

## Articles

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# Dilemmas of Europeanization: Eastern and Central Europe after the EU Enlargement\*

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The 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 examines 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 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 the requirements of EU membership and continuation of postcommunist transformations aimed at improving the quality of democracy and securing faster economic growth.

### 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. Participation in emerging European institutions has been reserved for states with secure democratic systems and a consistent record of respect for political and civil rights. While this principle remained implicit in early EC documents, the presence of a strong democratic system in the candidate country soon became an explicit *sine qua non* condition for EC/EU accession.

Formally, the 1957 Treaty of Rome allowed any European country to apply for EC membership (Art. 237), subjecting the conditions of admission and

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necessary adjustments to Community legislation to an agreement between old member states and candidate countries. Despite the apparent openness, European leaders all knew that “a democratic political system was a necessary qualification for entry.”<sup>1</sup> *De facto*, Cold War divisions excluded Eastern Europe from participation in the Community, while Spain and Portugal remained isolated because of Francisco Franco’s and Antonio Salazar’s dictatorships, respectively.

When demands for Mediterranean enlargement emerged in the 1960s, European institutions systematically emphasized through their actions the strong link between the possibility of EC accession and the existence of a liberal democratic system in the candidate country. Hence, in 1962 the European Commission ignored Spain’s written request to open pre-accession negotiations. The EC suspended its association agreement with Greece in response to the 1967 right-wing coup that ushered in a military dictatorship. Likewise, the authoritarian nature of Salazar’s regime excluded Portugal from membership in the Council of Europe and, by extension, the EC. Meanwhile, three well-established democracies (Great Britain, Denmark and Ireland) joined the Community in 1973. The power of precedent thus confirmed and reinforced the general assumption: a country had to be democratic in order for its application for accession to be even considered.<sup>2</sup>

The collapse of authoritarian regimes in the 1970s enabled the Iberian countries to seek EC membership as part of their democratic consolidation strategy. “Europa conosco” (Europe is with us) was the campaign slogan of the eventually victorious Portuguese Socialist Party that supported the fledgling democracy and energetically sought EC membership in those tumultuous years. The European Community also used Mediterranean enlargement as an effective tool for securing liberal democracy in the region, reestablishing ties with candidate countries in the aftermath of authoritarian isolationism, and preventing their potential slippage into the Soviet bloc.

Similarly, the collapse of communist regimes across Central and Eastern Europe provided an opportunity for extending the zone of freedom and democracy beyond the former “Iron Curtain.” The prospect of EU membership emerged as a powerful factor in shaping the internal and external policies pursued by political actors in the new European democracies. “Rejoining Europe” became again a grand political project for the “other” Europeans. Consolidating democracy and building a market economy were means to achieving this goal.

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1 Neill Nugent, “Previous Enlargement Rounds” in Neill Nugent, ed., *European Union Enlargement* (Basingstoke and New York: Palgrave Macmillan, 2004), p. 28.

2 António Costa Pinto and Nuno Severiano Teixeira, “From Atlantic Past to European Destiny,” in Wolfram Kaiser and Jürgen Elvert, eds., *European Union Enlargement: A Comparative History*, Routledge Advances in European Politics (London and New York: Routledge, 2004), p. 114.

EU member states, along with their 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 future integration into the EU, complex aid schemes and conditionality frameworks were developed, and significant resources were committed.<sup>3</sup> 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 further support the strengthening of democracy in the region. In many respects, this has been one of the most consistent and powerful democracy promotion mechanisms ever developed.<sup>4</sup>

The prospect of EU membership formed the centerpiece of democracy promotion, providing powerful incentives that shaped policy preferences, identities, and the agendas of political actors in the region. Membership in the EU, according to Whitehead,

“[G]enerates 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...”<sup>5</sup>

Although most of the EU efforts since the early 1990s have focused on supporting the transition to a market economy and on strengthening governance capacity (Smith argues that only 1% of aid was spent on direct promo-

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- 3 E.g. David Bailey and Lisa de Propriis, “A Bridge Too Phare? EU Pre-Accession Aid and Capacity Building in the Candidate Countries,” *Journal of Common Market Studies* 42:1 (2004), pp. 77-98; Frank Schimmelfennig, Stefan Engert and Heiko Knobel, “Costs, Commitments and Compliance: the Impact of EU Democratic Conditionality on Latvia, Slovakia and Turkey,” *Journal of Common Market Studies* 41:3 (2003), pp. 495-518; Wade Jacoby, *The Enlargement of the European Union and NATO: Ordering from the Menu in Central Europe* (Cambridge: Cambridge University Press, 2004); Milada A. Vachudova, *Europe Undivided, Democracy, Leverage and Integration after Communism* (Cambridge: Cambridge University Press, 2005); Geoffrey Pridham, *Designing Democracy: EU Enlargement and Regime Change in Postcommunist Europe* (London: Palgrave Macmillan, 2005); Heather Grabbe, *The EU’s Transformative Power: Europeanization through Conditionality in Central and Eastern Europe* (London: Palgrave Macmillan, 2006).
- 4 Karen Smith, “Western Actors and the Promotion of Democracy,” in Jan Zielonka and Alex Pravda, eds., *Democratic Consolidation in Eastern Europe* (Oxford: Oxford University Press, 2001), pp. 31-57.
- 5 Laurence Whitehead, “Three International Dimensions of Democratization,” in Laurence Whitehead, ed., *The International Dimensions of Democratization: Europe and the Americas* (Oxford: Oxford University Press, 1996), p. 19.

tion of democracy), the presence of democratic institutions and practices was a condition *sine qua non* for establishing formal linkages and mutual obligations, and for the commitment of resources. Very early in the accession process “human rights clauses” were added to all cooperation and association agreements.<sup>6</sup> 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.”<sup>7</sup>

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

The assumption about a 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, often coming from different political persuasions, have cast a suspicious eye on the motives, goals, and tactics the EU employed in pursuing “eastern enlargement,” describing it alternately as a “neo-Byzantine,” “neo-colonial,” or “neo-imperial” project.<sup>8</sup> Concurrently, they have claimed that elite efforts to succeed in membership negotiations distorted the democratic policy making process, leaving the emerging East European democracies as shallow, unaccountable postcommunist states wherein society was increasingly disenchanted with both Europe and democracy. Accepting that accession requirements may be beneficial in the short run given the inherent challenges of postcommunist transitions, many critics nonetheless insisted that the long-term consequences

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6 Schimmelfennig et al., “Costs, Commitments and Compliance.”

7 Council of the European Union, *Presidency Conclusions* (Brussels: Copenhagen European Council, 1993).

8 Kjell Engelbrekt, “Multiple Asymmetries: The European Union’s Neo-Byzantine Approach to Eastern Enlargement,” *International Politics* 39 (2002), pp. 37-52; Jozsef Borocz, “Introduction: Empire and Coloniality in the ‘Eastern Enlargement’ of the European Union,” in Jozsef Borocz and Melinda Kovacs, eds., *Empire’s New Clothes. Unveiling EU Enlargement* (Central European Review, 2001).

of accession are less certain and may indeed prove potentially harmful to democracy. They argued that EU accession policies undermine the 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 has exported its democratic deficit to Eastern Europe, thereby magnifying it and jeopardizing a 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 those directed towards state-building and economic reforms reinforces this point. As Alex Pravda once quipped, the EU “can live with democratic deficits more easily than with budgetary or administrative ones.”<sup>9</sup> Claims about the existence of conflicting logics between EU enlargement and democratic consolidation in Eastern Europe have been cast, however, in a very general way and based on selectively presented evidence. The possible negative scenarios, their exact causes, mechanisms and consequences remain poorly specified and inadequately investigated.

The EU accession negotiations were indeed one-sided and elite-driven. Power asymmetries inherent in this process created various grievances and challenged unrealistic expectations. East European politicians and bureaucrats came to resent the distinct “institutional tutors and pupils” dynamics.<sup>10</sup> EU double standards (for example, in protection of ethnic minorities rights) were widely criticized.<sup>11</sup> 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.”<sup>12</sup> Moravcsik and Vachudova nevertheless argue that “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.”<sup>13</sup>

Another set of arguments pointing to 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 argued that the policy of harmonization with EU economic institu-

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9 Alex Pravda, in Jan Zielonka and Alex Pravda, eds., *Democratic Consolidation in Eastern Europe. Volume 2: International and Transnational Factors* (Oxford: Oxford University Press, 2001), p. 13.

10 Wade Jacoby, “Tutors and Pupils: International Organizations, Central European Elites, and Western Models,” *Governance* 14:2 (2001), pp. 169-200.

11 Michael Johns, “‘Do As I Say, Not As I Do’: The European Union, Eastern Europe and Minority Rights,” *East European Politics and Societies* 17:4 (2003), pp. 682-699.

12 Andrew Moravcsik and Milada Anna Vachudova, “National Interests, State Power, and EU Enlargement,” *East European Politics and Societies* 17:1 (2003), p. 45.

13 Moravcsik and Vachudova, “National Interests,” p. 42.

tions, regulations, and policies is likely to slow down 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 respectively for the GDPs of Poland, Hungary and Czech Republic to reach 90 percent of the EU average. Adopting very liberal economic institutions and policies, however, could potentially reduce the respective time period to 31, 23, and 20 years. This argument was echoed in a report published by the Cato Institute,<sup>14</sup> according to which “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 an 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.”<sup>15</sup> Citing the example of Estonia, Tupy claims 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.”<sup>16</sup> Consequently, 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, on the eve of the EU enlargement to the East there were two operative images of the possible effects EU membership would have on the new East European democracies. One emphasized the complementarity between EU accession and the building of democracy and a market economy in the region, whereas the second stressed the existence of conflicting logics between the requirements of accession and the necessities of further political and economic reforms. Supporters of the conflict view claimed that the EU undermines new democracies in Eastern Europe by exporting its democratic deficit and dictating unfavorable conditions for membership. All the available evidence, however, shows that the new member and candidate countries are today better off both politically and economically than other countries in the former Soviet bloc.

In order to better understand the impact of EU membership on democratization and economic growth, we need more systematic empirical research employing comparative research designs. Such research should include not only East European cases, but also those from previous rounds of EU enlargement and from other democratizing countries and regions. We also need ana-

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14 Marian Tupy, “EU Enlargement. Costs, Benefits, and Strategies for Central and Eastern European Countries,” *Policy Analysis* 489 (Cato Institute, September 18, 2003).

15 Tupy, “EU Enlargement,” p. 1.

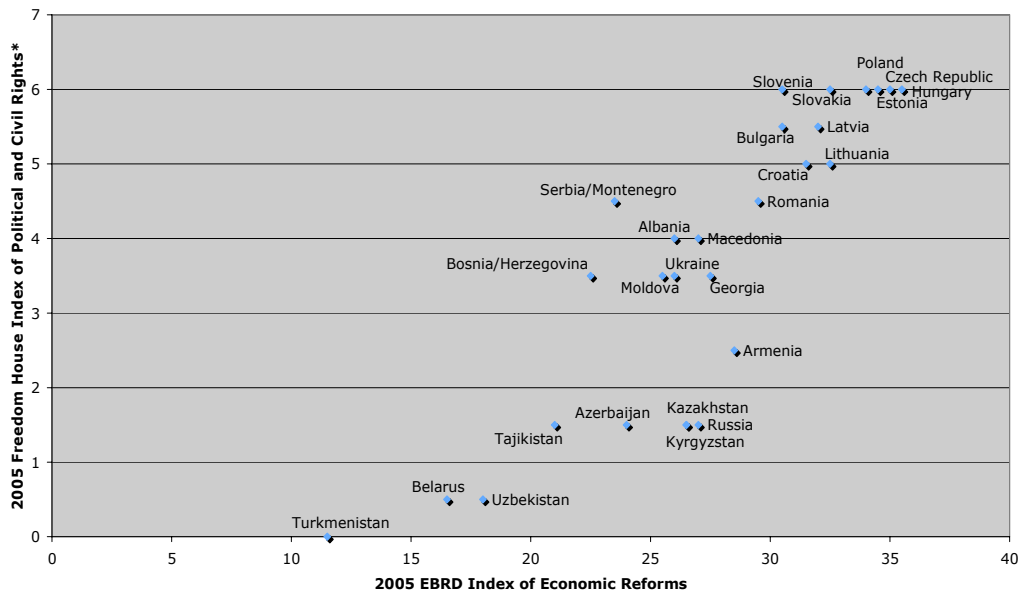
16 Tupy, “EU Enlargement,” p. 2.

lytical approaches capable of transcending the theoretical and methodological divisions among the various sub-fields within the social science disciplines. I agree with Schimmelfennig and Sedelmeier<sup>17</sup> that existing research on enlargement is under-theorized, relies too heavily on single case, policy and descriptive studies and neglects important aspects of enlargement. However, I also think that 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.

### 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 a simple review of widely available comparative data.

**Graph 1: Economic Transformations and Political Rights in Postcommunist Countries, 2005<sup>18</sup>**



\* For representational clarity, the reciprocal of the Heritage Foundation indices is used for each country so that a larger score indicates greater economic freedom.

17 Frank Schimmelfennig and Ulrich Sedelmeier, "Theorizing EU Enlargement: Research Focus, Hypotheses, and the State of Research," *Journal of European Public Policy* 9:4 (2002), pp. 500-528.

18 Sources: [www.freedomhouse.org](http://www.freedomhouse.org); [www.ebrd.com](http://www.ebrd.com); [www.heritage.org](http://www.heritage.org)

First, there has been a 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. These states have working market economies and the quality of their democratic institutions is similar to that enjoyed by the citizens of established Western democracies. These eight countries are closely followed by Bulgaria and Romania who joined the EU in January 2007, and by likely future EU member Croatia. Political and economic reforms in other Balkan countries as well as the other countries that emerged from the former Soviet Union are less advanced, as evidenced by much lower scores on these two indexes.

While the pace of change in the leading countries has lately become more consistent, their political and economic reforms were already more advanced in the mid-1990s. Recent data, however, show a growing split between these two parts of the former Soviet bloc, as well as a deepening of sub-regional divisions. On the one hand, there exists a striking convergence between the new member states of the EU and the official candidate countries. They are richer and have lower levels of income inequality and poverty. Moreover, their economies are growing faster, while liberal democratic standards are safeguarded by consolidated democratic systems. On the other hand, the majority of former Soviet republics (including Russia) have emerged poorer and less egalitarian while concurrently being plagued by more severe economic difficulties, massive corruption, and increasingly authoritarian political tendencies.<sup>19</sup>

Diverging patterns of postcommunist transformations have been thoroughly debated in the discipline of comparative politics (see, for example, Vachudova and Snyder 1997, Hellman 1998, Fish 1998, Greskovits 2001, McFaul 2002, Frye 2002, Bunce 1999 and 2003, Ekiert and Hanson 2003, Grzymala Busse 2003, O'Dwyer 2004),<sup>20</sup> and consensus exists among scholars on many impor-

19 Grzegorz Ekiert, Jan Kubik and Milada Vachudova, "Democracy in the Postcommunist World: An Unending Quest," *East European Politics and Societies* 21:1 (2007), pp. 1-24.

20 Milada Vachudova and Timothy Snyder, "Are Transitions Transitory? Two Types of Political Change in Eastern Europe Since 1989," *East European Politics and Societies* 11:1 (1997), pp. 1-35; Joel Hellman, "Winners Take All: The Politics of Partial Reform in Postcommunist Transitions," *World Politics*, 50:2 (1998), pp. 203-234; Steven M. Fish, "The Determinants of Economic Reform in the Post-Communist World," *East European Politics and Societies*, 12:1 (1998), pp. 1-35; Bela Greskovits, "Rival Views of Postcommunist Market Society," in Michal Dobry, ed., *Democratic and Capitalist Transitions in Eastern Europe. Lessons for the Social Sciences* (Amsterdam: Kluwer, 2002), pp. 19-49; Michael McFaul, "The Fourth Wave of Democracy and Dictatorship. Noncooperative Transitions in the Postcommunist World," *World Politics* 54 (January 2002), pp. 212-244; Timothy Frye, "The Perils of Polarization: Economic Performance in Postcommunist World," *World Politics* 54:3 (2002), pp. 308-337; Valerie Bunce, "The Political Economy of Postsocialism," *Slavic Review* 58:4 (1999), pp. 756-793; Valerie Bunce, "Rethinking Recent Democratization. Lesson from the Postcommunist Experience," *World Politics* 55 (2003), pp. 167-192; Grzegorz Ekiert and Stephen E. Hanson,



tant issues. Various authors, however, cite the centrality of different explanatory factors, including historical legacies, initial social and economic conditions, types of democratic breakthroughs, the choice of democratic institutions and the dominant features of domestic political competition, and the influence of powerful international actors in support of democratic consolidation. Given the small number of cases under consideration, it is difficult to decide which factor is most important. By looking carefully at these cases we can, however, propose a number of possibilities.

One potential way of testing these alternative explanations would be to look at cases where the outcome of transition was uncertain. Scholars have proposed just such a strategy for 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.<sup>21</sup> 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 states such as Poland and Hungary, EU conditionality simply reinforced the existing trajectory of liberal democratic and economic reforms, 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 Belarus). However, in countries with both pro- and anti-reformist parties and shifting patterns of policies, EU conditionality has produced more discernible effects (as in the case of Slovakia). Yet it is clear that more research is still needed to disentangle the complex relationships 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 examination of the progress of democratic consolidation across different geographic regions (again measured by the Freedom House Index) reveals that postcommunist Europe splits into two distinct groups. In the first, democracy is more advanced than in any other region that experienced third wave democratization, save for Southern Europe. Among states that comprise the second group, however, democracy is lagging behind all other regions of the world.

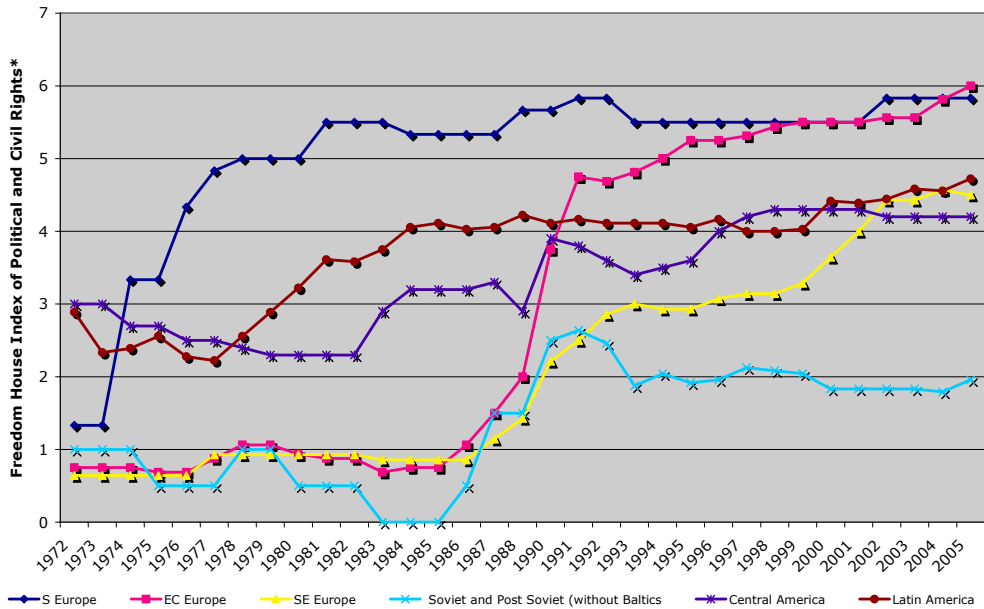
This simple comparison shows that postcommunist countries can claim both the best and the worst record in transitioning from authoritarianism to

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eds., *Capitalism and Democracy in Central and Eastern Europe. Assessing the Legacy of Communist Rule* (Cambridge: Cambridge University Press, 2003); Anna Grzymala-Busse and Abby Innes, "Great Expectations: The EU and Domestic Political Competition in East Central Europe," *East European Politics and Societies* 17:1 (2003), pp. 64-73; Conor O'Dwyer, "Run-away State Building: How Political Parties Shape States in Postcommunist Europe," *World Politics* 56:4 (2004), pp. 520-553.

21 Frank Schimmelfennig, *Democratic Conditionality and Democratic Consolidation in Eastern and Central Europe* (paper presented at CES conference, Harvard University, December 2003); Vachudova, *Europe Undivided*.

Graph 2: Cross-regional Comparison of Third Wave Democracies<sup>22</sup>



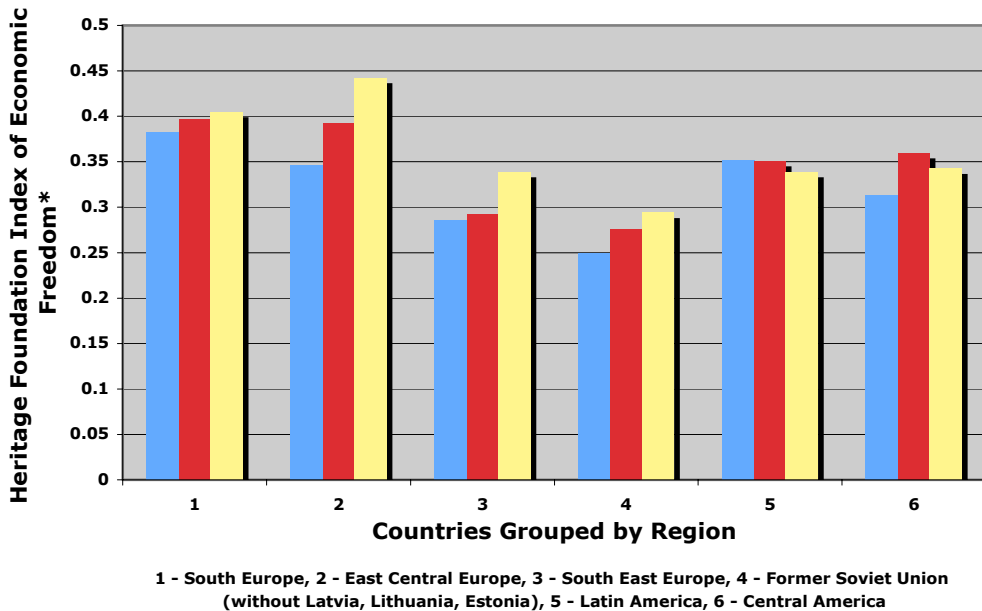
\* For representational clarity, the reciprocal of the Heritage Foundation indices is used for each region so that a larger score indicates greater economic freedom.

democracy. In eight leading countries the speed of democratic consolidation (defined as improvement in the areas of political rights, liberties, and democratic practices) was unexpectedly fast. In the case of these countries, early concerns about the potential for legacies of communist rule and initial conditions unfriendly to democracy to impede the reform process proved largely unfounded. As such, the extent of rights and liberties in these new EU member countries reached the level enjoyed by stable Western democracies shortly after the transition and these rapid democratic gains stabilized at a high level. Attesting to the latter point, there were no significant setbacks to democracy in these states as measured by their Freedom House scores. In contrast, Freedom House scores for many countries that emerged from the Soviet Union (including Russia) not only showed lower initial gains, but have also demonstrated a persistent tendency towards decline in recent years.

In sum, compelling evidence demonstrates 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. In stark contrast, the other part of the former Soviet bloc has been steadily backsliding into authoritarianism. This suggests that the EU policy of making countries eligible for EU mem-

22 Regional averages of Freedom House scores for political rights and civil liberties were added and divided by 2. Then the scores were reversed: the higher score indicates more extensive rights and liberties (my thanks to Amy Linch for her work on the three graphs).

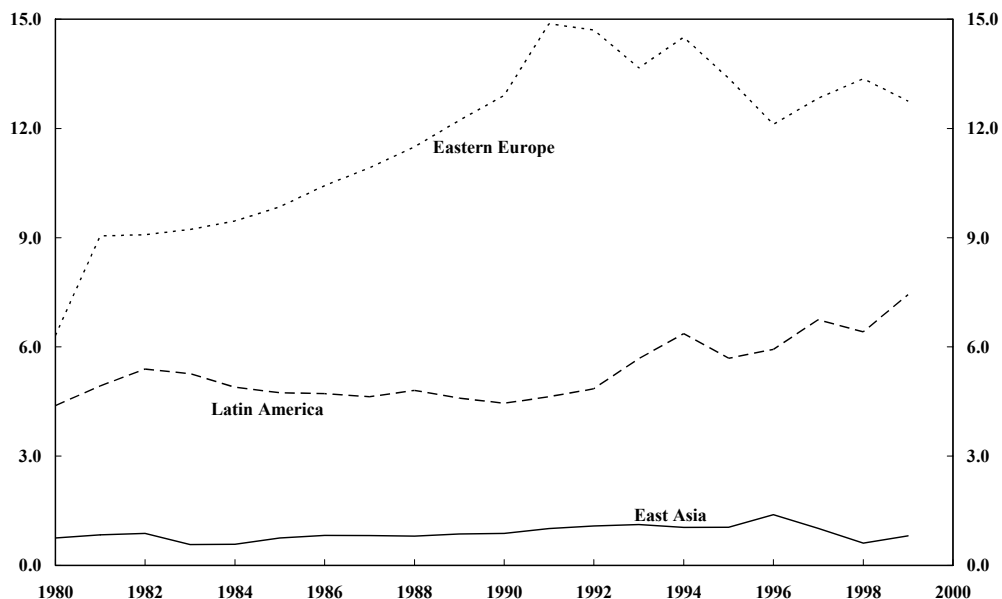
**Graph 3: Comparative Cross-regional Data for All New Democracies, 1998-2006<sup>23</sup>**



\* For representational clarity, the reciprocal of the Heritage Foundation indices is used for each region so that a larger score indicates greater economic freedom.

bership provided a powerful mechanism for facilitating the consolidation of democracy. Thus, if consolidated democracy is perceived as characterized by stable political institutions, the rule of law, accordance of extensive protections for political and civil rights, and the transparency and predictability of political processes, accession appears compatible with these objectives. Qualifying for EU membership required aspirant states to significantly expand their administrative and judicial capacity, impose clear standards of legal protection, and to safeguard expansive social and political rights. But in order to strengthen this conclusion, we need to carefully investigate the role played by regional differences and historical legacies, as it may well be that differences in initial conditions were responsible for a large part of the evinced outcome. Future waves of enlargement, which may include other Balkan countries and possibly also Turkey, Ukraine, Moldova and Belarus, may provide additional empirical evidence to test the impact of EU conditionality.

23 The Heritage Foundation Index is based on 50 economic variables grouped into 10 categories: Trade policy, Fiscal burden of government, Government intervention in the economy, Monetary policy, Capital flows and foreign investment, Banking and finance, Wages and prices, Property rights, Regulation, and Informal market activity. Each category is evaluated on a score of 1-5 with 1 representing policies most conducive to economic freedom and 5 representing policies least conducive to economic freedom. See [www.heritage.org](http://www.heritage.org)

**Graph 4: Average Social Security Expenditure as a Share of GDP 1980-2000<sup>24</sup>**

Source: World Development Indicators

It should also be noted that successful postcommunist countries not only made swift and significant progress in building democracy, but that 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 an indispensable foundation for a functioning 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 ten policy dimensions on the scale from 1 (most free) to 5 (not free).

Despite legacies of centrally planned economies, the eight leading East Central European countries rank relatively high in terms of economic freedom. In institutional terms, their 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

24 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).

surprising outcome given the well-known difficulties in constructing market economies and sustaining liberal economic policies.

Cross-regional comparison likewise shows that broad social protection programs and a high level of social expenditure characterize postcommunist political economy systems. According to Robert Kaufman,<sup>25</sup> these expenditures are remarkably higher in Eastern Europe than in other regions. Moreover, they increased significantly following the collapse of the communist regimes.

There exist striking intra-regional disparities in levels of national wealth, economic growth, poverty and social expenditures. Moreover, all relevant economic and social indicators show a substantial and growing gap between the new EU member 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 CIS countries (World Bank 2005). Similarly, new EU member states have the lowest poverty levels among the former communist countries, while high levels of poverty characterize the low-income CIS region (on par with the poorest regions of the world). The middle income CIS countries exhibit moderate poverty levels. There are also significant disparities in social spending, as the table below illustrates.

**Table 1: Estimates of Cash Transfers and Social Expenditures<sup>26</sup>**

|                | Cash Transfers/GDP <sup>a</sup> | Social expenditure/GDP <sup>b</sup> |
|----------------|---------------------------------|-------------------------------------|
| Poland         | 17.7                            | 29.5                                |
| Czech Republic | 12.1                            | 25.5                                |
| 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 political and economic transformations that have taken place in the postcommunist world? Explaining economic success is as difficult as explaining political success. The most obvious fact is that fifteen years after the collapse of communist regimes,

25 Adapted from Kaufman, *Market Reform and Social Protection*.

26 Ibid.

a wide range of political systems exists in the region, and the split between the two parts of the former Soviet bloc is deepening. While some countries enjoy highly functional 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 of the postcommunist countries – the prevailing tendency in the post-Soviet region is toward “competitive authoritarianism.”<sup>27</sup>

It is also evident from this overview that the most successful postcommunist countries have established the closest relations with the European Union. These countries have benefited from European aid and monitoring, democratic conditionality strategies, institutional and knowledge transfer, foreign investment, and, above all, from the real prospect of EU membership. The benefits and constraints proffered by the EU have shaped the character of domestic political competition, informed the agendas of many political and economic actors, and expanded opportunities for reformers. As a result, new EU member countries have implemented the most advanced economic reforms, leading to a reduction in social inequalities and the burgeoning of extensive welfare policies, all while experiencing consistent economic growth. In fact, their trajectory resembles most closely the successful pattern of South European transformations that took place in the 1970s and 1980s. Thus one important conceptual challenge is to establish whether these developments should be explained primarily 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 other external factors, such as becoming a credible candidate for EU membership, or being subject to concerted Western pressure.

The existing literatures, focusing specifically on the effects of European integration relative to member states, the impact of enlargement on accession countries, and the 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 shortcomings. Studies of Europeanization deal almost exclusively with old EU members. The impact of European integration on existing member states remains under-theorized and understudied, although a large number of works focusing on these issues have recently been published.<sup>28</sup> As Goetz and Hix note,

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27 Steven Levitsky and Lucan Way, “Elections Without Democracy: The Rise of Competitive Authoritarianism,” *Journal of Democracy* 13:2 (April 2002), pp. 51-66; Steven Levitsky and Lucan Way, “International Linkage and Democratization,” *Journal of Democracy* 16:3 (July 2005), pp. 20-34; Steven Levitsky and Lucan Way, “Linkage, Leverage and the Post-Communist Divide,” *East European Politics and Societies* 27:21 (2007), pp. 48-66; Stephen Holmes, “A European Doppelstaat?” *East European Politics and Societies* 17:1 (2003), pp. 107-118.

28 Johan Olsen, “The Many Faces of Europeanization,” *Journal of Common Market Studies* 40: 5 (2002), pp. 921-952.

"Europeanization has all the trademarks of an emerging field of inquiry."<sup>29</sup> Moreover, 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."<sup>30</sup> This finding suggests that an interesting relationship may exist between the strength of democracy in accession countries and their propensity to adopt externally generated institutions, rules, and policies. In light of this, it would be interesting to investigate to what extent political, economic or cultural backwardness promotes a more or less extensive convergence process.

We know even less about the concrete impact of enlargement on Central European democracies. According to Schimmelfennig and Sedelmeier, "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 cases [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."<sup>31</sup> Moreover, studies designed to explore the impact of enlargement have unearthed surprisingly little solid evidence to date. For example, extant studies concerned with the impact of enlargement on regionalization and the development of territorial governance structures in candidate countries conclude that the EU influence is at best limited and ambivalent.<sup>32</sup>

## DILEMMAS AND LONG-TERM CHALLENGES TO THE QUALITY OF DEMOCRACY

Although there is relatively little controversy concerning the short-term benefits of the accession process and the role of the EU in facilitating the con-

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29 Klaus Goetz and S. Hix, eds., *Europeanised Politics? European Integration and National Political Systems* (London: Frank Cass, 2001), pp. 14-15.

30 Jeffrey Anderson, "Europeanization and the Transformation of the Democratic Polity," *Journal of Common Market Studies* 40:5 (2002), p. 793; cf. also Peter Mair on party systems: Peter Mair, "Political Parties and Democracy: What Sort of Future?" *Central European Political Science Review* 4:13 (2003), pp. 6-20.

31 Schimmelfennig and Sedelmeier, "Theorizing EU Enlargement," pp. 501-502.

32 Dan Marek and Michael Baun, "The EU as a Regional Actor: The Case of the Czech Republic," *Journal of Common Market Studies* 40:5 (2002), pp. 895-919; see also Heather Grabbe, "How Does Europeanisation Affect CEE Governance?: Conditionality, Diffusion and Diversity," *Journal of European Public Policy* 8:4 (2001), pp. 1013-1031; James Hughes, Gwendolyn Sasse and Claire Gordon, *Europeanization and Regionalization in the EU's Enlargement to Central and Eastern Europe: The Myth of Conditionality* (London: Palgrave Macmillan, 2004); Michael Keating and James Hughes, eds., *The Regional Challenge in Central and Eastern Europe: Territorial Restructuring and European Integration*, M. P. I. E. – Peter Lang (2003); Martin Brusis, "The Instrumental Use of European Union Conditionality in the Czech Republic and Slovakia," *East European Politics and Societies* 19:2 (2005), pp. 291-316.

solidation of democratic and market reforms, the long-term consequences of accession with regard to the quality of democracy in postcommunist Europe are not clear. Comparisons to Southern European cases may not provide the right evidence, since the new members who joined in 2004 joined a very different European Union, one at a more advanced level of integration but, concurrently, one which is facing increasing challenges. Among these are the needs to compete internationally and sustain economic growth, all while maintaining generous welfare regimes. As a result, new members have had to adopt a larger body of European laws and regulations, were offered less generous aid, and face more constraining conditions for accession. Moreover, the 2004 enlargement unfolded in a 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 has argued that new member states face a number of specific challenges with potentially problematic long-term consequences.<sup>33</sup> These challenges include: administering the *acquis*, deepening economic reforms, reducing high levels of unemployment, and dealing with bloated governmental structures, as well as with trade and current account deficits. In addition, there is the matter of financing accession while coping with popular ambivalence concerning 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 the requirements of EU membership also create distinct dilemmas and pose problems for the future democratic functioning of new member states. The following five issues form a core of potential challenges to the quality of democracy in postcommunist countries:

### *Recipient State Dilemma*

According to Moravcsik and Vachudova, the requirements for accession are “massive, nonnegotiable, uniformly applied, and closely enforced.”<sup>34</sup> Their full adoption, as required by the accession treaties, amounts to a revolutionary transformation of the existing institutional and legal systems within a state.<sup>35</sup>

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33 David Cameron, “The Challenge of Accession,” *East European Politics and Societies* 17:1 (2003), pp. 24-41.

34 Moravcsik and Vachudova, “National Interests,” p. 46.

35 EU accession can be compared with a revolution due to the magnitude of rapid transformations it triggers, and perhaps to its implicit challenge to conventional understandings of state sovereignty. This is where similarities stop, however, since there is nothing more alien to the peaceful, voluntary, and institutionalized pre-accession transformative process than the typical revolutionary means of achieving change. Skocpol defines political revolutions as sets of rapid, basic transformations in a state’s institutional and legal structures



In the postcommunist cases, mandatory implementation of the existing *acquis* (with some negotiated temporary exemptions) was supplemented by the additional (informal) pressures to adopt institutions and policies that are not regulated at the EU level but which are nevertheless commonly found and practiced in the member countries (soft *acquis*). Fulfilling these requirements produced tensions between policy outcomes and the policy process. As David Cameron notes, “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.”<sup>36</sup>

Consequently, this massive and pre-determined policy implementation forestalled public debate concerning policy alternatives and distorted party competition. As Grzymala-Busse and Innes argue, new member states and their ruling parties administered the pre-set policy agenda and thus tended to compete on administrative efficacy rather than on policy issues.<sup>37</sup> This has had a direct impact on party systems and party politics in these countries. As a result, domestic politics tends to play a game of catch-up with policy choices imposed by the EU, leading intense partisan debates to focus primarily on sec-

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that are not necessarily accomplished through class conflict and that do not result in simultaneous social transformations (Theda Skocpol, *States and Social Revolutions: A Comparative Analysis of France, Russia, and China* (Cambridge: Cambridge University Press, 2005), p. 4). In the light of this definition, complying with pre-accession requirements clearly entailed for Central and Eastern European candidates transformations of revolutionary magnitude. Adjustment happened on multiple levels. Each candidate had to fulfill requirements in over 30 negotiation chapters covering the entire European *acquis*. New institutions were established, while numerous old institutions were dismantled or reformed. The supremacy of EU law often placed national legislation in a subordinate position.

That being said, revolutions typically manifest themselves in outbursts of political violence; they often result in government overthrow; and occur through popular mobilization – to name but a few defining features (Ted Gurr, *Why Men Rebel* (Princeton: Princeton University Press, 1970); Neil Smelser, *Theory of Collective Behavior* (London: Routledge and Kegan Paul, 1962); Chalmers Johnson, *Revolutionary Change* (London: University of London, 1968); Charles Tilly, *From Mobilization to Revolution* (Reading, MA: Addison-Wesley, 1978); etc.). Such paths towards transformation have never been associated with transformations under the EU aegis. Indeed, candidate governments voluntarily release power, delegating competence to or sharing authority with European institutions; all sovereignty transfers are peaceful, negotiated, limited and gradual; and incumbents frequently gain in terms of domestic and international legitimacy during the negotiation process. If present, broad popular support for EU accession influences pre-entry negotiations not directly via mobilization, but rather indirectly through voting for pro-EU political parties in democratic elections, without ever challenging the legitimacy of the state itself.

36 David Cameron, *The Challenges of EU Accession for Post-Communist Europe* (paper presented at CES conference, December 2003), p. 21.

37 Grzymala-Busse and Innes, *Great Expectations*.

ondary issues that are not constrained by EU regulations. Such a situation weakens the accountability of domestic political actors, while generating public skepticism about the importance of political debate. Moreover, while the disconnect between politics and policy choices grants more freedom of movement to political elites and governments, it concurrently also undermines their effectiveness in a number of ways. For instance, political parties may alienate parts of their electorate by glossing over important policy issues in their programs and campaigns. Likewise, governments may find themselves lacking the domestic allies necessary to implement specific directives, regulations, and policy requirements in the formulation of which they had no role or influence. Alternatively, governments may not face any organized opposition at the early implementation stage, but may subsequently encounter delayed opposition and face the defection of important allies. Such dynamics can prove very disruptive and politically costly, with one likely consequence being the rise of populist movements and political forces on the domestic front.<sup>38</sup> Populist parties in such a situation can build political capital by raising questions about non-negotiable policy choices and by creating or else exploiting the perception that EU dictates threaten 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 that impose policy choices on them, this quite naturally raises doubts concerning the government's ability to reconcile this state of affairs with the need to also be accountable to the national electorate. Thus the "recipient state" created by the accession process may suffer not only from the attrition of legislative power and prestige,<sup>39</sup> but likewise from feeble legitimacy, distorted party competition and a populist backlash.<sup>40</sup> It may also not be able to mobilize citizens, assure their compliance with laws and regulations, and counter their ambivalence or opposition to the integration process.<sup>41</sup>

### *Activist State Dilemma*

The most fundamental dimension of accession concerns the state building process and the subsequent strengthening of its administrative capacity. As Bruszt and Stark 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 (*horribile 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."<sup>42</sup> This, of course, is not solely an East European predicament.

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38 Grzymala-Busse and Innes, *Great Expectations*.

39 Holmes, "A European Doppelstaat?"

40 Grzymala-Busse and Innes, *Great Expectations*.

41 Cameron, *The Challenges of EU Accession*.

42 Bruszt and Stark, "Who Counts? Supranational Norms and Societal Needs," *East European Politics and Societies* 17:1 (2003), p. 74.

Many students of European politics have noted a growing autonomization of executive power resulting from the European integration process.

According to Goetz and Hix, for example, European integration has two types of impact at the level of domestic 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.”<sup>43</sup> 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.”<sup>44</sup>

Existing studies show that this phenomenon has a more visible impact on late accession countries (which are required to adopt a much larger body of European laws and regulations) and on countries with less robust democratic traditions. As Anderson notes, “the existence of a supranational governance system has allowed political executives to expand their room for maneuver 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).”<sup>45</sup> In both of these respects new democracies in Eastern Europe face even more challenges than did Portugal or Greece. In East European cases, the terms of accession have proven less generous than during previous enlargements, and applicants have had to adopt the entire EU *acquis* to qualify for membership.

If European integration increases the prerogatives of executives and decreases national parliamentary oversight,<sup>46</sup> the result is a reduction in impor-

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43 Goetz and Hix, *Europeanised Politics?*, p. 10.

44 Andreas Follesdal and Simon Hix, “Why There Is a Democratic Deficit in the EU: A Response to Majone and Moravcsik,” *Journal of Common Market Studies* 44:3 (2006), pp. 533-562.

45 A. Barreto, “Portugal: Democracy through Europe,” in Jeffrey Anderson, ed., *Regional Integration and Democracy* (Rowman and Littlefield, 1999), pp. 95-122; Jeffrey Anderson, “Europeanization and the Transformation,” *Journal of Common Market Studies* 40:5 (2002), p. 795.

46 Svein S. Andersen and Tom Burns, “The European Union and the Erosion of Parliamentary Democracy: A Study of Post-Parliamentary Governance,” in Svein S. Andersen and Kjell A. Eliassen, eds., *The European Union: How Democratic Is It?* (London: Sage, 1996); Tapio Raunio, “Always One Step behind? National Legislatures and the European Union,” *Government and Opposition* 34:2 (1999), pp. 180-202; Tanja Börzel and Carina Sprungk, “Under-

tance and a loss of prestige for domestic law making. The legitimacy of East European legislatures and the nature of political representation itself are at risk if these bodies are perceived as merely “rubber stamp” parliaments. If this indeed proves to be the case, the newly (re)discovered importance of parliaments in the postcommunist era may be significantly eroded, with profound consequences for the functioning of democracy.<sup>47</sup>

The need to build up state capacity, coupled with the complexity of European integration and concomitant EU concerns about *acquis* implementation and enforcement have produced a remarkable growth of bureaucracy in the new member and candidate countries.<sup>48</sup> As a result, the postcommunist state apparatus is now larger, in terms of the number of central agencies and the bureaucrats they employ, than it was during the communist period. Local administrations are also larger than they were under the old regime. It is questionable whether such circumstances are the best promoters of democratic norms and practices.

### *Dilemma of Compressed Institutional Revolution*

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

The quality of the rule of law and the effective implementation of the *acquis* depends not only on the administrative capacity of a state but also the degree to which the new values, rules, and practices being propounded are internalized 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.<sup>49</sup> Transparency International’s Corruption Perceptions Index shows, for

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mining Democratic Governance in the Member States? The Europeanisation of National Decision-Making,” in Ronald Holzhaecker and Erik Albaek, eds., *Democratic Governance and European Integration* (Aldershot : Edward Elgar, forthcoming).

47 Holmes, “A European Doppelstaat?”; Jan Zielonka, *Quality of Democracy after Joining the European Union* (paper prepared for the Club of Madrid, 2005).

48 Grzegorz Ekiert, “The State after State Socialism: Poland in Comparative Perspective,” in John Hall and John Ikenberry, eds., *The Nation-State in Question* (Princeton: Princeton University Press, 2003), pp. 291-320; Anna Grzymala-Busse and Pauline Jones Luong, “Reconceptualizing the State: Lessons from Post-Communism,” *Politics and Society* (December 2002), pp. 1-39.

49 See Piotr Sztompka, “Dilemmas of Great Transformation,” *Sisyphus* 2:9-2 (1992); and Sztompka “Looking Back: The Year 1989 as a Cultural and Civilizational Break,” *Communist and Post-Communist Studies* 29:2 (1997), pp. 115-129, on the civilizational deficit.

example, that levels of corruption in new EU 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, 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 consequently affect the overall quality of political representation in these new democracies. One striking example of such effects is provided by the level of public participation in accession referenda and European elections.

**Table 2: Voter Turnout in Accession Referenda and 2004 European Elections**<sup>50</sup>

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

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

### *Dilemma of Economic Convergence*

The new member states are much poorer. Their GDP average is less than 50% of the pre-enlargement EU average, and they will need to grow very fast in order to narrow the economic gap in the foreseeable future. Consequently, they require vast amounts of direct foreign investment on top of the regional aid promised by the EU. New members face massive macroeconomic problems, including high unemployment rates and high budget, current account, and trade deficits. Moreover, huge investments will be needed to bring their aging infrastructure up to 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: the Czech Republic, Hungary and Poland).

In order to respond to the challenges posed by 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 that minimizes red tape and features low rates of taxation, a flexible labor market, and limited regulations. During the last several years, all new EU member and candidate countries introduced significant deregulation

<sup>50</sup> Source: European Parliament website

and tax reforms that have made their economies more liberal than those of the Euro-zone. For example, Poland and Slovakia reduced their corporate tax to 19%. Hungary's rate, meantime, is just 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. Other countries (e.g., the Baltic Republics and Romania) have also introduced a single rate income tax (the so-called "flat tax").

The economic benefits of accession and fiscal liberalization have indeed produced faster economic growth in the region. The new EU members are growing on average twice as fast as the old members (in 2004 the average GDP growth in East Central Europe was 4.6%, in comparison to 1.8% for the previous EU-15). Reducing the income gap between the component regions of the enlarged Union requires this trend to deepen and continue for 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 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 member states. Moreover, in order to placate their worried publics and slow down the relocation of businesses to new member countries, France, Germany and Belgium have called for a harmonization of corporate taxes across Europe. These same countries have also threatened to seek reductions in structural aid to countries that decide to reduce their tax rates. The reluctance of the majority of EU members to open their labor markets to East European workers is yet another indication of concerns about the economic impact of the enlargement on the old EU member states.

### *Dilemma of Marginalization*

New EU members face the threat of marginalization both within the enlarged EU and in global politics. New members are not only relatively poor but, with the exception of Poland, they are also small countries that can hardly carry any clout in internal EU politics, allowing their interests to be easily ignored by the large polities of the old EU. On the eve of enlargement, Ekiert and Zielonka 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."<sup>51</sup> These issues still loom large and need to be successfully managed by the EU.

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51 Grzegorz Ekiert and Jan Zielonka, "Academic Boundaries and Path Dependencies Facing the EU's Eastward Enlargement," *East European Politics and Societies* 17:1 (2003), pp. 7-23.

The idea of a multi-speed Europe based on the principles of enhanced cooperation poses a serious threat of permanently marginalizing the new member states 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 the current security guarantees provided by NATO, and they value their political and economic cooperation with the USA. The debate over the war in Iraq magnified these preferences and divisions. Similarly, the uneven political support evinced for the "orange revolution" in Ukraine and the divisions that emerged over the issue of Europe's energy dependency on Russia again bespeak different foreign policy preferences. The new EU members (especially Poland) are particularly eager to contain Russia. For this reason, they support the prospect of future EU enlargement to the East, encompassing Belarus, Ukraine and Moldova, and remain deeply concerned about energy dependency.

## CONCLUSIONS

This paper suggests that new EU members face a number of potential dilemmas, which may 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 herein suggests that the accession process was a powerful instrument in facilitating the consolidation of democracy in candidate countries. Accession also provided an impetus for successful economic transformation and the building of state capacity. Among the postcommunist states, those that were offered a realistic opportunity to become EU members experienced the fastest and most extensive consolidation of democracy and were most successful in creating and maintaining a functioning market economy. Other postcommunist countries meanwhile experienced either a significant erosion of their initial democratic gains or have lingered in a semi-reformed political and economic twilight zone. The accession process increased state capacity and this, in turn, provided a more secure and effective regulatory environment, facilitating the consolidation of the rule of law. It also made available external aid and oversight, both of which proved indispensable 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 subsequent democratic consolidation) are fundamentally important, the potential challenges to the quality of democracy outlined in this paper should not be ignored or belittled. Critics of enlargement have identified real issues and challenges that need to be addressed and rectified by well-designed policies intended 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 widely held hopes and expectations in the early 1990s. In the majority of former communist states, political transformations either have lost momentum, resulting in partially democratic systems, or have been reversed, leading to the establishment of new authoritarian regimes. This reveals a fundamental puzzle of postcommunist politics: **Why have some countries 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 divergent outcomes in postcommunist transformations and the impact of EU policies on facilitating the construction of successful democracies and market economies. In order to understand these complex dynamics we need to transcend entrenched disciplinary and sub-field segmentation and synthesize more specialized EU studies with comparative approaches. We also need a broader comparative perspective and research designs that pay attention to both intra-regional and cross-regional differences as well as investigate the differences across successive waves of EU enlargement.

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