4. Michael J. Baun, *A Wider Europe* (Lanhan, Md.: Rowman & Littlefield, 2000), pp. 4–20. Baun notes (p. 214) that in a 1999 *Eurobarometer* survey sponsored by the EU Commission, only 43 percent of EU citizens favored EU membership for Poland. See also Christopher Preston, *Enlargement and Integration in the European Union* (London and New York: Routledge, 1997), pp. 195–209.

5. John Reed, "Polish EU Negotiator Prefers the Long Game," *Financial Times* (July 3, 2001).

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7. EU Commission, *Making a Success of Enlargement, Annex I: Conclusions of the Regular Reports*, Brussels, November 2001, pp. 51–54.

8. John Reed, "Protecting Poland," *Financial Times* (April 24, 2002).

9. Christopher Preston, "Poland and EU Membership: Current Issues and Future Prospects," in *Enlarging the European Union: The Way Forward*, ed. Jackie Gower and John Redmond (Burlington, Vt.: Ashgate, 2000), pp. 58–59.

10. John Reed, "Worried in Warsaw," *Financial Times* (January 10, 2002).

11. Judy Dempsey, "Poles Juggle the Hard and Soft Approach to Border Patrol," *Financial Times* (April 16, 2001).

12. Andrew H. Dawson, "Poland," pp. 4–5.

13. When the European Commission conducted a poll of fifteen thousand EU citizens in November 2002, just before the Copenhagen summit, two-thirds supported the eastern enlargement and believed it would bring practical benefits, according to the Commission's *Enlargement: Weekly Newsletter*, December 17, 2002, pp. 5–6.

14. John Reed, "Polish President Sets Out Vision for 'Europe of Fatherlands,'" *Financial Times* (February 19, 2002).

15. Ibid. As a former prime minister of Poland, Mr. Cimoszewicz's views carried considerable weight.

16. Colleen Barry, "NATO Links Itself with Russia," *Washington Post* (May 15, 2002): p. A19.

17. John Reed, "Poland's U.S. Ties May Leave It Out of Step with New Partners," *Financial Times* (March 15, 2001).

18. Ibid. See also the comments of Foreign Minister Cimoszewicz, "The Political Aspects of Poland's Accession to the EU," in *Poland's Way to the European Union*, ed. Wladyslaw Czaplinski (Warsaw: Scholar Publishing House, 2002), pp. 150–75.

19. John Reed, "From Communism to Unionism," *Financial Times* (March 26, 2002).

CHAPTER 5

Economic Leaders: Hungary, Czech Republic, Slovakia, and Slovenia

Because they are smaller than Poland but share many of its advantages as EU candidates, the four central European countries considered in this chapter encountered fewer economic problems in preparing for EU membership. In fact, they have the strongest and most competitive economies of the ten eastern European applicants. Hungary, the Czech Republic, Slovakia, and Slovenia were all part of the Austrian empire until the end of the First World War. Today, they are closely linked economically to Germany, and like Poland, they have also established stable democratic institutions.

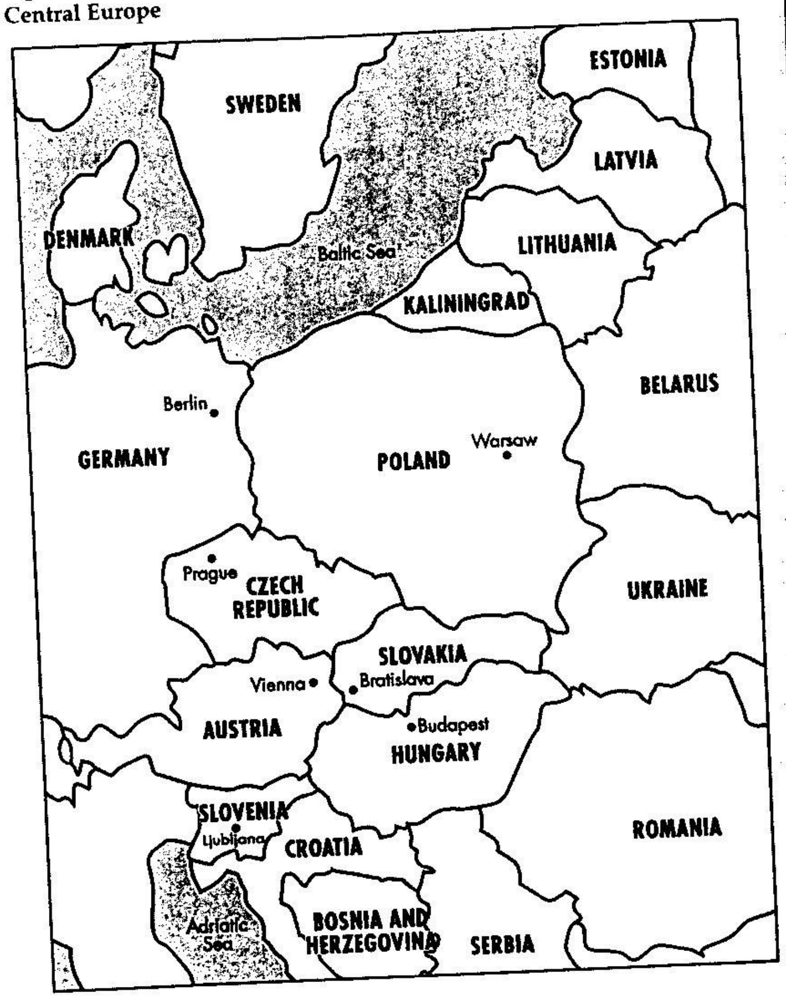
At times, however, relations between these four central European countries have been strained because of the presence of ethnic minorities within their borders. Under pressure from the EU, many of these issues have been dealt with, but some have cropped up again in the final stages of the accession process.

This chapter begins by examining some of the economic and social aspects that are common to all or most of these countries, then looks at each of them individually and the transition they have gone through to prepare for EU membership. Finally, we try to predict what sort of role these countries will play in a united Europe.

VISEGRAD GROUP AND CENTRAL EUROPEAN FREE-TRADE AREA

In 1990, Hungary's newly elected noncommunist prime minister, Josef Antall, invited the leaders of Poland and Czechoslovakia to the town of Visegrad in northern Hungary to discuss common problems. Symbolically,

Figure 5.1
Central Europe



they met near the palace where Hungary's great renaissance king, Matthias Corvinus, once met with the rulers of central Europe. The modern-day leaders and their countries became known as the Visegrad group. They repudiated their military ties with the Soviet Union, and Czechoslovak President Vaclav Havel announced the final dissolution of the Warsaw Pact

in Prague in 1991. In 1993, the Czech and Slovak republics severed their federal ties, and the Visegrad Three became the Visegrad Four. They formed a Central European Free Trade Area, which Slovenia joined in 1996.

Negotiations with the EU

The EU signed association agreements (called "Europe agreements") with the newly independent countries and provided aid under its PHARE (Poland-Hungary: Actions for Economic Reconstruction) program. However, western European leaders were reluctant to invite these countries to join the EU, especially at a time when they were intent on deepening their economic and political Union. In April 1993, the Visegrad leaders took the initiative and issued a statement declaring their desire for full membership in the EU. By pointing out the gap between EU leaders' professed support for the new democracies and their failure to open the door to membership, they forced the heads of EU governments to respond.

At their Copenhagen summit in June 1993, EU leaders spelled out the criteria that a country must meet in order to become a viable candidate for Union membership: stable democratic institutions; the rule of law; protection of all human rights (including the rights of minorities); a market economy capable of competing within the EU; and support for EU laws and policies including the goals of political, economic, and monetary union. In 1997, Poland, Hungary, the Czech Republic, and Slovenia were invited to begin accession negotiations along with Cyprus and Estonia.[1]

Because of the undemocratic behavior of Slovak Prime Minister Vladimir Meciar, Slovakia had to wait until 2000 to begin negotiations, along with Latvia, Lithuania, Romania, Bulgaria, and Malta. However, all of these countries except Romania managed essentially to catch up with the first group by 2002. The Commission encouraged each of the central and eastern European states to complete their negotiations as rapidly as they could, and the EU promised that none of them would be held back by the slowest ones. Thus, despite some initial coordination of their negotiating positions, each of the candidates tended to operate very much on their own and often in competition with each other. For example, they each negotiated separate deals with the EU on the issue of allowing foreigners to buy farmland in their countries.[2]

As table 5.1 shows, the five central European countries had the strongest economies of all the candidates for EU membership, although Poland's per capita GDP was only slightly higher than that of the Baltic states. Economic growth slowed in most of the candidate countries in 2001, partly because of the global economic downturn, but also because reform programs faltered in some candidate countries. However, the outlook for economic growth improved in 2002 as growth picked up in the EU and as newly elected governments in several candidate countries

Table 5.1
Central and Eastern European Countries: 2001 Economic Data

	Population (millions)	GDP per Capita	EU average (%)	Exports to EU (%)	Average GNP growth 1995-2000 (%)
Central Europe					
Poland	38.6	8,700	39	69.9	5.4
Hungary	10.0	11,700	52	75.1	4.0
Czech Republic	10.3	13,500	60	68.6	0.6
Slovakia	5.4	10,800	48	59.1	4.2
Slovenia	2.0	16,100	72	63.8	4.0
Baltic States					
Estonia	1.4	8,500	38	76.5	4.3
Latvia	2.4	6,600	29	64.6	3.7
Lithuania	3.7	6,600	29	47.9	2.7
Eastern Balkans					
Bulgaria	8.2	5,400	24	51.2	-1.7
Romania	22.4	6,000	27	63.8	-2.2
Turkey	65.3	6,400	29	52.3	
EU Average	-	20,650	-	-	4.0

Source: European Commission

revived the momentum of their economic reforms. The candidates had reoriented their trade toward the EU, and half of them were growing as fast or faster than the Union average.

As table 5.2 suggests, the eastern European states had greater instability than the EU, which was reflected in higher rates of inflation. Unemployment rates also varied considerably among the candidates. Agriculture provided a higher percentage of GDP in the central and eastern European states than in the EU (and it employed a much higher percentage of the workforce in the candidate countries).

Foreign Investment

An important reason for the successful economic transition of most of the candidate states was that they attracted substantial foreign investment, which made up for a severe shortage of domestic savings. The experience of previous enlargements indicates that the eastern Europeans could expect a very substantial increase in foreign investment in the first eight years or so after joining the EU because of increased investor confidence.[3]

In fact, in some of the candidate countries, foreign investment had already increased sharply by 2002 in anticipation of enlargement. For example, Poland and the Czech Republic were each expected to receive about $7 billion from foreign investors in 2002. Although wages were still much lower in the candidate countries than in western Europe, major corporations realized that they would catch up with western wages in five to ten years, and this was no longer the main reason why they were investing in the region. While the availability of skilled workers was an important factor, what really attracted manufacturers to the region were factors like the convenience of being near companies that produced components for their products and also the fact that they could market their products locally.[4]

Table 5.2
Inflation, Unemployment, Agricultural Employment, and Foreign Direct Investment in 2000

	Inflation (%)	Unemployment (%)	Agriculture (% of GDP)	FDI (% of GDP)
Central Europe				
Hungary	10.0	6.4	6	2.9
Czech Republic	3.9	8.8	6	9.0
Slovakia	12.1	18.6	5	10.8
Slovenia	8.9	7.0	n/a	1.0
Poland	10.1	16.1	n/a	5.3
Baltic States				
Estonia	3.9	13.7	5	8.0
Latvia	2.6	14.6	7	5.7
Lithuania	0.9	16.0	14	3.4
Eastern Balkans				
Bulgaria	10.3	16.4	23	7.1
Romania	45.7	7.1	15	2.8
Turkey	54.9	6.6	15	0.5
EU Average	2.5	9.0	2	10.0

Note: Figures for agriculture as a percentage of GDP are for 1998 and were taken from *The Economist, Pocket Europe in Figures* (London: Profile Books, 2000), 50. The figures cited above as "EU Averages" were calculated by the author on the basis of data in the same volume.
Source: European Commission

Varying Approaches

All of the candidate states recognized the importance of foreign investment, but some of them had become more selective about the kinds of investment they wanted to attract. During the 1990s, the Slovenian government was the most cautious of the ten candidates about allowing its successful companies to be bought by foreigners, but in 2002, they launched a major privatization program. The Czechs and Slovaks were among the most eager to attract foreign investors. The Polish government elected in September 2001 indicated that it was not very happy about the policies of foreign-owned banks in Poland, and they also considered consolidating some of Poland's remaining state enterprises, such as steelworks, and keeping them as state companies.[5]

Increasing Nationalism

The Hungarian government of Viktor Orban had somewhat similar ideas about developing the state sector of the economy. Although Orban lost the April 2002 election (by a narrow margin) in Hungary, his nationalistic rhetoric was echoed by a number of other political leaders in central and eastern European countries. In 1999 and 2000, *Eurobarometer* polls sponsored by the Commission showed declining public support for EU membership in many of the candidate countries, which was mirrored by declining support for the eastern enlargement in EU countries.[6]

More than likely, people in the candidate countries were beginning to realize that EU membership meant losing some of their hard-won sovereignty. They were also finding that the financial costs of membership tended to be front-loaded, while the benefits were spread over a longer period. In many of the eastern European countries, allowing foreigners (i.e., citizens of other EU countries) to buy their precious farmland was a deeply emotional issue. Another expression of nationalism—prejudice against ethnic minorities—was exploited by extremist politicians, and even by a few supposedly mainstream politicians such as Viktor Orban in Hungary.[7]

The Roma Minority

Discrimination against the Roma (as Gypsies prefer to be called) is a social issue common to Hungary, the Czech Republic, Slovakia, Poland, Romania, and Bulgaria. The Roma, who are estimated to number between five and ten million worldwide, live in every part of Europe, but the largest numbers are found in countries of central and eastern Europe, the Balkans, and former Soviet republics. Romania and Hungary are each home to approximately half a million Roma. An estimated one hundred

thousand live in the Czech and Slovak republics, mainly concentrated in Slovakia, and there are much smaller numbers of Roma in Slovenia.[8]

Most of the Roma living in Europe have given up their traditional lifestyle of traveling about in caravans, but they have generally met with active discrimination wherever they have tried to settle. At least half a million Roma were murdered by the Nazis during World War II. Their economic condition may have gone from bad to worse since the collapse of communism, because they tended to have at least marginal jobs under communism, while now very large numbers are unable to find any work at all.

While they are determined to maintain their ethnic identity, the Roma in central Europe have been largely unsuccessful in uniting to advance their political and economic interests. However, that may be changing. In May 2002, representatives of thirty Romany organizations met in the Polish city of Lodz to try to unify their efforts to improve their condition. Lodz was selected as the site for the meeting because during World War II, the Nazis gathered two hundred thousand Jews and five thousand Roma in a ghetto at Lodz, and nearly all died there or were sent to death camps.[9]

Fearing a wave of Roma immigration after the candidates join the Union, EU member states have urged the eastern countries to adopt laws banning ethnic discrimination and to implement programs to improve the education, housing, and job opportunities for Roma. Hungary and the Czech Republic have made the most progress in this regard. In Hungary, for example, the first Roma radio station in central Europe began broadcasting in 2002.[10] With fewer resources, Slovakia, Romania, and Bulgaria have outlawed ethnic discrimination, but they have only begun to implement social programs to aid the Roma. It is generally recognized that it will require a sustained effort over many years to deal effectively with their plight in all of these countries.

HUNGARY: A KEY PLAYER IN CENTRAL EUROPE

To understand Hungary's current relations with its neighbors, it is essential to know something of its history. The Magyar (Hungarian) people migrated from Asia eleven centuries ago and have survived numerous invasions. The Turks occupied most of Hungary from 1526 to 1686 before being driven out by the Austrians, who then dominated Hungary for the next two centuries. In 1867, Hungary reached a compromise with Austria that made Hungary a power in its own right within the vast Austro-Hungarian Empire. Budapest became one of Europe's most opulent cities, but Hungarians created deep resentment by trying to impose their culture on ethnic minorities such as the Serbs, Croats, Romanians, and Slovaks.

Hungary was on the losing side in World War I, and was forced to sign the Treaty of Trianon in 1920, ceding control of a third of its population and two-thirds of its territory to neighboring countries. Eighty years later, the presence of large Hungarian minorities in Romania and Slovakia was still a major issue in its relations with those countries and to a lesser degree with Serbia.

In World War II, Hungary's authoritarian ruler, Admiral Horthy, sided with Hitler in order to regain the lost territory. Heavy casualties suffered by Hungarian troops on the eastern front and forced labor at home caused Horthy to try to declare Hungary neutral in 1944. To prevent this, the Nazis invaded and set up the fascist Arrow Cross Party, which carried out a reign of terror against the large Jewish and Roma minorities. Soviet "liberating" forces fought a long battle with the Nazis that left Budapest in ruins.

Soviet Period

Soviet occupation forces installed a Hungarian communist regime that was brutally Stalinist. This led to the 1956 uprising by Hungarian students and workers, which was crushed by Soviet tanks. However, under the communist regime of Janos Kadar, who ruled Hungary for the next three decades, Hungarians were allowed some leeway to engage in private enterprise, although the economy was basically state controlled. By 1989, the Hungarian Communist Party was weakened by internal conflict, and quickly yielded its monopoly on political power when noncommunist political groups demanded the right to take part in public life.

Foreign Minister Gyula Horn opened Hungary's western border in September 1989 and allowed sixty thousand East Germans (who had come to Hungary as tourists) to cross into Austria. This event helped precipitate the final collapse of communism throughout central and eastern Europe. After Hungary's first free elections in 1990, a center-right government took office, but it failed to cope with a severe economic crisis, including massive inflation and public debt, plus the collapse of eastern markets for Hungary's exports.

The reformed communist party won the 1994 election and Gyula Horn, who was foreign minister in 1989, became prime minister. After a faltering start, this government imposed a tough economic reform program. They raised taxes, cut welfare spending, reduced the public debt and inflation, and privatized many state companies. These liberal policies were vital to long-term economic recovery and growth, but initially they led to a 9 percent drop in household incomes. Living standards began to recover in 1996, and economic growth averaged 4 percent a year for the next five years. Prime minister Horn's government also began to resolve outstanding differences with Hungary's neighbors, including the status of Hungarian minorities living in those countries.

As a result of these achievements, in 1997 Hungary was invited to join NATO, and in the following year it began negotiations to join the Euro-

pean Union. However, the Horn government lost the 1998 elections because its austerity measures were highly unpopular. The new center-right government led by Viktor Orban's Fidesz Party continued most of Horn's liberal economic reform policies, which were essential to qualify for EU membership, but the EU criticized the government for its efforts to control the media and for using a state-controlled bank to privatize state companies without revealing the terms of the deals. Orban also hinted at a willingness to ally his party with the far-right Justice and Life Party, which was anti-EU and anti-Semitic.

Hungary's Status Law

The most controversial aspect of Orban's leadership was his provocative nationalism. He kept neighboring governments on edge by hinting that, after they all joined the borderless EU, Hungary would effectively control the areas of their countries peopled by ethnic Hungarians.[11] In June 2001, he enacted the so-called Status Law, making ethnic Hungarians in neighboring countries eligible for social benefits funded by Hungary. The law also provided these people with Hungarian identity documents and allowed them to work three months of the year in Hungary. However, because it applied only to ethnic Hungarians, it violated an EU law against discrimination and had to be amended so that it did not apply to the seventy thousand ethnic Hungarians living in Austria, Hungary's only EU neighbor. Once Hungary's other neighbors enter the EU, it will presumably no longer be legal to discriminate in favor of ethnic Hungarians in those countries either.

The Commission told Hungary that some of the provisions of the law "apparently conflict with the prevailing European standard of minority protection." Therefore, Hungary was directed to reach agreement with its neighbors on the matter and bring its law into conformity with EU law and standards of minority protection before joining the Union.[12]

Socialist-Free Democratic Government

The Socialist Party won the April 2002 election and formed a coalition with the Free Democrats, the same partners with whom they had instituted most of Hungary's free-market reforms. Peter Medgyessy, the new prime minister, had served as finance minister in the earlier coalition. Although the Socialists had voted for the Status Law, they took a much more conciliatory line than Viktor Orban had toward Hungary's neighbors, and Medgyessy's victory was greeted with relief in those countries. Coming seven months after a similar center-left coalition won election in Poland, it also contrasted with the trend toward center-right electoral victories in many of the countries of western Europe.

Accession Negotiations

Among the issues that Hungary had to deal with in the final stages of the accession negotiations were fiscal stability and corruption. During its last weeks in office, the Orban government signed agreements to finance large amounts of highway construction and a new Budapest metro line. The Socialist Party criticized the way these contracts were awarded, and it planned to investigate corruption under the previous government, but its own election program promised increased social benefits and public-sector wages, as well as tax cuts.[13]

The new government would undoubtedly also add some of its own people to the boards controlling state-owned public service broadcasters. The Commission had criticized the previous government for appointing only members of Orban's Fidesz Party to these boards. Finally, the Medgyessy government had to get the best terms possible on the last negotiating chapters on agriculture and regional aid, or they could expect strong criticism from Euroskeptic parties. The government coalition had a majority of only twenty votes in the Hungarian parliament.

THE CZECH AND SLOVAK REPUBLICS

The Czech Republic includes the old provinces of Bohemia, Moravia, and Czech Silesia, which are often called the Czech Lands. Prague, the capital, became the seat of the Holy Roman Empire in 1355, and in the 1700s, the Czech Lands became part of the vast Austrian empire, which lasted until Austria's defeat in World War I.

In 1920, the victorious Allies created the Republic of Czechoslovakia, made up of the Czech Lands and Slovakia. Prague was the capital, and the Czechs dominated the country politically and economically. Czechoslovakia offered a rare example of democracy in central Europe between the two world wars, but the Slovaks came to resent Czech domination, as did the Sudetan German minority in Bohemia. When Hitler's Nazi armies invaded Czechoslovakia in 1938, they annexed the German-inhabited areas and occupied the rest of the Czech Lands, but the Nazis allowed right-wing nationalists to run Slovakia until almost the end of the war, when the Slovak people rebelled.

Expulsion of Sudetan Germans

After Soviet armies liberated Slovakia and the Czech Lands, the Republic of Czechoslovakia was restored. Under what became known as the "Benes decrees," 3.5 million Sudetan Germans were expelled to Germany and Austria. After being ignored for decades, their cause was taken up in 2002 by some German and Austrian politicians, who demanded that the

Benes decrees be scrapped as a condition for the Czech Republic's admission to the EU.[14]

The Czech government refused to make any such gesture "under pressure," and the situation was inflamed by Czech Prime Minister Milos Zeman, who described the expellees (many of whom were children) as traitors to Czechoslovakia and Hitler's fifth column. However, Zeman did not seek reelection in June 2002, and Commissioner Verheugen helped to move the issue out of the limelight after the German and Austrian elections later in the year.[15]

Communist Period

With Soviet support, Czech and Slovak communists ruled Czechoslovakia from 1948 to 1989. Communism brought a major transformation of the Slovakian economy, with a large percentage of the workforce moving from agriculture to jobs in the new industrial sector that specialized in manufacturing arms. However, the Czech Lands, which began the postwar period with well-established industries, failed to keep pace with western technological advances. The communist regime isolated Czechoslovakia from the West and focused on the production of low-quality goods for Soviet bloc consumption. Economic growth slowed and finally stagnated in the 1980s.[16]

During the spring of 1968, Prime Minister Alexander Dubcek called for a more humane brand of socialism, but the "Prague spring," as his movement was called, was soon crushed by Soviet bloc military forces. In November 1989, the spirit of rebellion that brought down the communist regimes in Poland, Hungary, and East Germany reached Czechoslovakia. Mass demonstrations were touched off in Prague by acts of police brutality, and two brief general strikes caused the regime to panic and allow the election of a federal assembly. In December 1989, this body chose Vaclav Havel, a charismatic playwright and political dissident, as president.

In June 1990, the first free national elections were won by Civic Forum, an umbrella organization that included most of the anticommunist groups. Vaclav Klaus, the conservative finance minister, subjected the country to three years of "shock treatment" economic reform. The cost of imports increased sharply, wages were controlled by the government, and living standards fell. Nevertheless, Klaus emerged as leader of the Czech Lands after the 1992 election, and the extreme nationalist Vladimir Meciar won in Slovakia. They were unable to agree on any common program for the Czechoslovak federation except to dissolve it, so on January 1, 1993, the Czech Lands became the Czech Republic with its capital at Prague, while Slovakia gained its independence with Bratislava as its capital.

Vaclav Klaus continued as prime minister of the Czech Republic from 1993 to 1997, and his program of privatizing state enterprises brought mixed results. In some cases, strong western corporations bought Czech firms like Skoda and invested enough capital to make them profitable, but the managers of some state enterprises stole their most valuable assets, a practice known as "tunneling." Prime Minister Klaus's party was linked to these scandals, and he resigned in 1997. His successor, Social Democrat Milos Zeman, was a member of the opposing party and could only govern because Klaus's party agreed not to unseat him. This arrangement was unpopular with Czech voters.[17] Nevertheless, Vaclav Klaus was elected by the Czech Parliament to succeed Vaclav Havel as president in 2003.

SLOVAKIA EMERGES AS AN INDEPENDENT STATE

Although the Slovak people have enjoyed only brief periods of political independence, they are united by devotion to their national culture. World War I, which ended centuries of Hungarian domination, was a major turning point in Slovakia's history. The Hungarian overlords who ruled Slovakia in the Austro-Hungarian Empire generally treated their subjects with disdain, and relations between the two peoples have only gradually improved in recent years.

Slovak cultural nationalism took hold in the nineteenth century under L'udovit Stur and other great writers. Slovak nationalism also flourished among the large numbers of Slovak immigrants to the United States, who, along with Czech immigrants, petitioned President Woodrow Wilson during World War II to support their countries' independence and partly as a result, Czechoslovakia was created in 1920 with its capital at Prague and with Slovakia playing a secondary role in the new republic.

During World War II, Nazi Germany dismembered Czechoslovakia and allowed the Slovaks to form a fascist state run by the clergy, but an anti-Nazi resistance movement aided Soviet forces that liberated the country. As a reward, Slovakia's status was increased when Czechoslovakia was reconstituted after the war, but the Czech Lands were still dominant. Under communist rule, Slovakia was transformed from a farming country into a major producer of armaments, and Slovak living standards began to approach parity with the more urbanized Czech people. One result of the "Prague spring" liberalization in 1968 was that Slovakia gained equal status with the Czech Lands in a federal arrangement.

Slovakia Since 1989

In the first free elections after the collapse of communism, Vladimir Meciar became prime minister of Slovakia in 1992, and the country severed its ties with the Czech Republic in 1993. Meciar dominated Slovakia's political scene for the next six years. During this time, he was a major obstacle to political and economic reform, and he encouraged intolerance of ethnic minorities in the country. He was criticized, at home and abroad, for his abuse of political opponents and frequent resort to undemocratic tactics. For example, he was believed to have ordered the bizarre kidnapping of the son of his main political rival, President Kovacs. As a result, the EU refused to consider Slovakia's application for membership until he left office.[18]

In 1998, Meciar was defeated by a broad coalition of parties led by Mikulus Dzurinda, a marathon runner who announced his aim of catching up as quickly as possible with Slovakia's neighbors in the race to join the European Union. Dzurinda instituted far-reaching political and economic reforms and improved Slovakia's relations with its neighbors, including Hungary. In December 1999, EU leaders invited Slovakia to begin accession negotiations, and by November 2001, Commissioner Verheugen was able to report that Slovakia was rapidly creating the necessary administrative capacity and an independent judiciary. Twelve hundred new civil servants were recruited and trained in 2002 to work on European integration matters.[19] These were very impressive achievements for a small country with such a limited history of self-rule.

The main cloud on the horizon, as far as Slovakia was concerned, was the September 2002 election. Polls in the first half of the year indicated that Vladimir Meciar might regain power as prime minister. Although in 2002 Meciar claimed to be a strong supporter of democratic values and European integration, NATO and EU officials had threatened to block Slovakia from joining both organizations if he returned to power.[20] However, the parties opposed to Meciar won enough seats to form a coalition government, which was again led by Mikulus Dzurinda.

SLOVENIA: THE FIRST BALKAN STATE TO JOIN THE EU

With two million people, the Alpine nation of Slovenia is the smallest of the former communist candidates except for Estonia, and it is also the richest. The Slovenes are a Slavic people, mainly Roman Catholic, with a strong western heritage. An EU official recently described Slovenia as "a small, uncomplicated country for the EU to absorb," but while polls show that the people are eager to join the EU, they do not like the idea of being "absorbed."[21]

Slovenia has known only a few years of full independence. For nearly six hundred years, the country was part of the Austrian empire. When the map of Europe was redrawn after World War I, Slovenia was included in what came to be known as Yugoslavia. After World War II, Yugoslavia was reconstituted as a communist federation under Marshal Josip Broz Tito, but Slovenia's communist regime was more liberal than those of other

Yugoslav republics. A wide range of quality products from skis to kitchen appliances were manufactured in Slovenia mostly for the western European market.

In July 1991, Slovenia gained its independence after a brief battle with the Serb-led Yugoslav army. For most of the 1990s, former communist leader Milan Kucan served as president of Slovenia, and Janez Drnovsek was prime minister. Just before the Copenhagen EU summit in December 2002, Drnovsek was elected president, having led Slovenia to membership in the EU and NATO.

Foreign Investment

Although Slovenia has received less foreign investment per capita than any of the other eastern European candidates, the economy has grown at an annual rate of about 4 percent. This reflects the country's relatively high rate of domestic savings, and the fact that Slovenia was less in need of tech transfer than the other candidates because it has been producing all along for the western market. The people of Slovenia have been worried about becoming a "colony" if foreign corporations are allowed to buy up their assets indiscriminately.

Nevertheless, in 2001, the government launched a major privatization program in which it planned to sell shares in the two largest banks, the main insurance company, the telecom utility, and a string of industrial assets, including the national steelworks. According to the finance minister, because the country's fiscal base was sound, its main objective was to improve the competitiveness of these establishments.[22]

Slovenia's Balkan Presence

While maintaining control over its own economy, Slovenia has been a major investor in neighboring Bosnia. The appearance of the red and white logo of Mercator supermarkets in Sarajevo and other cities showed that Bosnia was on the mend after years of ethnic warfare. Slovenia was also training treasury officials from several Balkan nations and helping to set up a new stock market in Sarajevo. Slovenia sent a mechanized army company to serve with the NATO peacekeeping forces in Bosnia, and Slovenia's de-mining operation was one of the largest in former Yugoslavia.

WHAT SORT OF EU MEMBERS WILL THEY BE?

Like Poland, the four smaller central European candidates will support closer European integration, but they will also want to preserve their national identities. Thus, they are likely to side with countries like Britain,

Austria, and Denmark that prefer the intergovernmental approach to decision making. Nevertheless, they look forward to the financial stability that is likely to result from adopting the euro currency, and they will be more than willing to play their part in programs to protect the security of Europe.

Allied with the Commission

During the long accession process, these central European countries have worked closely with Enlargement Commissioner Gunter Verheugen and his staff. They have come to regard the Commission as their ally in the accession process, because the Commission has supported enlargement more consistently than many of the member states. Also, the Commission has traditionally been seen as the protector of small states' interests, especially when the large ones seek to form a directorate to run the EU.

The Visegrad states are taking part in the debate over Europe's future constitution, but they have not caucused as a group, and their powers to influence the process will be limited until they become full members. They will be net recipients of EU funds for at least a few years after joining the Union, but some of them will become net contributors before very long. They are likely to ally themselves with Germany on most issues that come before the Council of Ministers because their ties with Germany are extensive.

In foreign affairs, Hungary, the Czech Republic, Slovakia, and Slovenia will favor eventual EU membership for the countries of former Yugoslavia and Albania. As of 2002, they saw NATO as indispensable to Europe's security. They also supported the EU's security and defense policy, but only if it did not conflict with NATO's mission. If the EU continues to take over the Balkan peacekeeping role from NATO, this may cause the Visegrad states to rethink the relative importance of the EU and NATO for European security.

NOTES

1. The Commission opinions on the ten applications were issued in Brussels on July 17, 1997. Instead of assessing the applicants' current qualifications, they attempted to predict whether they would be ready to join the EU by 2002.

2. Judy Dempsey, "Hungary Unlocks Progress in Talks on Enlarging EU," *Financial Times* (June 13, 2001).

3. Heather Grabbe, *Profiting from EU Enlargement* (London: Centre for European Reform, 2001), pp. 25–33.

4. Peter Marsh, "Czech Republic Switches on to the Right Mix of Foreign Investors," *Financial Times* (May 21, 2002).

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CHAPTER 6

Estonia, Latvia, and Lithuania

Because of their countries' location and long history of Russian domination, the leaders of Estonia, Latvia, and Lithuania sought the security of EU and NATO membership and a chance to help shape Union policy toward Russia in the years ahead. At the end of 2002, they were invited to join both the EU and NATO, and Russia did not actively oppose this historic development.

During the cold war years, the three Baltic states were completely integrated into the Soviet economy and political system unlike the other central and eastern European candidates for EU membership. When they declared their independence in 1990, Moscow used military force and economic pressures to try to stop them. President Yeltsin supported their independence, but he ranted against their treatment of Russian minorities. After President Putin's election, he and EU leaders began to cautiously feel their way toward a much broader EU-Russian relationship, one in which the Baltic states and Kaliningrad might have a special role to play.

The distinct national identities of the Baltic states were formed over centuries in which there was little contact between them. In the Middle Ages, Estonia and Latvia were conquered and Christianized by the German Livonian Knights. To avoid being overrun by that military and religious order, the Lithuanians formed a strong, unified state, which became the largest country in medieval Europe, stretching southward all the way to the Black Sea. However, in the 1700s, Tzar Peter the Great conquered the Baltic states, and despite frequent attempts, they did not succeed in gaining their independence until 1918.