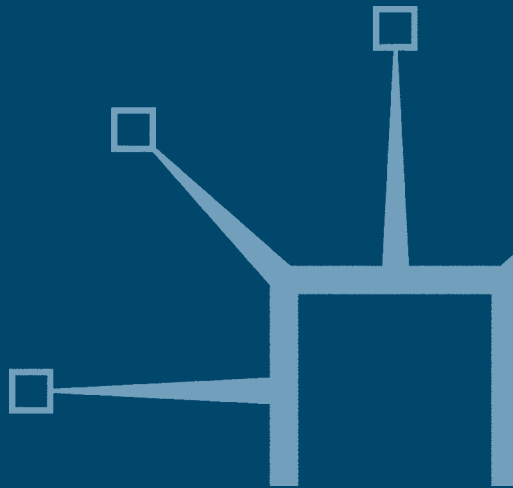


# Europeanization and Regionalization in the EU's Enlargement to Central and Eastern Europe

The Myth of Conditionality

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James Hughes, Gwendolyn Sasse  
and Claire Gordon



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# Europeanization and Regionalization in the EU's Enlargement to Central and Eastern Europe

## The Myth of Conditionality

James Hughes

*Reader in Comparative Politics*

*London School of Economics and Political Science*

Gwendolyn Sasse

*Lecturer in Comparative East European Politics*

*London School of Economics and Political Science*

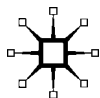
and

Claire Gordon

*Visiting Lecturer*

*London School of Economics and Political Science*

palgrave  
macmillan



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# Preface

This book is based on research conducted within the framework of the Economic and Social Research Council project 'Elites and Institutions in Regional and Local Governance in Central and Eastern Europe' (Award no. L213252030) which formed part of the ESRC Programme 'One Europe or Several?' (OEOS). In over four years of research, including large-scale fieldwork in several EU accession countries, we have benefited from the support, encouragement and criticism of many colleagues and friends. The initial research project was devised by James Hughes in 1998. Peter John (Birkbeck College) and Gwendolyn Sasse made valuable input into the initial research design, and helped to refine the methodology and interview schedules. The project was transformed after some months of initial research into one that focused more specifically on the impact of EU enlargement. Gwendolyn Sasse joined as a main researcher and Claire Gordon was appointed as Research Officer. Our project has, thus, been a real team effort from the outset and, thankfully, has remained so through to its end.

The original aim of the project was to explore economic and political transition through a comparative study of the role of elites in the institutional design and practice of governance at the sub-national level across six Eastern European post-communist states. The research focused on 'second' cities. After a preliminary analysis the research team recognized that one of the most critical dimensions of regional policy and sub-national institution-building in the CEECs was the relationship between the European Union, enlargement conditionality, central governments and local and regional elites, and consequently we shifted our research efforts increasingly to exploring this nexus. The project involved an extensive programme of interviews in five CEEC candidate countries (Estonia, Hungary, Poland, Romania, Slovenia), and in two 'outsiders' (Ukraine and Russia). Only the 287 interviews completed in those four CEEC states that were among the group that joined the EU on 1 May 2004 have been used in this book.

The fieldwork was critically dependent on the assistance of several academics and researchers from the candidate countries who assisted us with the interviews between 1999–2002: Dr Jüri Ruus of the University of Tartu in Tartu (Estonia), Katalin Sule of the Transdnubian Research Centre, Centre for Regional Studies, Hungarian Academy of

Sciences in Pécs (Hungary), Dr Tanja Majcherkiewicz of the London School of Economics in Katowice (Poland), Professor Igor Lukšič of the University of Ljubljana in Maribor (Slovenia). We express our profound thanks to these colleagues and to all of the interviewees who gave their time freely and generously to assist us with the research. As we agreed with the interviewees, we have preserved their anonymity. Similarly, we would like to thank the officials from the European Commission, in particular from DG Enlargement and DG Regio, and the various Country Delegations in Brussels who met with us to discuss our research and helped to illuminate the complexities of enlargement.

We have also drawn ideas and inspiration from the workshops organized within the framework of the OEOS ESRC programme and a range of conferences at which we presented our findings. The most important of these were: the European Consortium for Political Research Joint Sessions in Grenoble (April 2001) and Turin (April 2002); the conference co-organized by James Hughes and Michael Keating on 'EU Enlargement and the Regions' funded by the Robert Schuman Centre and held at the European University Institute in Florence (May 2002); the Central and East European International Studies Association conference in Moscow (July 2002); the OEOS conference on 'Convergence and Divergence in the New Europe' held at the University of Sussex (July 2002); the workshop on 'States of Transition in Europe: Linking the Internal and International Dynamics of Change' organized by Gwendolyn Sasse at the LSE (June 2001); the 'Opposing Europe' seminar co-organized by Claire Gordon at the LSE (December 2002) as part of the series of ESRC research seminars on 'The Comparative Party Politics of Euroscepticism in Contemporary Europe' (ESRC no. R451265110); and the end of project OEOS policy dissemination seminar titled 'Institutional Reform, Citizenship and Civil Society in the Enlarged Europe' co-organized by James Hughes and Dario Castiglione (University of Exeter) and held at the LSE (March 2003).

We are also grateful for the moral support from several colleagues within and outside the LSE. Dominic Lieven has been a considerate and inspiring head of department during the last two years of the project, which in no short measure helped us to draw the book to a conclusion. In particular we appreciate immensely the time and effort taken by our colleagues and friends Waltraud Schelkle, Eiko Thielemann, Margot Light, Klaus Goetz, Heather Grabbe, Frank Schimmelfennig and Uli Sedelmeier, and Jan Zielonka, all of whom offered comments, insights and encouragement of the work at the various stages of its progress. The ESRC project funded three periods of

sabbatical leave (for James Hughes, Gwendolyn Sasse and Peter John) which allowed us to fully concentrate our attention on the research and were vitally important for the completion of the research and data analysis. James Hughes also thanks the Robert Schuman Centre for Advanced Studies of the European University Institute in Florence for awarding him a Jean Monnet Fellowship in the European Forum for the academic year 2001–02.

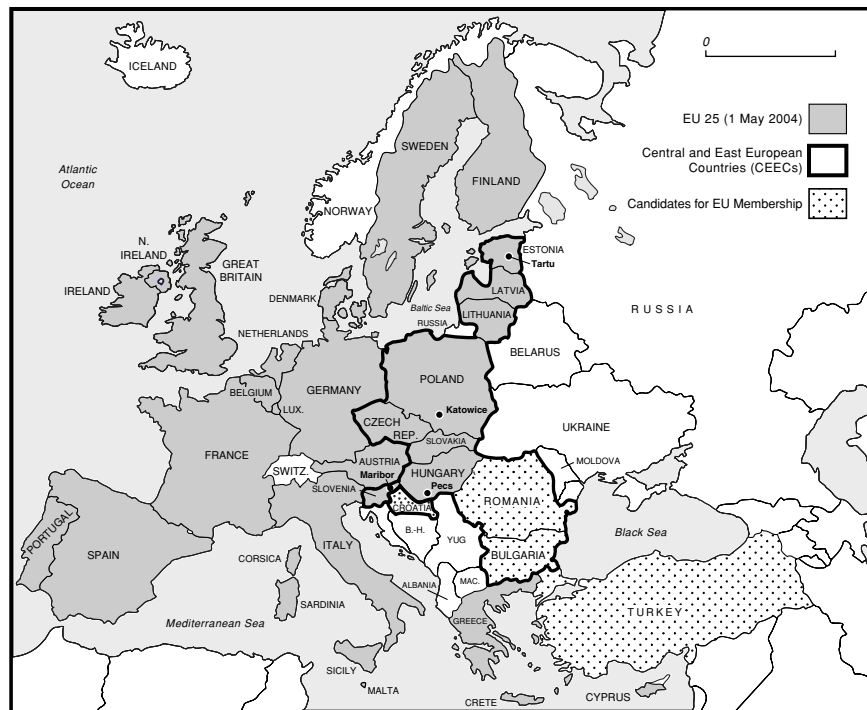
Parts of chapters 3 and 6 draw on our previously published articles and chapters ‘Conditionality and Compliance in the EU’s Eastward Enlargement: Regional Policy and the Reform of Sub-national Governance’, *Journal of Common Market Studies*, Vol. 42, No. 3 (September 2004); ‘Saying “Maybe” to the “Return to Europe”, Elites and the Political Space for Euroscepticism in Central and Eastern Europe’, *European Union Politics*, Vol. 3, No. 3 (September 2002); ‘EU Enlargement, Europeanisation and the Dynamics of Regionalisation in the CEECs’, in Michael Keating and James Hughes (eds), *The Regional Challenge in Central and Eastern Europe: Territorial Restructuring and European Integration* (2003); and the working papers published as part of the One Europe or Several series (<http://www.one-europe.ac.uk/>). Full details of the outputs from the project are available on the ESRC’s Regard database (<http://www.regard.ac.uk/>).

Above all, we would like to thank Helen Wallace, the first Director of the OEOS programme, and currently Director of the Robert Schuman Centre, for commissioning the project and for her patience and understanding in allowing the project to be reshaped so soon after its inception. She has been a generous mentor of our project and her encouragement has been important for us in completing the fieldwork, disseminating our findings and delivering the book long after her official involvement in the ESRC programme had ended.

JAMES HUGHES  
GWENDOLYN SASSE  
CLAIRE GORDON

# List of Abbreviations

ACP/EC	Africa, the Caribbean and the Pacific Countries/European Community
AWS-UW	Solidarity Electoral Alliance-Freedom Union
CAP	Common Agricultural Policy
CEECs	Central and Eastern European (Candidate) Countries
CEORG	Central European Opinion Research Group Foundation
CFSP	Common Foreign and Security Policy
CMR	Comprehensive Monitoring Report
CSCE	Conference on Security and Cooperation in Europe
DG	Directorate-General of the EU
EBRD	European Bank for Reconstruction and Development
ECU/ecu	European currency unit
FRY	Federal Republic of Yugoslavia
FSU/CIS	Former Soviet Union/Commonwealth of Independent States
FYROM	Former Yugoslav Republic of Macedonia
HDF	Hungarian Democratic Forum
IMF	International Monetary Fund
ISPA	Instrument for Structural Policies for Pre-Accession
NATO	North Atlantic Treaty Organization
NDP	National Development Plan
NPAA	National Programme for the Adoption of the <i>Acquis</i>
NUTS	<i>Nomenclature des unités territoriales statistiques</i>
OECD	Organization for Economic Cooperation and Development
OEOS	One Europe or Several? ESRC Research Programme
PAO	Public Administration Office (Hungary)
PHARE	<i>Pologne-Hongrie: aide à la reconstruction économique</i>
PSL	Polish Peasant Party
RDA	Regional Development Agency
RDC	Regional Development Council
SAPARD	Special Accession Programme for Agriculture and Rural Development
Tacis	Technical Assistance CIS
TEU	Treaty on European Union
USAID	US Agency for International Development



Map 1 EU-25 2004

# Introduction

The EU's accession strategy has proved a success. It has supported the candidates in their drive to reach precisely defined goals at a number of staging posts. The most powerful motivation for achieving the necessary reforms was the clear and credible prospect of joining the EU.

Günter Verheugen, Commissioner DG Enlargement<sup>1</sup>

The key question on the EU side was not whether enlargement should take place, but how and when. But the 'when' and 'how' were difficult problems with a continuing fear in many quarters that the applicant countries had not made sufficient progress or preparation to apply the EU rules and policies. Most important, the key factor in ensuring a good preparation was the conditionality of the accession process.

Graham Avery, Chief Adviser DG Enlargement<sup>2</sup>

We were like mice in laboratories.

From authors' interview with an Estonian official in Brussels<sup>3</sup>

This is the end of World War Two.

Prime Minister Vladimir Spidla on the result of the Czech referendum on EU accession<sup>4</sup>

The absence of alternative ideological or systemic paradigms for the Central and East European Candidate Countries (CEECs), other than the appeal of a vaguely defined 'return to Europe' encapsulated by EU membership, has underpinned the study of enlargement. There is a widespread assumption of power asymmetry derived from the supposedly



unprecedented scope for EU conditionality to both shape the policy and structural outcomes in the new member states, and to promote the normative assimilation of their elites. In recent studies of conditionality and enlargement there is an evident tendency to mythologize the positive relationship between the two especially where, as can be seen above, authors have been closely involved in the process itself. This conventional understanding of conditionality emphasizes the asymmetric power relationship between the actor applying the conditionality and encouraging 'socialization' and the complying and 'socialized' actor on the receiving end. The EU's conditionality for the accession of new members is thus seen as constituting a powerful incentive and disciplining structure for the CEECs. In principle EU conditionality should give the Commission a sanctioning mechanism to impose compliance with the Copenhagen criteria and the adoption of the *acquis communautaire* (hereafter *acquis*) on the CEECs as a precondition of their joining the Union. If this logic of conditionality works in practice then we should be able to track clear causal relationships between the Commission's use of conditionality and the compliance of the candidate countries through policy, or institutional adjustments and normative change. In the absence of direct causal linkages, has EU conditionality been a myth?

We depart from the conventional approaches to the study of conditionality, which tend to take its causative effects as a given, and then proceed to examine its outcomes. This book argues that the phenomenon of conditionality is insufficiently understood within a narrowly positivist framework whereby EU conditionality is seen as a formal instrument for the transposition of the EU's rules, norms and institutional templates to the CEECs.<sup>5</sup> It is a study of the phenomenon of EU conditionality as well as an empirical investigation of the process of its operation. It asks whether we can attribute any 'Europeanizing' effects from EU conditionality in institution-building, norm construction (including attitudinal impacts) and convergence with regard to enlargement. We aim to demonstrate that our wider process-based definition of EU conditionality, which includes not only the formal technical requirements on candidates but also the informal pressures arising from the behaviour and perceptions of actors engaged in the political process, offers a deeper understanding of the enlargement process as a dynamic interaction between international incentives and rules and domestic transition factors.

The phenomenon of conditionality as an ideal type has certain essential characteristics. It should involve a consensus on its substance between the actor(s) applying it and the actor(s) who must fulfil it. It should be defined

by clear criteria which are verifiable. The fulfilment of conditionality should be readily subjected to testable benchmarks. The power flows in the process of employing conditionality should be readily transmitted and understood by all concerned, and should lead to outcomes (whether rewards or sanctions) that have been explicitly predetermined (Figure I.1).



Figure I.1 Conventional model of conditionality

Our analysis focuses on three key issues arising from the use of conditionality and the role of the Commission as the EU's institutional motor for enlargement. Firstly, we examine the nature of EU conditionality. What were its main elements and were they consistent over time? Moreover we locate EU conditionality within a historical context of Western conditionality. Secondly, we focus specifically on the role of the Commission as the key EU agency with the chief responsibility for monitoring and reporting on the candidates' progress in meeting the conditions for membership. Did it act as a unified actor with a clear understanding of conditionality and with a coherent and consistent approach to compliance and implementation in the CEECs? Moreover, did the Commission communicate the requirements of conditionality clearly and consistently to the candidate states over time? How important was conditionality for strengthening the Commission's capacity to ensure compliance and 'systemic convergence' between the EU and the candidates? Thirdly, we explore how effective conditionality was by examining the actual policy and institutional outcomes in the CEECs, and by testing how resilient the domestic institutions were in resisting conditionality, instrumentalizing it and preferring endogenous policies and structures over EU 'models'. Thus our definition of conditionality is one that defines it by the process of its application rather than by an ideal-type assumed power relationship (see Figure I.2). It is the interaction between multi-level actors, perceptions, interests, different rewards and sanctions, temporal factors, institutional and policy compliance, that characterizes conditionality.



*Figure 1.2* Process-based model of conditionality

To analyse the impact of conditionality this book takes a policy tracking approach to evaluate CEEC compliance in one key policy area that was generally regarded as being of critical importance for enlargement: regional policy. In particular, we analyse how the candidates configured regional institutional architectures in the context of the requirements of EU regional policy. This process of regionalization is understood in this book as the territorial and administrative configuration of regional governance, both in the form of elected regional governments and administrative-statistical units. This broad definition is applied because both forms of regionalization were undertaken in the CEECs and because the process was increasingly shaped from 1996 by the need to conform with the EU's NUTS classifications which are the basis for allocations of the EU's primary redistributive instrument, the Structural and Cohesion Funds. This is not to say that regionalization did not impinge upon the sub-national arena of regional and local politics but it should not be confused with regionalism, for whereas the former is concerned with the territorial and administrative configuration of the state the latter involves the political mobilization of regional identities and interests.<sup>6</sup> Moreover, the sub-national arena of regional and local politics is critical for the interrelated processes of post-communist political and economic transition as well as EU eastward enlargement. For transition to be consolidated, political and economic changes must be embedded at all levels of governance. Similarly, EU membership will have an immense impact on how sub-national actors and institutions would operate. Thus, this empirically grounded book aims to facilitate a better understanding of the linkages between the processes of transition and enlargement.

Four conditions frame the analysis of the trends of regionalization presented in this chapter. First, regional policy should have been one of the most significant elements in the incentive structure for enlargement given its financial implications for both the Union and the new members. Along with agricultural subsidies, regional policy will be a

main conduit for financial aid flows from the EU to the new members. The CEECs stand to benefit substantially from the EU's structural funds and regional and cohesion policy upon accession to the Union on 1 May 2004. The financial package agreed at the Copenhagen Council in December 2003 committed €40.8 billion to the ten new members in 2004–06, over half of which (€24.45 billion) is to be spent on 'structural actions' (see Table I.1).<sup>7</sup> The new member states are also expected to be the main beneficiaries of regional funds in the next budgetary cycle, from 2007–13, irrespective of how the budget is reformed. This incentive structure, underpinned by the power asymmetry characterizing the relationship between the EU and the CEECs, left considerable scope for EU conditions, rules and norms to shape institution-building, perceptions and practices in the transition countries. The institutional configurations, capacities, norms and attitudes at the regional and local levels in the CEECs will have a direct impact on the future expenditure of significant EU funds. One could therefore expect a significant and detectable impact of the EU on sub-national governance in the CEECs as well as a degree of convergence in the institutional outcomes across these states. In fact, regional policy was one of the most protracted issues in the negotiations between the EU and the CEECs. Previous analyses of eastward enlargement have described the formal architecture of regional institutional changes in the context of administrative and economic reforms during the 1990s.<sup>8</sup> Our analysis specifically aims to explain the extent to which this architecture was designed and evolved in relation to enlargement conditionality.<sup>9</sup>

Secondly, despite the prominent role of regional policy within the EU, the institutional environment at this level of governance is flexibly arranged. Regional governance is a sovereignty issue of the member states, and the EU's emphasis in regional policy is on process and outcome rather than on particular institutional models. Accordingly, the *acquis* is very 'thin' on regional policy. The divergent models inside the EU and the poverty of legal requisites in the *acquis* counterbalance the potential leverage of EU conditionality on the candidate countries. We can therefore hypothesize that the impact of EU enlargement on the CEECs has been constrained by the lack of institutional detail tied to conditionality in this policy domain.

Thirdly, the apparent thinness of the *acquis* in the field of regional policy contrasts with the centrality of this domain in EU policy-making and its budgetary implications. The lack of a complex set of explicit and codified institutional rules in the *acquis* and even the Structural Funds Regulations suggest a wider scope for informal or 'soft'

Table I.1 EC aid to the ten accession countries, 2004–06 (as finalized in December 2003) (million euros)

Country	Objective 1	Objective 2	Objective 3	Interreg	Equal	Cohesion fund*	Total
Czech Rep	1,454.27	71.30	58.79	68.68	32.10	936.05	2,621.19
Estonia	371.36	0.00	0.00	10.60	4.07	309.03	695.06
Cyprus**	0.00	28.02	21.95	4.30	1.81	53.94	113.44
Latvia	625.57	0.00	0.00	15.26	8.03	515.43	1,164.29
Lithuania	895.17	0.00	0.00	22.49	11.87	608.17	1,537.70
Hungary	1,995.72	0.00	0.00	68.68	30.29	1,112.67	3,207.36
Malta	63.19	0.00	0.00	2.37	1.24	21.94	88.74
Poland	8,275.81	0.00	0.00	221.36	133.93	4,178.60	12,809.70
Slovakia	1,041.04	37.17	44.94	41.47	22.27	570.50	1,757.39
Slovenia	237.51	0.00	0.00	23.65	6.44	188.71	456.31
<b>Total</b>	<b>14,959.64</b>	<b>136.49</b>	<b>125.68</b>	<b>478.86</b>	<b>252.05</b>	<b>8,495.04</b>	<b>24,451.18</b>

*Notes*

\* Average; \*\* Including the Financial Instrument for Fisheries Guidance (FIFG).

Of the Objective 1 funds 61 per cent will be from the European Regional Development Fund (ERDF), 25 per cent from the European Social Fund (ESF), 12 per cent from the European Agricultural Guidance and Guarantee Fund (EAGGF)-Guidance Section and about 2 per cent from the FIFG.

Source: *inforegio news*, Newsletter, No. 118, January 2004.

conditions as well as individually tailored guidelines and pressure from the Commission during the enlargement process. Informal conditionality increases the likelihood of inconsistency in the message communicated by Commission officials over time. Depending on the power of domestic actors, the impact of the EU could still be significant, though it could also be ambiguous or even contradictory. An inconsistent Commission policy would contribute to confused, incomplete or weak institutional outcomes in the CEECs. By tracing the developments in the Commission's approach to regional policy before and during the accession process, the domestic policy responses of the CEECs, and the interaction between the two, this book attempts to shed light on these dynamics.<sup>10</sup>

Fourthly, the pre-accession negotiations have exhibited a 'regional deficit' in that they have been confined to the Commission on the EU side and national elites from the executive structures in the CEECs. The lack of involvement of sub-national actors in the preparation for EU regional policy suggests a cross-national preference for minimalist and formal rule adoption, including a bias against politically empowered regions. Moreover, one could expect disengaged sub-national elites to be more Eurosceptic than the acculturated 'Europeanized' national elites. The role of elites at the regional and local levels tends to be overlooked by theorists and practitioners whose focus is on the power and bargaining strategies of national elites and the nation-state level as the critical units of analysis in studies of transition and enlargement.<sup>11</sup> Too little attention has been paid to the hierarchy of elite power within states, not only as regards the power and networks of different sectors of the elite, but also to the ways in which power may be institutionalized at different territorial levels of governance.

Sub-national elites are important policy gatekeepers in two key respects: firstly, they are critical for coherent rule compliance and the implementation of whatever new rules of the game are devised; and secondly, they act as a key mechanism for embedding commitment to the rules by the filtering of norms into society. Our research into the engagement and perceptions of sub-national elites aims to demonstrate empirically how deeply embedded these norms are and where there are different intensities of elite assimilation into EU norms. Existing differences in the normative commitment of elites in the candidate countries to EU norms is a useful predictor of future commitment and compliance strategies and problems.

Our policy study is comparative across institutions, countries and temporally. Chapter 1 of this book sets out the conceptual framework, drawing

on the literature on Europeanization, conditionality and transition. We offer a critical exploration of the relationship between conditionality and Europeanization. Chapter 2 presents an overview of the historical-structural legacies of sub-national government informing the initial starting conditions and choices faced by the CEECs at the outset of transition, and charts the broader policy trends in regionalization across all the CEEC states. Chapter 3 traces the evolution of the Commission's approach to regional policy and regionalization. We analyse interviews conducted with officials in the Commission and the CEEC delegations in Brussels to illustrate the perceptions of the key actors during the negotiation process and the interactions between the Commission and the CEECs. Chapter 4 presents a systematic analysis of the EU's main monitoring and enforcement mechanisms during the enlargement process, in particular the Commission's annual Regular Reports and their emphasis on the need for regional 'administrative capacity'. Chapter 5 offers a comparative case study of regional policy and regionalization by analysing the two main trends of regionalization in the CEECs: administrative-statistical regionalization (Hungary) versus democratized regionalization (Poland). The interaction between domestic politics and external incentives and pressures regarding regional reforms is compared. Based on large-scale elite interviews in four key regional cities in the CEECs, Chapter 6 examines the extent of normative and attitudinal 'Europeanization' among the sub-national elites.

As we shall see, the conclusion to this book emphasizes the fluid nature of conditionality, the inconsistencies in its application by the Commission over time, and the weakness of a clear-cut causal relationship between conditionality and policy or institutional outcomes in the CEECs. The domestic institutional changes in the CEECs in the context of EU adaptational pressures have varied significantly across countries, with considerable room for manoeuvre for domestic actors. These findings are in line with the tentative conclusions drawn from some of the more empirically grounded studies of Europeanization which have detected lower levels of Europeanization and convergence with regard to political structures than in specific policy areas. While real or perceived external pressures have interacted with domestic transition politics to shape the institutional design during the latter stages of regional reform in the CEECs, on balance, domestic institutional choices made during the early transition period outweigh and actually constrain the importance of external factors during enlargement. Moreover, sub-national elites have by and large been disengaged from the accession process. Their decisional calculus has been dominated by

immediate problems related to the transition process. While they are not actively Eurosceptic, these elites still exhibit a relatively low level of connectedness with the EU as an institutional actor and framework for policy-making, and thereby pose a major challenge to the effective implementation of EU policy in the short to medium term.

The analysis draws on two main bodies of evidence. Firstly, we conducted a large-scale programme of structured elite interviews with a total of 287 sub-national elites from key regional cities in four candidate countries: Tartu in Estonia, Pécs in Hungary, Katowice in Poland and Maribor in Slovenia. These interviews were supplemented by 35 interviews conducted with middle to high-level officials in the EU Commission and CEEC delegations in Brussels. The interviews were carried out over a three-year period (1999–2002). Secondly, we provide a systematic study of the EU's own documentary record of the enlargement process, primarily through its Opinions and Regular Reports on the CEECs. Consequently, our study investigates enlargement at three levels – the European, the national and the sub-national.



# 1

## The Logic of Enlargement Conditionality and Europeanization

Despite the importance of conditionality during the current EU enlargement, there are few theoretical or empirical studies of the concept. The study of EU enlargement conditionality is characterized by a concentration on the analysis of its correlation with macro-level democratization and marketization, rather than empirically tracking clear causal relationships in policies and institution-building. Most studies tend to focus on two cumulative levels of conditionality. Firstly, they attach great salience to the broad 'principled' or normative conditionality established by the Copenhagen European Council in December 1993, the so-called 'Copenhagen criteria', which was subsequently elaborated in the Accession Partnerships for individual candidate countries from 1997. Secondly, they emphasize the 'technical' preconditions for the CEECs to accelerate the adoption of and adaptation to the *acquis* in order to fulfil all the responsibilities of membership. The speedy adoption of the *acquis* was the benchmark for measuring CEEC progress on accession – a condition that only Austria, Finland and Sweden, all advanced industrial countries, had previously met prior to membership. There is a wide spectrum of opinions as to whether EU conditionality has had positive or negative effects on the CEECs. Grabbe views the way that conditionality has operated as a factor that has potential to frustrate moves toward greater European integration in the medium term because conditionality involves costs to the CEECs in the implementation of what is essentially a 'moving target' within an 'evolving process that is highly politicized, especially on the EU side'.<sup>1</sup> Smith, in contrast, stresses that conditionality performs the vital task of enforcement of the 'admission' rules to the Union 'club'.<sup>2</sup> There is a consensus among these studies that the conditionality for the adoption of the *acquis* has strong causal effects in the

steering of policy and institutional change in the CEECs. Grabbe describes the levers of conditionality available to the Union as 'powerful tools to shape institutions in CEE' which made policy-makers 'choose EU models because of the incentives and constraints imposed by the EU accession process'.<sup>3</sup> She has also argued that the 'readiness' of the CEECs to join is a 'political question on the EU side'.<sup>4</sup> Schimmelfennig et al. have qualified these assumptions by treating the EU's normative democratic conditionality as a 'reinforcement strategy' rather than a strong causal mechanism in its own right.<sup>5</sup> The emphasis in these studies tends to be on the salience of conditionality at the macro-political level, rather than tracking specific impacts on policy-making in the CEECs. In general, EU conditionality has been viewed as an important lever for 'democracy promotion', and is seen as having made a significant contribution to 'foreign made democracy' in the CEECs.<sup>6</sup>

While existing studies have assessed how the EU has constructed conditionality and described the mechanisms by which the EU has attempted to implement it in the CEECs, the fundamental problem with the use of the concept of conditionality remains that it is underpinned by positivist assumptions. Positivist assumptions that conditionality generates compliance and or adaptation are tautological and, thus, are not analytically meaningful since they tell us nothing about the substantive nature of conditionality or the nature of the compliance and the relationships between the two. These relationships can only be analysed by observation of how they work together in the real world. Two key problems remain very weakly analysed and explained. Firstly, there is the question of the scale of commitment and effectiveness of compliance of the CEECs in their policy implementation in response to conditionality. We need to distinguish better between the transposition of the *acquis* into domestic law, which the EU's own Regular Reports tend to equate with a successful outcome of conditionality, and the actual implementation of policy. The latter can only be demonstrated empirically by tracking policy changes over time, and this is precisely where there is a gap in the existing study of EU enlargement.<sup>7</sup> In studying conditionality and compliance it is important to distinguish between the effective implementation of policy derived from EU conditionality, which is generally weak, and rhetorical or formal conditionality and compliance, which is strong.

Secondly, the analysis of conditionality tends to be too one-dimensional, in the sense that it does not sufficiently contextualize the EU conditionality of the 1990s' enlargement process by comparing it with

previous, parallel, and sometimes overlapping models and applications of international conditionality, or locate it within the evolution of internal EU debates and developments that have shaped its application. EU enlargement conditionality is in fact more comprehensible if it is seen as part of a broad pattern of 'Western' international conditionality. Conditionality involves the exercise of power. It involves, according to Schmitter, 'the deliberate use of coercion – by attaching specific conditions to the distribution of benefits to recipient countries – on the part of multilateral institutions'.<sup>8</sup> This kind of implicitly coercive conditionality reached new levels of intensity in the EU's enlargement process to the CEECs. In the case of EU conditionality three categories of power are inherent in the conditionality for enlargement: economic power, bureaucratic power and normative power. The Commission's motivations and actions in driving enlargement have not been systematically explored. Nevertheless, the growing power of the Commission and the EU's own drive for integration and supranational governance is strongly correlated temporally with the process of enlargement in the 1990s. Having been tasked by the Copenhagen Council of June 1993 to manage the enlargement process the Commission has instrumentally employed its enhanced role as one of the levers to justify the further expansion of its competences through the new constitution and to engage in budget maximization.<sup>9</sup>

Conditionality toward the CEECs was strongly shaped by the transfer of development aid models, policies, personnel and institutional culture, and consultants from the bilateral aid programmes of member states, and from the EU's existing development aid programmes to the Developing World.<sup>10</sup> The EU was engaged in the provision of aid or 'development assistance' to the CEECs from 1989, that is to say several years prior to the beginning of the enlargement process. The EU's main instrument for delivering aid to the CEECs was PHARE, created in 1989 and run by the EC Commission as a conventional developmental aid programme modelled on those provided to the Third World.<sup>11</sup> Consequently, within the Commission an institutional culture that viewed assistance to the CEECs in terms of an asymmetric power relationship between 'donors' and 'recipients' was strengthened. It was only in 1997 that a review of PHARE's mission reoriented it and tied it exclusively to the goals of 'accession', primarily, the preparation of the CEECs for the obligations of membership and, in particular, assistance with the speedy transposition of the *acquis*. The 'eastward enlargement' of the EU became a gargantuan extension of the EU's external developmental strategy, the key difference being that the prospective members

would be steadily connected to and ultimately included within the EU's internal economic developmental strategy for its own poorer regions through its regional policy and structural and cohesion funds. EU conditionality also reflects a shift in the economic interest of dominant EU member states away from their long-standing 'historic' ties with former colonies in the ACP (encapsulated by the defunct Lomé Convention) to a focus on the 'Europeanization' of the CEECs and the potential vast new markets in the region.

The argument has been made that opposition from existing member states to eastward enlargement was outflanked by 'rhetorical entrapment' resulting from the process by which the EU defined the rationale for enlargement and its conditionality. Since the project of European integration was legitimated around a collective identity based on liberal norms of capitalist democracy, and as enlargement conditionality was steadily infused with these norms, the EU became politically obligated to open membership to those European states which complied with these norms.<sup>12</sup> The plausible counter-argument to this view traces the logic of enlargement back to national interests and *realpolitik*.<sup>13</sup> The rhetoric surrounding enlargement and EU conditionality was strongly imbued by a *mission civilisatrice* approach of 'Europeanization'. The perception was promoted whereby the political and economic models in core member states were seen as normatively 'superior' and readily transferable to displace 'inferior' models in candidate countries, and where a speedy substitution of values by candidates and their compliance with EU norms was equated with the quality of their commitment and 'Europeanness'. However, intergovernmentalism in EU policy-making also means that in many policy areas there are different traditions, norms and models competing with each other. Consequently, there is no single EU policy template in many policy fields and its norms are generally so nebulously stated and erratically enforced that they lend themselves to wide interpretation. Aid dispersion is a case in point, as the models of aid and conditionality pursued by member states varied widely, from the paternalistic and interest-based models of former colonial powers such as the UK and France, who have strong records of post-colonial tied aid, to the more normatively driven and humanitarian oriented aid strategies of the Scandinavian countries.

## International conditionality

International conditionality is embedded in the delivery of foreign aid and development assistance, whether bilateral or multilateral. Studies

of this kind of conditionality are generally focused on Western aid to the Developing World. This kind of aid conditionality is typically seen as involving 'donors' in pursuit of their own self-interest, and 'recipients' who are subject to donor conditionality and, consequently, are in a position of dependency.<sup>14</sup> In principle, aid conditionality in the Developing World provides a reservoir of debates about policy practices and ideas that can inform our understanding of EU economic assistance to the post-communist states of Eastern Europe and the process of EU enlargement. While there is no commonly agreed definition of international conditionality, the literature tends to agree on three main aspects. Firstly, as Stokke explains: 'conditionality is not an aim in itself but an instrument by which other objectives are pursued'.<sup>15</sup> Secondly, there has been a steady evolution and expansion of conditionality since the end of the Second World War, with an increasing linkage between aid disbursement and conditions imposed by donors, and a greater complexity in the nature of the conditionality. Two main categories of conditions are employed: positive conditionality takes the form of rewards for compliance, and negative conditionality involves punitive actions and sanctions to secure compliance. Thirdly, while superficially one might differentiate between altruistic and interest-based motivations in the giving of aid, studies generally accept that donor interests are paramount and the developmental interests of the recipient are secondary. This suggests that one of the key defining characteristics of the concept of conditionality is that it operates in an environment of power asymmetry between dominant and subordinate actor(s). Furthermore, the domestication of donor norms through aid conditionality has tended to override and marginalize local knowledge and supplant rival models as they are necessarily presented as 'inferior'.

The early Cold War period in the late 1940s and early 1950s saw a congruence of complementary changes in the management of aid that embedded two key notions of the aid conditionality of the European colonial era: the transference of superior norms, and the tying of aid to donor security and economic interests. The first was evident in the way that the development needs of the emerging post-colonial states were managed. The new institutions of global governance (the UN, the IMF and World Bank) became the key international agencies for the management of aid, and new channels for the post-colonial transfer of norms, expertise and technology from the advanced Western states to the Developing World.<sup>16</sup> Concurrently, the US protected its security, economic and sectional interests in Europe through the Marshall Plan, which was conditional on recipient states having an 'open market

economy' and agreeing to the procurement tying of aid.<sup>17</sup> The latter was an attempt to promote and induce systemic change and is a direct antecedent of system-transforming aid conditionality that became stronger in the late 1970s. A serious side effect of these aid practices was, in effect, a 'double whammy' for the recipients to the extent that they not only were subject to economic conditionality and procurement tying, but also these instruments meant that the value of the aid was often significantly eroded by higher costs and reverse flows of funds to donors through the purchase of 'expertise' from private sector consultants.

International conditionality has evolved from 'first generation' economic conditionality to a 'second generation' of combined economic and political conditionality. The 'first generation' conditionality was that of IMF/World Bank structural adjustment programmes following on from the development of IMF formal guidelines on conditionality in 1968. During the 1970s IMF conditionality for credits to debt-plagued states in the Developing World was increasingly targeted at promoting a global trend for neo-liberal macroeconomic reorganization. A policy orthodoxy developed around the adoption of 'Chicago School' neo-liberal economic policies of market liberalization, budgetary austerity and financial administrative reform. Historically, the aims of international aid are concerned with the promotion of 'systemic and private sector interests – economic, cultural, ideological, strategic and/or political – of the donor country'. In sum, then, aid is 'an instrument to pursue foreign policy objectives'.<sup>18</sup> The result was 'a world economy more closely integrated and more intrusive in the domestic policy affairs of developing countries', while social unrest and protest grew.<sup>19</sup>

There was a paradigm shift in 'Western' aid conditionality in the early 1990s to take advantage of the political opportunities created by the fall of communism. To supplement neo-liberal economic policies and administrative reform, policy-makers placed a much greater emphasis on the export of 'Western' political norms, in what is often referred to as 'democracy promotion' or 'democracy-building'.<sup>20</sup> The new conditionality involved a much greater intrusiveness by international organizations for systemic change in particular states. The substantively new character of 'second generation' conditionality is that it is based on a notion that gained sway among Western governing elites around 1989–90 which held that there was a 'symbiosis between democracy and development'.<sup>21</sup> In fact, the idea that there is a correlation between democracy and development, in the basic sense that 'economic abundance' provides