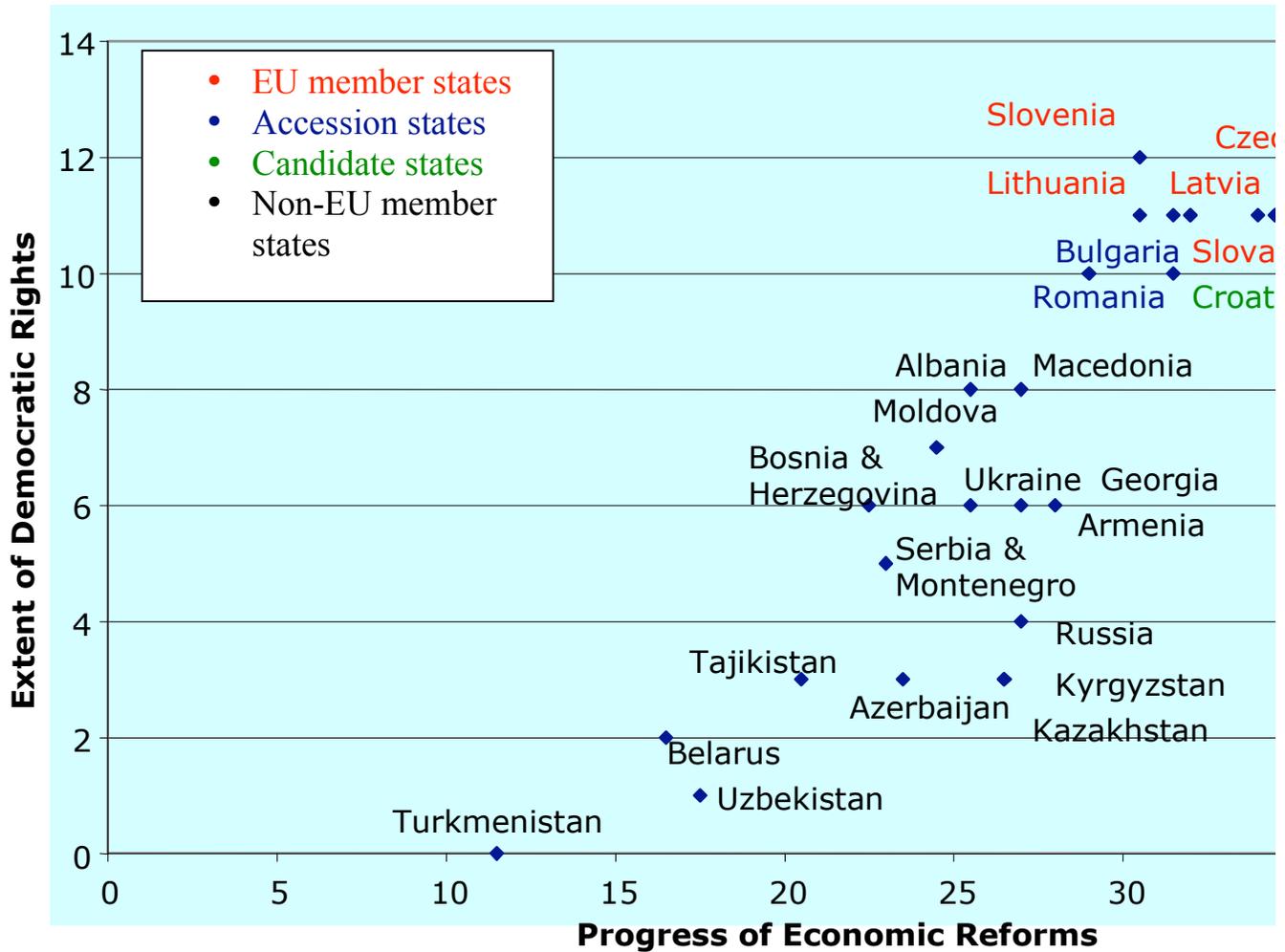
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Table 3: Voter turnout in accession referenda and 2004 European elections³

	Accession referenda	2004 European elections
Old members/previous accessions	77.90%	52.70%
New members from East Central Europe	59.03%	31.19%

³ Source: European Parliament website

Progress of Economic Reforms and Extent of Democratization in Postcommunist Countries, 2004



Freedom House average scores by region

