

Table of Contents

Vladimír Bilčík Foreign Policy in Post-Communist EU	3
Beáta Huszka What to Expect from the Hungarian EU Presidency in the Western Balkans?	18
Lyubka Savkova One Bed, Different Dreams: Pre-Accession Attitudes to EU Membership in the Bulgarian Parliament	34
Pavol Baboš One Road, Two Ways: Integration of Estonia and Latvia to Economic and Monetary Union	51
Lubomír Čaňo, Attila Szép Bratislava's View of Eastern Partnership	73

REVIEWS

The Czech and Slovenian EU Presidencies in a Comparative Perspective By Petr Drulák, Zlatko Šabič (eds). Dordrecht: Republic of Letters Publishing BV, 2010). Zuzana LIŠŇOVÁ.....	79
Sarajevo. Čakanie na lastovičky [Sarajevo. Waiting for Swallows] By Miroslav Mojžita. Bratislava: Kalligram, 2010. Pavol SZALAI.....	85

Vladimír Bilčík

Foreign Policy in Post-Communist EU

Abstract: This article aims to outline and explain new preferences that the NMS have brought to the EU since 2004. The contribution is chiefly empirical, drawing on research and interviews conducted with 64 policymakers in Brussels from 2008 to 2009. In short, the text seeks to highlight what has been learned about the key foreign and security policy preferences of the NMS and what policy innovations, if any, the post-communist Europe is bringing to the EU's external agendas. The contribution concludes by highlighting the distinct interests and geographic focus of foreign policy in post-communist Europe whereby issues of historical identity, nationhood and ethnicity are at least as important in post-communist foreign policy thinking as calculations of trade benefits and economic gains.

Following the 2004 EU enlargement there has been growing interest in studying the policy preferences of new EU Member States as well as in comparing these with strategies of older EU Member States.¹ The academic literature has for some years tried to identify key factors that determine preferences of Member States in the EU. A survey of literature on preference formation reveals an ever-growing list of factors behind Member States'

¹ See N. Copsey, T. Haughton, "The Choices for Europe: National Preferences in New and Old Member States", *Journal of Common Market Studies* Vol. 47, No. 3 (2009), pp. 263-286; D.G. Dimitrakopoulos, H. Kassim, "Inside the European Commission: Preference Formation and the Convention on the Future of Europe", *Comparative European Politics* Vol. 3, No. 2 (2005), pp. 180-203.

Vladimír Bilčík is the Head of the European Studies Research Program at Research Center of the Slovak Foreign Policy Association

Bilčík, V., "Foreign Policy in Post-Communist EU", *International Issues & Slovak Foreign Policy Affairs* Vol. XIX, No. 4 | 2010, pp. 3-17.

Work on this text was supported by the Slovak Research and Development Agency under the contract No. APW-0660-06.

preferences.² Authors of different schools have tended to emphasize different explanatory variables whose importance, moreover, has varied with different periods of European integration. Economic factors such as trade and financial transfers, institutional settings including coordination of EU policymaking, domestic determinants – especially public opinion and the role of organized interests and political parties as well as historical predispositions ranging from the size of the state to the time of its EU accession have all played their respective roles in explaining Member States' preferences in the EU.

This contribution seeks to help identify preferences pursued by the new Member States (NMS) whereby the NMS stands principally for eight post-communist countries that entered the EU in 2004. The contribution focuses on foreign and security policy, which is interesting in itself but also represents outside first pillar issues. Hence, it presents potential realms of new integration or cooperation among Member States and in that sense is worth looking at considering the extent to which post-communist Europe has shaped the agenda of EU integration. The article aims to outline any new preferences that the NMS have brought to the EU since 2004. While informed by emerging theories of preference formation the contribution is chiefly empirical, drawing on research and interviews conducted with 64 policymakers in Brussels from 2008 to 2009. In short, the text seeks to highlight what has been learned about the key foreign and security policy preferences of the NMS and what any policy innovations, if any, post-communist Europe is bringing to the EU's external agendas.

What are the Interests?

Author identified three distinct priorities that are with varying degrees of intensity common to the NMS. The first such theme is energy security. The NMS are concerned with independent, sufficient and steady supplies of energy and are as a result inclined toward greater cooperation and possibly integration in energy policy at the EU level. The Baltic States' concerns stem from virtually complete dependence on Russian supplies of natural gas and oil as well as dependence on Russia's electricity grid for supplies of electricity. For Latvia, for example, the historical legacy of 100% reliance on Russia's deliveries makes the issue of energy security a top priority.³ The position of Visegrad countries⁴ is a bit more

² D. Malová, M. Rybář, E. Láštic, P. Dobiš, "Hlavné trendy formovania preferencií členských štátov Európskej únie", Survey study supported by the Slovak Research and Development Agency under contract No. APVV-0660-06.

³ NCS-08-10, Interview in Brussels (October 7, 2008).

⁴ The Visegrad Four countries include Poland, Hungary, the Czech Republic and Slovakia.

diverse, but Central Europe is heavily dependent on supplies of Russian oil and especially natural gas. Since recent stoppages of natural gas and oil deliveries from Russia, the issue of sufficient and secure supplies has been Hungary's important priority.⁵ In addition, the Czech Republic supports the establishment of a common EU energy policy as a response to current worsening situation in this area.⁶ Energy security is also a big concern for Poland. Especially in the light of the gas crisis in early 2009 Polish representatives have favored an "effective common energy policy based on the solidarity and equality of Member States: if one country has problems with energy deliveries, other countries should help".⁷ Energy security is a strongly articulated priority shared by the NMS that has had an explicit impact on the contents of the *Lisbon Treaty* that introduce the concepts of solidarity and security with respect to EU energy policy.

Nuclear energy represents a specific area of the NMS's policy initiative. Slovakia and the Czech Republic initiated the founding of the European Nuclear Energy Forum, whose task is to foster regular discussion on the use of nuclear energy in the EU. The first meeting of this forum took place in Bratislava on November 26-27, 2007. The participants discussed the possibilities for EU an legislative and regulatory framework for simplifying administration and permits for constructing new nuclear power plants. Prime Minister Fico highlighted the country's interest by stating that "the Slovak government is keen to carry on constructing nuclear power plants."⁸ Slovakia is certainly keen to reverse the consequences of its pre-accession pledge to close down the Soviet-type nuclear power plant in Jaslovské Bohunice. The country's *Strategy on Energy Security*⁹ adopted in September 2007 declares that in addition to finishing two blocks of a nuclear power plant in Mochovce, Slovakia

The new Member States are concerned with independent, sufficient and steady supplies of energy and are as a result inclined toward greater cooperation and possibly integration in energy policy at the EU level.

⁵ NCS-08-13, Interview in Brussels [October 8, 2008].

⁶ NCS-08-13, Interview in Brussels [December 3, 2008].

⁷ NCS-09-38, Interview in Brussels [March 11, 2009].

⁸ For more details see http://ec.europa.eu/energy/nuclear/forum/bratislava_prague/2007_11_26/index_en.htm.

⁹ The text of the strategy is available in Slovak at <http://www.economy.gov.sk/index/go.php?id=3167>.

intends to build a new nuclear power plant on the site of the nuclear power plant in Jaslovské Bohunice, whose definitive closure in 2010 will fully highlight Slovakia's new position as a net importer of electricity.

At the spring EU summit in 2007 Slovakia joined the group of EU Member States led by France that pushed for the inclusion of nuclear energy among the 'clean' energy sources (it does not produce CO₂ emissions). Such emphasis is in accordance with the existing energy strategy of the Slovak Republic, which projects a gradual transition to nuclear fuel, gas and renewable fuels as the main

While all the new Member States claim that relations with the US are vital, they represent an utmost priority for the Baltic States especially, due to their negative Soviet era historical experience.

energy sources by 2030, mainly because of the high production costs of so-called green energy (from renewable sources). During the European Nuclear Energy Forum meeting in Prague on May 22-23, 2008¹⁰ representatives of the Slovakian company JAVYS and the Czech company CEZ, a.s. signed an agreement on the construction of new blocks of the nuclear power plant in Jaslovské Bohunice.¹¹ The importance of energy policy for the NMS is further underlined by the still ongoing competition between Slovakia, Slovenia and Romania for the seat of the newly created EU Energy Agency (ACER).

Transatlantic relations represent the second distinct foreign policy theme pursued by the NMS, though there is a varying degree of emphasis on the importance of transatlantic ties. While all the NMS claim that relations with the US are vital, they represent an utmost priority for the Baltic States especially, due to their negative Soviet era historical experience.¹² In terms of EU membership the NMS support the deepening of cooperation and complementary relations between the EU and the North Atlantic Treaty Organization (NATO). For the 2009 Czech Presidency it was important to underline, on the one hand, the importance of Czech – US ties while at the same time the Czech Republic stressed the great importance of the 'transatlantic alliance' between the EU and the USA.¹³ Hence, EU membership has created a dimension of relations

¹⁰ See more at http://ec.europa.eu/energy/nuclear/forum/bratislava_prague/2008_05_22/index_en.htm.

¹¹ "Jadrové fórum spečatilo dostavbu Bohuníc", *EurActiv.sk* (May 29, 2008); <http://www.euractiv.sk/energetika/clanok/jadrove-forum-specatilo-dostavu-bohunic-012928>.

¹² NCS-08-10, Interview in Brussels (December 2, 2008).

¹³ NCS-08-10, Interview in Brussels (March 12, 2009).

with the United States in which NATO is no longer an exclusive forum for transatlantic dialogue. The NMS claim to be equally keen on cultivating the EU-US ties. Poland as the largest NMS “supports the project of common EU armed forces but respects the North Atlantic Alliance as the main security guarantor of NATO’s Member States”.¹⁴ Thus, while striving for complementary EU-NATO ties, in matters of hard security threats there is still a clear hierarchy in favor of transatlantic ties.

Enlargement is the third distinct policy priority for the NMS. However, unlike in the case of the firm and constant preferences vis-à-vis energy security and transatlantic relations, the positions of the NMS toward further enlargement have shifted over time. Slovakia is a good example: it was around the time of Slovakia’s EU accession that the country’s political leaders showed a strong resolve to carry on the EU’s policy of widening. Already in 2003, Slovakia as an acceding country endorsed the proposed schedule of admitting Bulgaria and Romania into the Union by 2007. Beyond this, then Prime Minister Mikuláš Dzurinda was a vocal advocate and one of the driving forces of Croatia’s swift incorporation into the Union. Slovak leaders were not happy with the Council’s decision to postpone the opening of accession talks with Croatia beyond March 2004. Slovakia’s diplomacy thus continued to push for a re-examination of the Council’s decision and was happy to welcome the compromise solution whereby both Croatia and Turkey officially began their respective accession talks on October 3 (or the early hours of October 4) 2005. In the aftermath of the launch of official talks with the two countries, Prime Minister Dzurinda stated during his press conference that Slovakia would offer Croatia cooperation in negotiations on the various contributions of the acquis. At the same time, the Prime Minister said that Slovakia would try to see that both Ukraine and Serbia and Montenegro enter the same path of European integration.¹⁵

In recent years the positions of the NMS have become more differentiated and less enthusiastic about EU enlargement. Turkey has always been a specific case, as Slovakia’s former Foreign Minister Eduard Kukan highlighted by saying that the negotiations with Ankara “will be demanding and very, very long.”¹⁶ But even apart from Turkey support for enlargement in the NMS has somewhat waned. Already on an official visit to Germany on November 3, 2005 the then Slovak Prime Minister Mikuláš Dzurinda stated rather surprisingly that the absorption capacity of the European Union had its limits and that the EU needed

¹⁴ NCS-08-31, Interview in Brussels (March 9, 2009).

¹⁵ “Áno Turecku a Chorvátsku posilní bezpečnosť v Európe”, *SITA* (October 4, 2005).

¹⁶ “SR presadzuje rokovania s Chorvátskom ešte dnes, turecká delegácia na ceste”, *TASR* (October 3, 2005).

a 'pause' in its further enlargement.¹⁷ A representative of Hungary openly described Hungary's changing perceptions vis-à-vis enlargement. Whereas at the start of its own accession talks Hungary supported enlargement unequivocally, since its EU entry Hungary had been in favor of admitting other candidates for membership from the Western Balkans but not at any price. Hungary's position toward Turkey underwent the most notable shift; five years ago Budapest supported Ankara's EU entry but today Hungary has no clear stance on Turkey's EU membership.¹⁸

There are problems besides Turkey, though. Slovenia's support of Croatia's EU bid is conditional upon delimitation of sea borders. In 2009 official accession talks between the EU and Croatia are stalling due to continuing bilateral conflict between Slovenia and Croatia. The Baltic States and Poland have been keen supporters of other post-soviet countries' EU ambitions, most notably Ukraine. However, representatives of these countries no longer speak of possible EU enlargement to Ukraine. While they do not rule out this option, they openly support the Eastern Partnership Initiative. Their current aim is greater cooperation and deepening of relations with Ukraine, Moldova and other ex-USSR countries as well as the democratization of Belarus.¹⁹ A Latvian representative also spoke very openly about the strategic context of deeper engagement with Ukraine, Georgia and Moldova with the aim of not letting Russia dominate this post-soviet zone.²⁰ While a Czech representative underlined Prague's support for 'approximation' of countries of the Western Balkans to the EU with the 'eventual aim of full integration', the Czech Republic is interested in the 'stabilization' of the post-soviet region.²¹ In short, the preferences of the NMS for further enlargement have been toned down.

In addition to the themes of energy security, transatlantic cooperation and enlargement the NMS have pursued more specific individual foreign policy agendas. It is worth noting three other areas that have emerged from our research based on content analysis of documents and official statements. The first is the topic of cyber-crimes and cyber-security. In the context of Eastern Partnership and EU-Russian relations this theme is of particular importance

¹⁷ "Dzurinda: EÚ potrebuje pri rozširovaní pauzu", *SITA* (November 3, 2005).

¹⁸ NCS-08-10, Interview in Brussels (October 7, 2008).

¹⁹ NCS-08-28, Interview in Brussels (December 3, 2008).

²⁰ NCS-08-27, Interview in Brussels (December 2, 2008).

²¹ NCS-09-42, Interview in Brussels (March 12, 2009).

The positions of the new Member States toward further enlargement have shifted over time.

Slovenia and Croatia. The Baltic States and Poland have been keen supporters of other post-soviet countries' EU ambitions, most notably Ukraine. However, representatives of these countries no longer speak of possible EU enlargement to Ukraine. While they do not rule out this option, they openly support the Eastern Partnership Initiative. Their current aim is greater cooperation and deepening

of relations with Ukraine, Moldova and other ex-USSR countries as well as the democratization of Belarus.¹⁹ A Latvian representative also spoke very openly about the strategic context of deeper engagement with Ukraine, Georgia and Moldova with the aim of not letting Russia dominate this post-soviet zone.²⁰ While a Czech representative underlined Prague's support for 'approximation' of countries of the Western Balkans to the EU with the 'eventual aim of full integration', the Czech Republic is interested in the 'stabilization' of the post-soviet region.²¹ In short, the preferences of the NMS for further enlargement have been toned down.

In addition to the themes of energy security, transatlantic cooperation and enlargement the NMS have pursued more specific individual foreign policy agendas. It is worth noting three other areas that have emerged from our research based on content analysis of documents and official statements. The first is the topic of cyber-crimes and cyber-security. In the context of Eastern Partnership and EU-Russian relations this theme is of particular importance

for Estonia, which suffered from a heavy cyber attack in 2007.²² The second is economic priorities of foreign policy. While this term means different things in different NMS, the NMS as smaller, and open economies are keen to support free trade agreements and cooperation agreements with regions that may bring economic benefits for the NMS.²³ Finally, several NMS are keen to support the civilian dimensions of the European Security and Foreign Policy (ESDP) as these provide potential real opportunities for participation of the NMS in ESDP operations.²⁴

Where to Engage

As the discussion of thematic priorities in external relations has already highlighted, the NMS foreign policy interests are fairly clearly geographically confined. One could say that in the context of the EU their nature is rather local. The only exception may be Poland, whose official ambition is to “take part in nearly every EU and ESDP operation ... with the basic aim of increasing the responsibility and participation of the EU in solving the world’s security questions”.²⁵ Yet, given Poland’s constrained resources the primary focus of Polish foreign policy in the context of the EU still remains largely on eastern neighbors in the context of the Eastern Partnership initiative. In short, the foreign policy of the NMS (as mostly smaller states) largely concentrates on ties with immediate neighbors or regions in the relative vicinity of the enlarged EU. The two clear geographic priorities are eastern neighbors of the EU and countries of the Western Balkans. In addition, though, virtually all the NMS declare Afghanistan an important area for their foreign policy. The interest in Afghanistan and especially the military involvement of the NMS in the NATO mission as well as in the EU police mission in Afghanistan testify to the significance of transatlantic security relations. At the same time, our research also indicates that the NMS justify their interest in Afghanistan as paying attention to an important global issue that is relevant to the EU as a whole.

All the NMS declare a strong interest in the eastern policy of the EU, though for some of them relations with particular eastern neighbors are of absolutely vital importance. This goes especially for Baltic States, whose relations with

²² NCS-08-25, Interview in Brussels (March 12, 2008).

²³ NCS-08-25, Interview in Brussels (March 12, 2008).

²⁴ NCS-08-21, Interview in Brussels (October 16, 2008) and NCS-09-42, Interview in Brussels (March 12, 2009).

²⁵ NCS-09-31, Interview in Brussels (March 9, 2009).

Russia are a crucial priority. Estonia has one priority in eastern policy and that "is traditionally Russia".²⁶ Latvia is strongly interested in the eastern dimension of the European Neighborhood Policy (ENP). The main activities of Latvian foreign policy focus on Ukraine, Georgia and Moldova. Latvia's interests in these countries are both economic and political. Riga is keen to bind these countries closer to the EU and away from Russia's influence. Yet, for strategic reasons and issues of energy security, Latvia also has to cooperate with Russia and is therefore actively engaged in EU-Russia dialogue.²⁷ Similarly, Lithuania's priorities focus on the Eastern Partnership initiative of the EU. A Lithuanian diplomat was laconic about it: "Something like the Eastern Partnership announced yesterday by the Commission is the issue that we have been pursuing consistently through the years."²⁸ Lithuania is especially keen to pursue two issues in the EU's eastern neighborhood. The first is democratization in Belarus and Minsk's gradual approximation to the EU. Second, Lithuania underlines the strengthening of the EU energy policy.

The case of the Visegrad countries and Slovenia is a bit more diverse due to the differing historical legacies of Russia and also due to the differing degrees to which energy supplies depend on geographical proximity to the EU's eastern neighbors. While the Eastern Partnership initiative was originally launched by Poland and Sweden in 2008, the Czech Republic's presidency in the first half of 2009 adopted further development of the Eastern Partnership as its priority.²⁹ As the official co-sponsor of the Eastern Partnership Poland views this initiative as "a specific tool for deepening cooperation with countries of the East European region".³⁰

Slovakia is a good case of a more nuanced attitude when it welcomed the launch of the Eastern Partnership Initiative by Poland and Sweden in June 2008 and the subsequent elaboration of the Eastern Partnership by the European Commission in December 2008. However, the experience with the gas crisis when Russia stopped its deliveries of natural gas due to a conflict with Ukraine has made Slovakia's diplomacy more lukewarm to Ukraine's ambitions to ultimately achieve both EU and NATO memberships. Most Slovak governing politicians and the Slovak public blamed the Ukraine for the crisis in deliveries of natural gas.³¹ In a public radio discussion, the political Director General of the Foreign Ministry, Igor Slobodník, questioned whether "the strategic culture

²⁶ NCS-08-15, Interview in Brussels (October 9, 2008).

²⁷ NCS-08-13, Interview in Brussels (October 8, 2008).

²⁸ NCS-08-26, Interview in Brussels (December 1, 2008).

²⁹ NCS-09-42, Interview in Brussels (March 12, 2009).

³⁰ NCS-09-31, Interview in Brussels (March 9, 2009).

³¹ "Slováci dávajú krízu za vinu Ukrajine", *SITA* (February 8, 2009).

of this country [Ukraine] has reached the state when it could be a reliable and responsible ally in this moment in 2009 and the answer is unclear.”³² While Slovakia’s official position vis-à-vis Ukraine has not changed and Slovakia actively supports Kiev’s ambitions to work more closely with the EU and NATO (for example, Slovakia’s embassy in Kiev serves as the contact point for NATO),³³ Slobodník underlined that Slovakia would be more critical in its evaluation of Ukraine’s ability to digest Slovakia’s technical assistance. In short Slovakia is likely to be more demanding in relation to Ukraine since Ukraine’s credibility has suffered as a consequence of the recent gas crisis.

Although all the NMS declare the importance of relations with countries of the Western Balkans, these relations are highest on the list of priorities for Slovenia and Hungary, two immediate geographic neighbors of these ex-Yugoslav aspirants to EU membership. Yet, Slovenia’s officially declared interest in the integration of its south-eastern neighbors into the EU³⁴ has been tarnished by the ongoing bilateral sea border dispute with Croatia. For historical and ethnic reasons Hungary openly supports its southern neighbors’ EU integration and in preparation for Hungary’s EU presidency in 2011 Budapest has declared Croatia’s EU membership an important policy priority.³⁵

Slovakia is likely to be more demanding in relation to Ukraine since Ukraine’s credibility has suffered as a consequence of the recent gas crisis.

Slovakia is a good example of the internal limitations of a small country in engaging with the Western Balkan countries. Slovakia’s activities have largely focused on developing ties with Serbia, Montenegro and Croatia. Bratislava’s engagement in Bosnia and Herzegovina is comparatively more recent and more limited, since Slovakia opened its own embassy in Sarajevo only in 2004 and in Macedonia only in June 2009. In contrast, Slovakia does not have its own diplomatic missions in Albania or in Kosovo. Hence, the degree of engagement in these places is certainly lower than in other parts of the Western Balkans. Slovakia also offers another example of the NMS engagement in EU policy in the Western Balkans. In particular a proof of Slovak diplomacy’s active role in the Western Balkans came on December 16, 2005, when the EU High Representative for the CFSP Javier Solana appointed Miroslav Lajčák, then

³² See “Sobotné dialógy”, *Slovak Radio* (March 7, 2009); <http://www.slovakradio.sk/>.

³³ See: http://www.nato.int/structure/oip/all-co_p.pdf.

³⁴ NCS-08-03, Interview in Brussels (September 30, 2008).

³⁵ NCS-08-10, Interview in Brussels (October 7, 2008).

General Director of the Foreign Affairs Ministry's Political Section and Slovakia's former ambassador to Belgrade, to be his personal envoy in Montenegro.³⁶ Lajčák's principal role was the facilitation of Montenegro's referendum on its independence, which was held in May 2006. Lajčák later became the EU's High Representative in Bosnia and Herzegovina. He left this post to become Slovakia's Foreign Minister in early 2009.

Most NMS have declared Afghanistan to be their priority. While most of the NMS are principally involved in NATO activities there, Estonia, for example, also participates in the EU's European Security and Defense Policy (ESDP) police mission launched in Afghanistan in June 2007.³⁷ Afghanistan remains the top priority in terms of Slovakia's physical and material contribution to US-European military cooperation. In a public interview Lajčák reiterated Slovakia's commitment to doubling the number of its soldiers in Afghanistan by June 2009.³⁸ According to Defense Minister Jaroslav Baška, Slovakia plans to have 280 soldiers, including fighting units, in Afghanistan by 2010.³⁹ Although the participation of the NMS in Afghanistan is principally confined to military resources and the commitment to NATO, it also indicates some willingness to take part in operations that are important for the EU as a whole.

How to Work Inside the EU

The attitudes of the NMS to the institutional makeup of the CFSP and ESDP are indicative of a general preference for the institutional status quo rather than major changes. All NMS support the inter-governmental mode of decision-making in CFSP. According to a Hungarian representative the Member States should have "the last and decisive word",⁴⁰ especially in questions of security policy. Few NMS openly declare willingness to integrate further in second pillar matters. Even Lithuania, generally more willing and open to more integration than its Baltic neighbors, declares readiness for 'more cooperation' rather than integration.⁴¹ Most NMS did not initially support the creation of an EU foreign minister in the EU Constitution or the EU Representative for foreign and security policy in the *Lisbon Treaty*.

³⁶ *TASR* (December 16, 2005).

³⁷ NCS-08-22, Interview in Brussels (December 1, 2008).

³⁸ M. Tóda "S Ficom si vo všetkom rozumiem", *Sme* (February 16, 2009).

³⁹ M. Kern, V. Šutková: "Na vojakov čiha najnebezpečnejšia misia", *Sme* (April 25, 2008).

⁴⁰ NCS-08-10, Interview in Brussels (October 7, 2009).

⁴¹ NCS-08-26, Interview in Brussels (December 1, 2008).

Rather, their biggest concern in the first years of EU membership has been with adaptation to existing structures and decision-making processes in the CFSP and ESDP. While the NMS's foreign policy priorities are generally independent of the ideological makeup of a particular domestic government, the NMS's ability to get its foreign policy priorities through to the EU and then implement them in the EU has been constrained by:

- a. inadequate representation of the NMS in EU institutions;
- b. difficulties in communication between Permanent representations and domestic capitals due to technical and organizational deficiencies in exchanging classified data;
- c. an ongoing learning process on the functioning of EU institutions.⁴²

In this context the NMS have voiced repeated concerns about the workings of the future EU External Action Service. While even representatives of Poland claim that they "do not have a more detailed idea on the functioning and makeup of the External Actions Service"⁴³, virtually all the NMS support the principles of just representation of smaller Member States as well as clear and effective financing and clearly delineated competencies of this new diplomatic body. A Hungarian representative voiced Budapest's concerns very openly when he argued that Hungary's restrained position stems from fears of insufficient influence on the policies of the External Action Service.⁴⁴ The Czechs argue that the representation of "particular Member States should be proportional to the representation coming from the European Commission."⁴⁵ In sum, the NMS are no institutional revolutionaries. Their positions reflect their keen instincts to protect any little national influence that they may have vis-à-vis EU foreign policy making.

Why these Preferences?

The literature has for some years tried to identify key factors that determine preferences of Member States in the EU. The survey of literature on preference formation⁴⁶ reveals an ever-growing list of factors behind Member States' preferences. Authors of different academic schools have tended to emphasize

⁴² NCS-08-21, Interview in Brussels (October 16, 2009).

⁴³ NCS-09-37, Interview in Brussels (March 11, 2009).

⁴⁴ NCS-08-10, Interview in Brussels (October 7, 2008).

⁴⁵ NCS-09-42, Interview in Brussels (March 1, 2009).

⁴⁶ D. Malová, M. Rybář, E. Láštic, P. Dobiš, "Hlavné trendy formovania preferencií členských štátov Európskej únie", Survey study supported by the Slovak Research and Development Agency under contract No. APVV-0660-06.

different explanatory variables whose importance, moreover, has varied with different periods of European integration. Economic factors such as trade and financial transfers, institutional settings including coordination of EU policymaking, domestic determinants – especially public opinion and the role of organized interests and political parties as well as historical predispositions ranging from the size of the state to the time of its EU accession have all played their respective roles in explaining Member States' preferences in the EU. More recently Copsey and Haughton have argued that a state's foreign policy preference has to do with the state's perceived size and self-importance as well as with geographical proximity. In the case of EU enlargement states' attitudes are rather shaped by geography, attitudes to migration and stances on more integration.⁴⁷

While size, especially in the case of Poland, matters and geography plays an important role, based on findings from interviews author identified three different legacies that help explain the NMS foreign policy preferences with greater analytical focus. Author borrows the definition of legacy from the work of Anna Grzymala-Busse who argued in her work on post-communist political parties that "...certain structures and patterns of the communist era persisted to shape political and economic developments after 1989, biasing decision making in favor of the familiar and the extant."⁴⁸ According to Grzymala-Busse, "communist legacies are defined as the patterns of behavior, cognition, and organization with roots in the authoritarian regime that persist despite a change in the conditions that gave rise to them."⁴⁹ In explaining the foreign policy preferences of the NMS author understands the legacies more broadly as patterns of behavior with roots in the past that persist despite a change that gave rise to them. This helps us consider the relevance of both the pre-communist and post-communist experience of the NMS on particular foreign and security policy positions.

First, the post-communist Member States' preferences in foreign policy are guided by what one may term as territorial legacy. Geography is a factor in explaining the focus of the NMS on particular countries outside the EU but geography alone does not explain the specific nature and intensity of the NMS's engagement vis-à-vis particular countries. Why, for instance, is Poland so keen

⁴⁷ N. Copsey, T. Haughton, "The Choices for Europe: National Preferences in New and Old Member States", *Journal of Common Market Studies* Vol. 47, No. 3 (2009), esp. pp. 277-280.

⁴⁸ See A. Grzymala-Busse *Redeeming the Communist Past. The Regeneration of Communist Parties in East Central Europe*. (Cambridge: Cambridge University Press, 2002), p. 20.

⁴⁹ *Ibid*, p. 21.

on Ukraine and Slovakia rather lukewarm vis-à-vis its largest neighbor? Or why is Lithuania so concerned about developments in Belarus while Latvian officials do not place as strong an emphasis on relations with their neighbors in Minsk? In addition, why are the Slovaks and the Czechs so keen on relations with Belgrade although neither country has a border with Serbia? The explanation for these questions – supported by our interviews – points to the importance of historical territories, which once included parts of today's EU neighbors inside past state structures of the NMS. The most distinct examples of the significance of historical legacies in foreign policy thinking in post-communist Europe include the relations between Western Ukraine vis-à-vis Poland, Belarus vis-à-vis Lithuania or the ties between the ethnic Slovaks in northern Serbia vis-à-vis the Habsburg monarchy.

Second, the explanation for especially clearly articulated security preferences stems from the NMS's communist structural legacy. It is neither size nor geographic position that fully accounts for some of the NMS's strong preference for the primacy of transatlantic hard security guarantees. All NMS declare the importance of the North Atlantic Treaty Association but some are more open to doing business with Russia or relying on other EU partners. More importantly, Poland's size does not make Warsaw any less vulnerable in matters of

hard security. Rather, the intensity of focus on the US and NATO has to do with the specific Soviet era experience. At the same time, the EU's single market has performed wonders in redirecting the flow of trade and economic ties of the NMS. However, the communist structural legacy still leaves a decisive mark on the energy dependencies of the NMS. Therefore, while the Cold War past makes the NMS cling to NATO, it at the same time makes the NMS keen to push for more cooperation and integration in EU energy policy and energy security.

The historical territorial legacy and communist structural legacy help explain the clearest and firmest external preferences of the NMS. However, they do not account for certain shifts in foreign policy preferences of the NMS such as a gradually more realistic approach to future EU enlargement. Here, we find the waning effects of the accession legacy for the NMS. Unlike the longer periods of more distant historical experience, the experience of EU accession

The post-communist Europe has brought in a new set of interests and concerns for the EU which are geographically distinct and have strong roots in both communist and more distant histories of the post-communist countries.

process has more temporally limited effects on the policy preferences of the NMS in EU foreign relations. While in institutional terms the NMS are still adapting to EU realities and are therefore hesitant about institutional reform in foreign policy, in EU enlargement policy the NMS have moved beyond their respective accession legacies and become more calculating and mindful of the internal aspects of EU policy making. In sum, this snapshot analysis of key research findings suggests that post-communist Europe has brought in a new set of interests and concerns for the EU which are geographically distinct and have strong roots in both communist and more distant histories of the post-communist countries. Issues of identity, nationhood and ethnicity are at least as important in post-communist foreign policy thinking as calculations of trade benefits and economic gains.

References

- Bilčík, V., Dobiš, P., Lisoňová, Z. *New Member States and EU Foreign Policy*. (Bratislava: Comenius University Press 2009).
- Copsey, N., Haughton, T., "The Choices for Europe: National Preferences in New and Old Member States", *Journal of Common Market Studies* Vol. 47, No. 3 (2009).
- Dimitrakopoulos, D.G., Kassim, H., "Inside the European Commission: Preference Formation and the Convention on the Future of Europe", *Comparative European Politics* Vol. 3, No. 2 (2005).
- Dzurinda, M., "Slovakia's Foreign Policy", Brezáni, P. (ed) *Yearbook of Foreign Policy of the Slovak Republic 2003*. (Bratislava: Research Center of the Slovak Foreign Policy Association, 2004).
- Grzymala-Busse, A. *Redeeming the Communist Past: The Regeneration of Communist Parties in East Central Europe*. (Cambridge: Cambridge University Press, 2002).
- Kern, M., Šutková, V., "Na vojakov čiha najnebezpečnejšia misia", *Sme* (April 25, 2008); <http://dennik.sme.sk/c/3845838/na-vojakov-ciha-najnebezpecnejsia-misia.html>.
- Malová, D., Rybář, M., Láštic, E., Dobiš, P., "Hlavné trendy formovania preferencií členských štátov Európskej únie", Survey study supported by the Slovak Research and Development Agency under contract No. APVV-0660-06.
- "Áno Turecku a Chorvátsku posilní bezpečnosť v Európe", *SITA* (October 4, 2005).
- "Discussion Paper – Treaty on the Constitution for Europe", Ministry of Foreign Affairs of the Slovak Republic; presented on November 28, 2006.

-
- “Jadrové fórum spečatilo dostavbu Bohuníc”, *EurActiv.sk* (May 29, 2008); <http://www.euractiv.sk/energetika/clanok/jadrove-forum-specatilo-dostavu-bohunic-012928>.
- “Malý pohraničný styk sa vzťahuje na obce vzdialené do 50 kilometrov od štátnej hranice”, *ČTK* (November 16, 2008).
- “Slováci dávajú krízu za vinu Ukrajine”, *SITA* (February 8, 2008); <http://www.sme.sk/c/4299099/slovaci-davaju-plynovu-krizu-za-vinu-ukrajine.html>.

Beáta Huszka

What to Expect from the Hungarian EU Presidency in the Western Balkans?

Abstract: The article demonstrates that Hungarian policy towards the Western Balkans is certainly more than empty rhetoric as Hungarian support in the EU bodies has been critical at difficult moments and contributed to turning the tide in favor of the countries aiming for membership in the Euro-Atlantic structures. Thus, Hungary can be expected to remain a true ally of the candidates and potential candidates during its presidency-term. Yet, most likely, there will be no 'big push' in the Western Balkans coming from the Hungarian presidency in terms of launching some kind of new dynamic targeting the region. There is no indication of an emerging new vision or the existence of creative ideas as to how to tackle present challenges related to enlargement; would it be Croatia's difficult chapters, the bilateral debate paralyzing Macedonia's accession process or the problem of how to put Bosnia on the accession path. Nevertheless, Hungary can be counted on to keep enlargement on track as much as a presidency can control and influence the process.

Hungary has been an ardent advocate of the EU and NATO integration of the Western Balkan states, which naturally became one of the priorities of the presidency's program. Speculating about the forthcoming Hungarian presidency taking place in the first half of next year, several questions emerge regarding its Western Balkan agenda. In principle, the presidency is an ideal opportunity for Hungary to demonstrate its commitment to the Western Balkans and to shape the EU's external actions by adding new vision and impetus to it, and by placing weight on this issue in the EU bodies and policies.

Beáta Huszka works as a researcher at the Foundation for European Comparative Minority Research.

In addition, it offers the chance to refute the often voiced criticism according to which Hungarian Balkan policy is a political concept existing only in political statements, lacking initiatives with real content. Although Hungary became one of the most active and vocal advocates of its southern neighbors' accession to the Euro-Atlantic structures, yet it failed to assume a leadership role in formulating and implementing EU strategies for the region. In practice, Hungarian foreign policy has been maneuvering in relatively narrow political space in the Balkans, and as a result Hungary has been, generally, following rather than shaping EU policy. As critiques tend to argue, Hungarian foreign policy towards the Western Balkans at present is a mantra composed essentially of political statements about the need of the region's speedy Euro-Atlantic integration.

Yet, it seems that it will be hard for Hungary to move beyond a mere caretaker role and to accomplish something more than simply managing the issues that are evidently on the EU's agenda. Based on the presidency's program, although the Western Balkans is among the priority areas, it certainly will not be the main one. Moreover, in light of the details of the presidency's agenda, the program related to South Eastern Europe can hardly be called a 'strategy'; it is rather about managing the issues related to the region in a 'business as usual' mode. On the whole, based on official documents, interviews with chief civil servants and private conversations with diplomats it is difficult to expect a new vision or impetus during the presidency concerning South Eastern Europe.

It will be hard for Hungary to get beyond a mere caretaker role and to accomplish something more than simply managing the issues that are anyhow evidently on the EU's agenda.

The Wider Picture

It can be argued, that to a great extent, this can be accounted for by the institutional limitations constraining country presidencies. After the *Lisbon Treaty*, rotating presidencies have seen their role further diminished. Country presidencies have fairly little agenda setting power both in legislative and non-legislative terms as they play more of a logistical and organizational role rather than political. In general, any country presidency inherits the majority of issues and in an ideal case can shape around a tenth of the agenda at best. By looking at the preliminary program as it currently stands, managing the economic

crisis and reforming budget oversight and financial regulation will overshadow all other issues including the Balkans. The first priority on the list is economic consolidation of the EU, which includes implementing the *Europe 2020 Strategy* and strengthening economic coordination. The second priority is starting the negotiations on the main lines of the new EU budget, which beyond any doubt will be a demanding task as it requires mediation among the various interests of the Member States. Third, until the end of the Hungarian presidency's term, priorities of the new CAP could be set. Fourth item on the list will be putting together a new energy infrastructure package, while the strengthening of cohesion policy is the fifth priority area. Enlargement and the Western Balkans comes only as the 6th issue on the agenda, followed by the *Danube Strategy*, the content of which will be finalized during the presidency's time. The last topic is how to bring the EU closer to its citizens.¹

Arguably, the order of these issues reflects also their importance, economic governance obviously topping the list. In October 2010 the heads of states gave into German pressure and agreed to implement limited treaty change to strengthen the means of maintaining fiscal discipline among members of the Euro Zone.² As part of the package, an EU crisis fund has to be set up. Yet, the details of all this will have to be worked out and finalized during the Hungarian presidency. It can be well assumed that this will be the main focus of the presidency, compared to which all the other issues will stay in the background.³ The presidency's record will most likely be judged inline with the rest of the EU in light of its management of the budgetary and economic governance reforms.

However, some of the priorities listed above are indirectly linked to enlargement and the Western Balkans. Successfully introducing stronger monitoring mechanisms in the Member States in terms of controlling the budget deficit, public debt, current account levels, strengthening the stability and growth pact and setting up a long term crisis resolution mechanism is the necessary precondition to fortify and stabilize the EU internally thus enhancing its absorption capacity, without which the Member States will not be in favor of further enlargement.⁴ In a similar way, enlargement will be linked to the EU's *2020 Strategy*: it will be influenced not only by whether fiscal discipline could be achieved, but also by the implementation of national reform programs that

¹ Unpublished Document of the Hungarian Ministry of Foreign Affairs (September 2010).

² "Game, Set and Match to Angela," *The Economist* (October 29, 2010).

³ P. Magyar, "Az elnök szervez és kavar" (November 3, 2010); www.index.hu.

⁴ Csaba Zalai, envoy extraordinary and minister plenipotentiary at the permanent representation of Hungary at the European Union, presentation given at a conference organized by ICDT "EU Integration of the Western Balkans and the Hungarian EU Presidency", Budapest (November 11, 2010).

need to be introduced in order to meet the goals of increasing employment, productivity and social cohesion.⁵

Furthermore, the *Danube Strategy* also relates to enlargement, as it is an opportunity for the Member States and the candidates and potential candidates to cooperate in specific areas, thus anchoring the Western Balkan states closer to the EU, which is a practical way of fostering their integration process.⁶ The *Danube Strategy* which means in practice a macro-regional development program contains specific initiatives including environmental, infrastructural and energy projects that could connect the Western Balkans to the EU in a meaningful and technical way. Yet, there are no additional funds available for its financing, which casts doubts about its real significance.

On the whole, in principle Hungary has a good chance of managing the presidency in an efficient way considering the governing coalition's strong majority in parliament. Civil servants working in Hungary's Brussels delegation constitute the bulwark of the organizational structure who have been preparing the topics to be discussed in the EU's 250 working groups. Thus, it caused considerable surprise in Hungary and abroad that the government decided to remove people at the permanent representation just a few months before the presidency's outset. The head of the representation, Gábor Iván had to leave his post in August, to be replaced by Péter Györkös who previously served as the ambassador of Hungary in Zagreb. Although nobody questions the ability of Györkös to fulfill this task, for four years he has not been working on EU issues and has not participated in the presidency's preparatory process. Personal changes were carried out not only at the top but also at a lower level just a few months before the start of the presidency, such as at the secretariat overseeing ECOFIN working groups, which weakens the continuity in the preparatory structures thus their ability to cope with the upcoming challenges.⁷

There will be neither an EU summit on the region, nor special initiatives this time targeting Bosnia. At the same time, curiously there will be a European Council meeting on the Eastern Partnership as the acclaimed goal of the Hungarian and the following Polish presidency is to strengthen the Eastern Partnership during the year of 2011. The second Eastern Partnership summit will be one of the highlight events of the presidency. At first sight it seems that the Spanish presidency was much more active regarding Balkan issues as there were two high level meetings related to the Western Balkans during its tenure in March

⁵ "Europe 2020", European Commission; http://ec.europa.eu/europe2020/index_en.htm.

⁶ Csaba Zalai. Presentation given at a conference organized by ICDT "EU Integration of the Western Balkans and the Hungarian EU Presidency", Budapest (November 11, 2010).

⁷ Ibid.

2010 in Brdo (which however was organized by Slovenia and Croatia), and in May in Sarajevo even though for Spain the region is certainly less of a priority than for Hungary. However, it can be well argued especially in light of the recent series of not-so-successful meetings such as in Butmir, Brdo or Sarajevo that more summits do not necessarily mean more momentum and as a Hungarian diplomat put it, “what is needed is the carrying out of small tasks”.⁸

The Balkan Agenda

Under the priority entitled the Western Balkans, the more general goal is to help these countries to proceed along the path of their European integration, and more specifically closing the negotiations with Croatia. Hungary also urges the Council to give a date to Macedonia to start its accession negotiations.⁹ However, for the time being, it remains unclear what could be the value added of the presidency, what sort of effort or idea can be expected from Hungary that can contribute to the enlargement process in a special way, reflecting the importance of the region from the aspect of Hungarian foreign policy.

It remains unclear what could be the value added of the presidency, what sort of effort or idea can be expected from Hungary that can contribute to the enlargement process in a special way, reflecting the importance of the region from the aspect of Hungarian foreign policy.

The question remains what the presidency could do in reality, also because of its changing and diminishing role resulting from the *Lisbon Treaty*. The High Representative of the European Union for Foreign Affairs and Security Policy Catherine Ashton and the President of the European Council, Herman van Rompuy take over the external representation of the Union, while the High Representative will chair the General Affairs

and External Relations Council, whereas the CFSP working groups including COWEB will be presided over by EEAS personnel. All this means that in CFSP issues the presidency’s role will be minimal. It will be a service provider and facilitator for Rompuy and Ashton, which theoretically still gives some room to the presidency to influence EU policies in the region. According to an official

⁸ Author interview with a Hungarian diplomat (October 19, 2010).

⁹ Unpublished document of the Hungarian Ministry of Foreign Affairs (September 2010).

communication document, Hungary aims to be an honest broker, a reliable, service provider presidency.¹⁰ At the same time, it also seems that Hungary does not intend to stir events or exert its influence related to questions which fall within the CFSP area.

While the High Representative and EEAS assumes the main role in CFSP matters, enlargement remains under the leadership of the presidency including presiding over the working group responsible for enlargement (COELA). Moreover, Péter Györkös, head of the permanent representation of Hungary at the European Union will lead COREPER II, which is a powerful body having significant leverage. Considering that Györkös was an ambassador in Croatia thus has a fairly thorough knowledge of the country, through these bodies Hungary can do a lot so that negotiations with Croatia will proceed efficiently and swiftly. Besides, Hungary can initiate negotiations and broker consensus within the EU among the Member States and institutions when the process gets stuck.

Potential Candidates

Regarding Kosovo the goal is to launch negotiations on visa liberalization. In addition, the European Commission intends to bring about a trade agreement with Kosovo, yet this hardly requires the involvement of Hungary.

In Bosnia the presidency might take on a role regarding enlargement matters, yet this will not be an issue until the OHR is closed, which can be hardly expected during the first half of 2011. CFSP tasks will be left to the High Representative and her team to deal with.

The European Commission just published its opinion on Albania's and Montenegro's membership application and recommended giving Montenegro a candidate status while Albania still have to fulfill a number of criteria to reach that stage.¹¹ It has to wait another year at least in order to gain that status. With regards to Montenegro, the task is to reach the stage of opening the negotiations.

Serbia's application was forwarded by the Council to the Commission, which is now waiting for its own avis. The goal for Serbia is to become a candidate, and by the middle of next year it will be busy answering the EU questionnaire. The decision in the Council to forward Serbia's application to the Commission was a difficult one to make and came at a price: at every stage the Council will have to decide unanimously whether Serbia fully cooperates with the ICTY.

¹⁰ Ibid.

¹¹ "Progress Reports", European Commission (October 2010).

Hungary will also have to pay attention to the monitoring process of Serbia fulfilling some other conditions such as the one related to regional cooperation, especially the progress of the upcoming dialogue between Belgrade and Pristina. The facilitation of this belongs to the High Representative and her team, yet the presidency also has to assist that endeavor. In addition, the presidency should also monitor closely Serbia's cooperation with the high prosecutor of the ICTY. These two issues deserve attention and if needed, assistance from the presidency, as these strongly influence Serbia's chances of getting closer to membership.

In addition, Bosnia's, Albania's and Montenegro's reform process related to visa liberalization should also be closely monitored as the process is not irreversible.

The Forerunner Candidate: Croatia

Concerning Croatia, by the end of the Belgian presidency, four more chapters are likely to be closed: the one on fisheries where there are some debates with Slovenia; the chapter on justice, freedom and security; environment which is heavy on the *acquis*; and the chapter on foreign, security and defense policy, which requires fulfilling the condition of conducting good neighborly relations.

The chapter on justice, freedom and security implies the need for complying with the Schengen *acquis*, fighting corruption and organized crime. This chapter was only recently opened in June 2010, and its closure might be delayed as every Member State has to be convinced that not only the necessary legislation was adopted but that Croatia has a credible track record in terms of implementation. Therefore, the follow up process needs time, which might delay accession. For this reason, Hungary needs to be creative, and could suggest for instance that the track record could be monitored during the ratification phase.¹²

Moreover, there are some tricky issues left to be tackled in the last nine chapters remaining to be dealt with under the Hungarian presidency, such as competition policy or the unsatisfactory cooperation with the Hague Tribunal, where creativity and smart diplomacy might be welcome in order to find solutions.¹³ Besides, some of the last chapters are the most demanding ones in

¹² Peter Lescouhier, Belgian Liaison Diplomat for the Trio Presidency, presentation given at a conference organized by ICDT "EU Integration of the Western Balkans and the Hungarian EU Presidency", Budapest (November 11, 2010).

¹³ "Croatia's EU Talks Making Headway" (November 8, 2010); <http://www.euractiv.com/en/enlargement/croatias-eu-talks-making-headway-news-499503>.

terms of being heavy on the *acquis*, such as agricultural and rural development. The chapter on the budget; regional policy; and judiciary and fundamental rights (which includes the issue of cooperation with the Hague) will also be left open for the Hungarian presidency's time.¹⁴ Yet, the chapters related to the financial package such as agriculture and rural development, regional policy and budgetary matters are the ones of a more technical nature thus could be tackled easier than some others, such as competition policy and the issue of the judiciary and fundamental rights, which will be the most challenging to solve.

In order to close the chapter on competition policy, Croatia needs to privatize or liquidate its unprofitable shipyards, which has been a heavily subsidized sector by the state in violation of EU regulation. Some Member States are especially keen on pushing this issue, such as Germany, France and Poland. For Poland it is a sensitive question considering that it also has to close its own shipyards and bear the political (given the symbolic value of the Gdansk shipyards which was home to the Solidarity movement) and the social costs of it. In Croatia thousands of people would lose their jobs as a result (around 12,000 people are employed in the ship-building industry), while the country is already suffering from high unemployment. This threatens not only social unrest and unpopularity for the government but it could also have a negative impact on popular support for EU membership.¹⁵ Currently public support for accession is dwindling, thus carrying out a successful referendum on joining the EU might be a challenge.¹⁶ However, the shipyard case is a technical problem, which Croatia needs to address in cooperation with the Commission, thus here Hungary's involvement is not that relevant.¹⁷

Another obstacle within the field of competition policy has been the so-called Ljubljanska Banka issue, which appears to have been settled as a result

¹⁴ "Croatia. State of Play" (as of November 5, 2010); http://ec.europa.eu/enlargement/pdf/enlargement_process/accesion_process/how_does_a_country_join_the_eu/negotiations_croatia_turkey/overview_negotiations_hr_en.pdf.

¹⁵ A. Palokaj, "Croatia to Privatise or Liquidate Shipyards" (September 20, 2010); <http://waz.euobserver.com/887/30838>.

¹⁶ Croatia is the only state in the Western Balkans where the proportion of those who oppose EU membership was higher than the share of supporters. According to a Gallup survey published in November 2010, 43% would vote no versus 38% yes at a referendum on EU accession. "2010 Summary of Findings", *Gallup Balkan Monitor: Insights and Perceptions: Voices of the Balkans*. p. 21; http://www.balkan-monitor.eu/files/BalkanMonitor-2010_Summary_of_Findings.pdf.

¹⁷ Andrej Plenkovic, State Secretary for European Integration, Ministry of Foreign Affairs and European Integration of Croatia. Presentation given at a conference organized by ICDDT "EU Integration of the Western Balkans and the Hungarian EU Presidency", Budapest (November 11, 2010).

of an agreement reached by Croatian Prime Minister Jadranka Kosor and her Slovenian counterpart, Bohut Pahor in October 2010. Ljubljanska Banka's debt to Croatian citizens will be resolved as part of the succession talks among former Yugoslav republics led by Basel, a Switzerland based bank of international settlements.¹⁸ Although it is not certain yet whether this case has been removed as an obstacle from Croatia's accession path, the Slovenes did not block closing the chapter on the free movement of capital, which indicates that they probably have no intention to frustrate the finalization of the negotiations by raising conditions related to this question.

The maritime issue with Slovenia which had been blocking Croatia's accession process for 18 months was delegated to an arbitration committee, the procedure of which will start as soon as Croatia signs the *Accession Treaty*. This way Croatia's accession process has been disentangled from the resolution of this bilateral dispute.

In order to close the chapter on judiciary and fundamental rights besides addressing the usual problems of weak judiciary and rampant corruption, Croatia still needs to hand over missing artillery documents requested by the Office of the ICTY Prosecutor. The files refer to Operation Storm, a Croatian military offensive to regain territory, which caused around 200,000 Serbs to flee Croatia at the end of the 1991-1995 war.¹⁹ So far, there is no solution in sight to this problem, as there are different views about whether the documents even existed or if they were destroyed.²⁰ Yet, the verdict in the trial of Croatian generals Ante Gotovina, Ivan Čermak and Mladen Markačić is expected to be handed down in December. If this really happens without the missing files, it could mean that the issue will not be considered as a serious problem any longer since the files are connected to this case.²¹

It is also important from Croatia's point of view that there will be no referendum on its accession during the ratification process in the Member States.

Thus, Hungary will have a lot of tasks, for that reason it should sustain out intensive contacts with representatives of the region and the Member States.

¹⁸ "Slovenia, Croatia Agree on Ljubljanska Banka Issue" (November 15, 2010); http://www.setimes.com/cocoon/setimes/xhtml/en_GB/newsbriefs/setimes/newsbriefs/2010/10/15/nb-02.

¹⁹ "EU Shifts Towards Tailor-Made Enlargement Policy" (October 15, 2009); <http://www.euractiv.com/en/enlargement/eu-shifts-tailor-enlargement-policy/article-186403>.

²⁰ "War Files Stand in Way of Croatia's EU Accession" (November 26, 2009); <http://www.euractiv.com/en/enlargement/eu-shifts-tailor-enlargement-policy/article-186403>.

²¹ "Robinson Expects ICTY Verdict in December", *Daily Tportal.hr* (October 9, 2010); <http://daily.tportal.hr/90421/Robinson-expects-verdict-in-in-December.html>.

CFSP Tasks

As was noted above, it seems that Hungary does not intend to take any leadership in tackling the so called 'high political' questions in the region, such as dealing with Bosnia, North Kosovo or the name dispute between Macedonia and Greece. Although truly the big and 'old' Member States together with the US have the authority and the power to make the big decisions regarding these matters, a presidency can catalyze the process with new ideas, mediation and the like. Even though opening negotiations with Macedonia was spelled out as an explicit priority of the presidency, still there is no indication that Hungary intends to do anything in order to stimulate the process. For instance, convincing Macedonia to adopt a more accommodating approach would be helpful, as provoking Greece certainly does not help to reach a settlement. Erecting the statue of Alexander the Great in the middle of Skopje, renaming the airport and highway, or publishing the 'Macedonian Encyclopedia' which infuriated not only Greece but Kosovo Albanians and other neighbors as well (that was subsequently withdrawn under pressure from the US and UK) are indications of the reluctance of Skopje to assume a more compromising stance.²²

It seems that Hungary does not intend to take any leadership in tackling the so called high political questions in the region, such as dealing with Bosnia, North Kosovo or the name dispute between Macedonia and Greece.

The fact that there are no plans about organizing big events on Bosnia is probably a smart approach considering the failure of Butmir under the Swedish presidency (and the Brdo summit in March 2010 which tried to tackle the wider problems of the region). As several analysts lately argued, which is in line with the opinion of Hungarian diplomats, what Bosnia needs is clearly articulated, specific conditions that it needs to meet rather than high level political meetings in the international media spot light where the country's constitutional ills should be solved at once. While high publicity does not foster (minor or) major compromises, the visa liberalization process has shown that the country can adopt the necessary measures in an efficient and speedy way when conditions are clear and the rewards are obvious and immediate. Thus, the fact that the Hungarian presidency will not hold another high level summit

²² "Macedonia Embroiled in Encyclopedia Row" (October 13, 2009); <http://www.euractiv.com/en/enlargement/macedonia-embroiled-encyclopaedia-row/article-186333>.

on the constitutional reform is probably a wise decision as most likely more can be achieved by pursuing quiet, less politicized incremental changes. Such a move could be encouraging amending the Bosnian constitution in a way so that it would not discriminate against individuals not belonging to the three constituent nations. The European Court of Human Rights ruled in December 2009 that the exclusion of Jews and Roma from Bosnia's highest state offices is unlawful discrimination, which should be a reason to remove all discriminatory provisions from the country's constitution.²³ Thus, it is better if the EU does not prescribe how the institutions should be made functional, but should set some clear conditions that these institutions in one way or the other need to fulfill leaving institutional compromises to the Bosnians themselves.

Although Hungarian diplomats seem to be in favor of this approach, there is no indication of Hungary having any kind of strategy on Bosnia, i.e. how to draw the country into the enlargement process, in a similar manner as the visa liberalization was managed.

Arguably, it is questionable whether it would be beneficial or desirable for Hungary to meddle into high political issues. Yet, Hungary does not appear to have such aspirations, even if in some areas active diplomatic engagement will be certainly needed, such as facilitating negotiations between the Kosovo and the Serbian government on practical, technical questions (like trade, energy, environment, health, border facilities, missing persons, return of the displaced), which will be a challenge arising exactly during the presidency's time. It can be argued that if Hungary took the lead in solving Bosnia's or Kosovo's problem it would be an exaggeration of its role. However, still a lot could be done in terms of mediation and background diplomacy.

Based on this evaluation, the question should be revisited what more could be realistically expected from the presidency besides being a good manager of the ongoing enlargement tasks? It can be argued that Hungary can be reasonably counted on to represent the voice of the Western Balkan countries in the EU, and fight against the enlargement fatigue characterizing some other Member States, which can turn the tide at critical moments, similarly to the Czech presidency. The overall record of the Czech presidency in terms of accomplishments was rather weak given that the breakthrough in the Croatian-Slovenian border dispute happened well after the presidency, in November 2009. Similarly, the big decisions about visa liberalization were made before the presidency (giving road maps to the applicants between May and June 2008)

²³ "European Court: Landmark Ruling on Racial and Religious Exclusion", Human Rights Watch (December 22, 2009); <http://www.hrw.org/en/news/2009/12/22/european-court-landmark-ruling-racial-and-religious-exclusion>.

and afterwards (in July 2009 when the European Commission approved visa free travel for citizens of Macedonia, Montenegro and Serbia from January 1, 2010). The most important event of the Czech presidency from the aspect of South East Europe was an informal meeting of EU foreign ministers in Hluboká nad Vltavou in March 2009. The statement issued at the event reinforced the South East European states' EU membership perspective, including that of Kosovo, called for helping Kosovo's economic and social development and its integration into regional initiatives, and pressed for the continuation of visa liberalization in the region.²⁴ Yet, arguably the real success of Czech diplomacy was that some of the older Member States could not derail Montenegro's accession process. Angela Merkel suggested 'a consolidation phase' for enlargement after Croatia's accession, and in December 2008 asked the European Commission to delay its opinion on Montenegro's application for membership.²⁵ Montenegro's application was blocked in the Council not only by Germany but also by the Netherlands, Spain, France and Belgium.²⁶ Nevertheless, in April 2009 the European Council invited the Commission to submit its opinion on Montenegro's application, which allegedly was the merit of the Czech Presidency's lobby efforts.

This kind of engagement can be important in decisive moments such as in March 2005, when the European Council was about to decide whether to open membership negotiations with Croatia. Hungary and Slovakia speaking up on behalf of Croatia probably helped to avoid a longer suspension of Croatia's EU accession process.

Furthermore, it was to a great extent the merit of Hungarian and Slovak diplomatic efforts that Bosnia and Herzegovina, Montenegro and Serbia could

Hungary can be reasonably counted on to represent the voice of the Western Balkan countries in the EU, and fight against the enlargement fatigue characterizing some other Member States, which can turn the tide at critical moments, similarly to the Czech presidency.

²⁴ "EU Presidency Statement, Declaration by the Presidency on Western Balkans", Czech Presidency of the European Union (February 2, 2009); <http://www.eu2009.cz/en/news-and-documents/news/eu-presidency-statement-14119/>.

²⁵ R. Karajkov, "Brake on EU Enlargement Dims Hope for the Balkans," *World Politics Review* (May 14, 2009).

²⁶ "Montenegro Filed EU Membership Application, but What Happens Now?" *Montenegro Open* (March 6, 2009).

join NATO's Partnership for Peace Program in November 2006 in Riga.²⁷ Hungarian and Slovak diplomats pushed for the acceptance of these countries amidst loud protest from the ICTY, by making the case that accession of these countries to PfP will better enable NATO to oversee their process of meeting the demands of membership.²⁸ It is also worth mentioning that during the April 2008 NATO summit, Hungary with some others called for inviting Albania, Croatia and Macedonia into the ranks of the organization.²⁹ The initiative was only partially successful since Macedonia's accession was put on hold owing to Greece's insistence while Albania and Croatia were invited to join the alliance at the summit. Particularly the Czech Republic together with Slovenia and Turkey openly protested against excluding Macedonia from NATO enlargement.³⁰

Moreover, Hungarian politicians actively assisted enlargement commissioner Olli Rehn in his efforts to prevent the alienation of Serbia from the EU in the face of the EU's refusal to ratify the SAA with the republic. During the January 2008 presidential elections the stakes were clearly high, as Serbian citizens practically had to decide whether they wanted to keep Serbia on the track of European integration. The main challenger of the pro-EU Boris Tadić was the Radical Party candidate Tomislav Nikolić who argued that the EU did not want Serbia in its ranks. This rhetoric had considerable resonance among the wider population, given that the EU had firmly refused implementing the SAA with Serbia. However, the EU significantly boosted the electoral chances of Tadić who subsequently won the race by initialing the Stabilization and Association Agreement with Serbia in November 2007, shortly before the elections. The EU played the same card again before the May 2008 parliamentary elections as the SAA was signed (though still not ratified) in Brussels in April 2008. All this took place while in January 2008 the Netherlands and Belgium had made it clear that they were against ratifying the SAA with Serbia as ICTY prosecutor Serge Brammertz confirmed a few days earlier that Serbia was still not fully

²⁷ "The Balkan Region and Hungarian Foreign Policy", State Secretary Gábor Szentiványi's presentation held at the conference "The Balkan Region and Hungarian Foreign Policy" (November 20, 2008). Retrieved from the website of Balkan-Studies Center; <http://www.balkancenter.hu/?page=konfanyag>.

²⁸ M. Šagát, "Slovakia's Foreign Policy Towards the Western Balkans in 2006", P. Brežani (ed) *Yearbook of Foreign Policy of the Slovak Republic 2006*. (Bratislava: Research Center of the Slovak Foreign Policy Association, 2007), p. 115.

²⁹ "A magyar diplomácia három nyugat-balkáni ország NATO-csatlakozását szorgalmazza – Göncz Kinga az atlanti szövetség külügyminisztereinek brüsszeli tanácskozásán" (March 6, 2008); http://www.mfa.gov.hu/kum/hu/bal/Aktualis/latogatások_es_események/GK_NATO_080306.htm.

³⁰ F. Tesai, "The Balkan Dimension of the Czech Foreign Policy: Cornerstones and Political Context", unpublished manuscript, p. 13.

cooperating.³¹ The lobbying efforts of Hungarian diplomats and the backing of the other Visegrad states was key in implementing this smart strategy, which helped to keep Serbia on the European path at the time when Kosovo declared independence, and also satisfied those Member States that were against the ratification of the SAA with Serbia.³²

Closing Remarks

Altogether, as was demonstrated above, Hungarian policy towards the Western Balkans is certainly more than empty rhetoric as Hungarian support in the EU bodies has been critical at difficult moments and contributed to turning the tide in favor of the countries aiming for membership in the Euro-Atlantic structures. Thus, Hungary can be expected to remain a true ally of the candidates and potential candidates during its presidency-term. Yet, most likely, there will be no 'big push' in the Western Balkans coming from the Hungarian presidency in terms of launching some kind of new dynamic targeting the region. There is no indication of an emerging new vision or the existence of creative ideas as to how to tackle present challenges related to enlargement, would it be Croatia's difficult chapters, the bilateral debate paralyzing Macedonia's accession process or the problem of how to put Bosnia on the accession path. Nevertheless, Hungary can be counted on to keep enlargement on track as much as a presidency can control and influence the process.

Although institutionally Hungary is not well equipped to take a leading role in addressing the so called high political questions which belong to the CFSP field, still, the presidency should not shy away from providing its insight and vision (if it has one) related to Macedonia, Kosovo or Bosnia.

Moreover, as it was argued, Hungary does not intend to meddle into the CFSP area. Even if Hungary considers CFSP tasks falling outside of the scope of its role, as the state leading the EU presidency it could make an effort to contribute

³¹ "Serbia, EU Sign SAA" (April 30, 2008); http://www.setimes.com/cocoon/setimes/xhtml/en_GB/features/setimes/features/2008/04/30/feature-01.

³² Author interview with a Hungarian diplomat (October 19, 2010).

to enlargement policy in a constructive and stimulating way. If enlargement policy belongs to the presidency's tasks (as it does) then it could be a legitimate contribution to offer ideas as to how to bring Bosnia into the enlargement process despite its constitutional quagmire or how to help Macedonia to get an invitation for the opening of its accession talks. As was mentioned above, Hungarian diplomats do have a thorough insight into many of these issues which could help in moving the process forward. The forthcoming negotiations between Kosovo and Serbia also relate to enlargement as the normalization of Serbia's relations with its neighbors is part of the EU conditionality towards Serbia thus influences its chances of getting closer to membership. Although institutionally Hungary is not well equipped to take a leading role in addressing the so called 'high political questions' which belong to the CFSP field, still, the presidency should not shy away from providing its insight and vision (if it has one) related to Macedonia, Kosovo or Bosnia. Considering the vast experience and knowledge of Hungarian diplomats in South East Europe, Hungary is able to contribute to the EU's foreign policy by helping to achieve a better understanding of the facts on the ground and by offering creative ideas for reaching solutions.

References

- "2010 Summary of Findings", *Gallup Balkan Monitor: Insights and Perceptions: Voices of the Balkans*. p.21; http://www.balkan-monitor.eu/files/BalkanMonitor-2010_Summary_of_Findings.pdf.
- "A magyar diplomácia három nyugat-balkáni ország NATO-csatlakozását szorgalmazza – Göncz Kinga az atlanti szövetség külügyminisztereinek brüsszeli tanácskozásán" (March 6, 2008); http://www.mfa.gov.hu/kum/hu/bal/Aktualis/latogatasok_es_esemenyek/GK_NATO_080306.htm.
- "Croatia's EU Talks Making Headway" (November 8, 2010); <http://www.euractiv.com/en/enlargement/croatias-eu-talks-making-headway-news-499503>.
- "EU Presidency Statement, Declaration by the Presidency on Western Balkans", Czech Presidency of the European Union (February 2, 2009); <http://www.eu2009.cz/en/news-and-documents/news/eu-presidency-statement-14119/>.
- "Europe 2020", European Commission; http://ec.europa.eu/europe2020/index_en.htm.
- "EU Shifts Towards Tailor-Made Enlargement Policy" (October 15, 2009); <http://www.euractiv.com/en/enlargement/eu-shifts-tailor-enlargement-policy/article-186403>.

- "European Court: Landmark Ruling on Racial and Religious Exclusion", Human Rights Watch (December 22, 2009); <http://www.hrw.org/en/news/2009/12/22/european-court-landmark-ruling-racial-and-religious-exclusion>.
- "Game, Set and Match to Angela," *The Economist* (October 29, 2010).
- Karajkov, R., "Brake on EU Enlargement Dims Hope for the Balkans," *World Politics Review* (May 14, 2009).
- "Macedonia Embroiled in Encyclopedia Row" (October 13, 2009); <http://www.euractiv.com/en/enlargement/macedonia-embroiled-encyclopaedia-row/article-186333>.
- Magyari, P., "Az elnök szervez és kavar" (November 3, 2010); www.index.hu.
- "Montenegro Filed EU Membership Application, but What Happens Now?" *Montenegro Open* (March 6, 2009).
- Palokaj, A. "Croatia to Privatise or Liquidate Shipyards" (September 20, 2010); <http://waz.euobserver.com/887/30838>.
- "Progress Reports", European Commission (October 2010).
- "Robinson Expects ICTY Verdict in December", *Daily Tportal.hr*, (October 9, 2010); <http://daily.tportal.hr/90421/Robinson-expects-verdict-in-in-December.html>.
- "Serbia, EU Sign SAA" (April 30, 2008); http://www.setimes.com/cocoon/setimes/xhtml/en_GB/features/setimes/features/2008/04/30/feature-01.
- "Slovenia, Croatia Agree on Ljubljanska Banka Issue" (November 15, 2010); http://www.setimes.com/cocoon/setimes/xhtml/en_GB/newsbriefs/setimes/newsbriefs/2010/10/15/nb-02.
- Szentiványi, G., "The Balkan Region and Hungarian Foreign Policy" (November 20, 2008), <http://www.balkancenter.hu/?page=konfanyag>.
- Šagát, M., "Slovakia's Foreign Policy Towards the Western Balkans in 2006", Brezáni, P. (ed) *Yearbook of Foreign Policy of the Slovak Republic 2006*. (Bratislava: Research Center of the Slovak Foreign Policy Association, 2007).
- "War Files Stand in Way of Croatia's EU Accession" (November 26, 2009); <http://www.euractiv.com/en/enlargement/eu-shifts-tailor-enlargement-policy/article-186403>.

Lyubka Savkova

One Bed, Different Dreams: Pre-Accession Attitudes to EU Membership in the Bulgarian Parliament

Abstract: The aim of this article is to present preliminary observations about the position, role and place of Bulgaria as a new EU Member State on the basis of evidence collected from the EU and foreign policy related parliamentary debates. The research looks at the structural and contextual aspects of the elite debate on Europe during the transition period from communism to democracy. The European debates became longer and more popular over time with a greater number of parties taking part in the discussions. There was a shared cross party consensus in favor of EU membership which became goal orientated and technically driven closer to accession. Contextualizing these findings in the post-accession period, it is likely that Bulgarian parties have a clear EU position; the focus in debates is shifted from the objective of EU membership to a range of domestic issues such as immigration, social care and EU funds. Moreover, parties have become bolder in criticizing the EU but Bulgaria remains in the political mainstream supporting the decisions and positions of key EU member countries in European policy making while showing potential to contribute to the development of EU-Russian relations and the assessment of the European nuclear energy policy towards new candidate states.

This article analyses the political discourse on European integration in Bulgaria during the transition period relying on data from parliamentary debates on European issues and foreign policy that took place between 1990 and 2007. The overall aim of the analysis is to predict on the basis of pre-accession data

Lyubka Savkova has a PhD from the University of Sussex, UK. She works as a Global Screening Data Specialist at Thomson Reuters (Professional), UK.

the role, position and performance of Bulgaria as an EU Member State which extends to what factors and themes might dominate its foreign policy and its attitude to the EU and other Member States in general.

The research utilizes a combination of structural, contextual and thematic discourse analysis of the European debate at the elite level in Bulgaria. The next section describes the structural characteristics of the European debate in Bulgaria at the level of political parties. In this context the length and number of debates and intensity of participation by party is discussed. The text also looks at the contextual and thematic features of the debates – the main actors who participated in the debates, their goals and importance in Bulgarian politics, the cognition involved and the main themes and visions on European integration that unfolded during the transition period.

A deductive approach has been chosen to reach the conclusions. The starting points of the research are four hypotheses that test the nature and evolution of the European debate in Bulgaria, foreign policy alternatives as well as the positions of parties in the party system.

Hypothesis 1 states that *Elite support for European integration increased with the formulation of the EU's strategy for Accession.*

Hypothesis 2 states that *Elite support for European integration increased as support for the USSR and Russia decreased.*

Hypothesis 3 states that: *Elite support for European integration increased as elite support for NATO increased.*

Hypothesis 4 states that: *Parties in government are more supportive of European integration than parties in opposition.*

The final part of the article revisits those hypotheses to verify them against the findings from the discourse analysis of the parliamentary debates described in the next section before extending my analysis to give consideration to the role and abilities of Bulgaria as a new EU Member State in the concluding part of this article.

The key empirical findings of this research can be summarized as follows: The EU related parliamentary debates in Bulgaria became longer over time with the highest number of debates taking place during the time of accession negotiations between 1995 and 2000. The main participants in the discourse were the Bulgarian Socialist Party and United Democratic Forces, with each

The EU related parliamentary debates in Bulgaria became longer over time with the highest number of debates taking place during the time of accession negotiations between 1995 and 2000.

party contributing to about a third of all opinions on European integration. The overriding theme in the discussions was elite consensus on European integration although the parties differed in their visions of EU membership. The small parties in particular were instrumental with the issue of EU membership which they used to buttress their own political objectives. On the other hand, the Democrats perceived EU membership as a joint project with NATO membership and distanced themselves, in foreign policy terms, from Russia. The Bulgarian Socialist Party rejected NATO membership until 2000 but supported pro-Russian relations alongside with European integration. The last three debates on European integration between 2002 and 2005 showed that the political consensus on EU membership was consolidated around concrete efforts towards accession to the European Union such as harmonization of legislation, cooperation with the EU, and training of administrative personnel.

Contextualizing these findings in the post-accession period, it is likely that Bulgarian parties have a clear EU position; the focus in debates is shifted from the objective of EU membership to a range of domestic issues such as immigration, social care, EU funds. Moreover, parties have become bolder in criticizing the EU but Bulgaria remains in the political mainstream supporting the decisions and positions of key EU Member States in European policy making while showing potential to contribute to the development of EU-Russian relations and the assessment of the European nuclear energy policy towards new candidate states.

Research Findings

Structural Characteristics of the European Debate in Bulgaria

The degree to which the topic of European integration was salient in the political discourse in Bulgaria during the period of transition can be determined through discursive discourse analysis of parliamentary debates on European integration and topics related to foreign policy and national security which are closely linked to the integration debate. With this objective in mind the current section begins with a description of the structural characteristics of the political debate on European integration which is intended to give the reader an insight into the nature of the data sources before outlining the main findings of the research which relate to the contextual and thematic features of the European debate in Bulgaria at the elite level.

As the current research belongs to the fields of political science and European studies the text concentrated on the pace with which the issue of European integration was discussed in the National Assembly in Bulgaria, the length of the

discussions as well as which parties and main actors contributed to the political discourse. This sets the scene for analysis of the main themes and visions of European integration in Bulgaria and the cognition involved outlined in the latter part of the section.

During the transition period there were 13 parliamentary debates on European integration, foreign policy and security in Bulgaria, listed in Table 1. From the table, one can see that the highest number of debates took place during the period of accession negotiations between 1995 and 2000 after the submission of Bulgaria's application for EU membership. As the frequency of the debates increased so did their length. On average, before 1995, debates were 16 pages long while after 1995 they were 26 pages. This is an increase in length of 62%. The shortest debate was on the European Cultural Convention in 1991 and it was 7.5 pages. The longest debate was 48 pages in 1999 on the topic of the European requirements for closure of the nuclear reactors in Kozloduy.

Table 1 demonstrates that the increased length and frequency of the parliamentary debates over time does not correspond to a higher number of participants taking part in the discussions. The length represents longer opinions from the same MPs over time which shows that the elite debate on European integration remained limited and abstract for the majority of parliamentarians.

Who was interested in taking part in the European debate? There is a tendency for the main actors to come from the government parties and be heavy weight politicians such as the former Prime ministers Zhan Videnov (BSP), Ivan Kostov (UDF) and Sergei Stanishev (BSP), former ministers Nadezda Mihailova (UDF) and Aleksander Yordanov (UDF) and leaders of small parties – Ahmed Dogan (MRF), George Ganchev (BBB), Anastasia Mozer (BAU), Volen Siderov (CUA). Consequently, on the whole the European debate in Bulgaria was led by the highest echelon of the political class at any point in time.

Political parties have become bolder in criticizing the EU but Bulgaria remains in the political mainstream supporting the decisions and positions of key EU Member States in European policy making while showing potential to contribute to the development of EU-Russian relations and the assessment of the European nuclear energy policy towards new candidate states.

Table 1. Parliamentary Debates on European Integration, Foreign Relations and National Security

Title of Debate (Source)	Date	No. of Pages	No. of BSP/CB Participants	No. of UDF Participants	No. of MRF Participants	No. of NMSS Participants	No. of Attack Participants	No. of other party Participants	Total No. of Participants
Debate 1 (PT 1992a)	14.08.91	7.5	Not Available	Not Available	Not Available	N/A	N/A	N/A	N/A
Debate 2 (PT 1992b)	30.05.91	11	Not Available	Not Available	Not Available	N/A	N/A	N/A	N/A
Debate 3 (PT 1997a)	05.10.95	12	6	5	2	N/A	N/A	3	16
Debate 4 (PT 1997b)	01.12.95	29	6	6	3	N/A	N/A	4	19
Debate 5 (PT 1998)	23.07.97	9	1	1	0	N/A	N/A	6	8
Debate 6 (PT 1999)	04.11.99	48	12	10	0	N/A	N/A	8	30
Debate 7 (PT 2000a)	14.12.99	12	1	2	0	N/A	N/A	4	7
Debate 8 (PT 2000b)	26.05.00	22.5	8	7	0	N/A	N/A	7	22
Debate 9 (PT 2000c)	25.07.00	46	-	-	-	-	-	-	-
Debate 10 (PT 2001)	10.11.00	44	5	10	0	N/A	N/A	12	27
Debate 11 (PT 2002a)	08.03.02	37	5	5	3	5	N/A	-	18
Debate 12 (PT 2002b)	14.12.02	28	6	6	2	3	N/A	-	17
Debate 13 (PT 2002c)	04.11.05	11	5	4*	1	2	1	1	14

* Includes the total number of participants for United Democratic Forces and Democrats for Strong Bulgaria, formally part of Union of Democratic Forces.

Table 2 represents the percentage that each party has contributed to the European debate in Bulgaria. There are an equal number of contributions (30-32%) from the Bulgarian Socialist Party/Coalition for Bulgaria and United Democratic Forces as the majority of the debates took place during the bi-polar period of party politics when the two parties dominated the party system. It is also significant that 25% of the contributions were made by small parties – mainly the Bulgarian Business Bloc, the Bulgarian Euro Left and the Agrarians, that were active in the debates in the first part of the transition period until 2001.

Table 2. Percentage of Party Contribution to the European Debate

Political Party	Percentage of Party Contribution to the European Debates (<i>Number of MP Participants by Party/Total Number of Participants</i>) (%)
BSP/Coalition for Bulgaria	30.89
United/Union of Democratic Forces	31.46
Movement for Rights and Freedoms	6.80
National Movement Simeon II	5.62
Coalition Union Attack	0.56
Other	25.28

Contextual and Thematic Characteristics of the European Debate in Bulgaria

From General to Technical Debate on European Integration

Each parliamentary debate discusses a particular aspect of European integration and relations with Europe. The early debates consider topics that are broadly European such as the European Cultural Convention, the inclusion and exclusion of Bulgaria from the 'black list' of countries for visa purposes, national security. Over time the debates are more focused on European integration as the accession process is set in place by the European Commission and Bulgaria begins to make concrete steps in order to satisfy the criteria for EU membership. For instance as Table 1 shows, there are debates on the official application of Bulgaria for EU membership, the start of the accession negotiations, sensitive chapters such as foreign policy and security and nuclear safety, the evaluation of the Commissions' progress reports which took place in the late 1990s.

Content analysis of the transcripts confirms that the early views of the parties on Europe were very broad and identical with those found in the election programs from the same period where Europe was synonymous with the concepts of democracy

and human rights, national security and political and economic relations with other European countries. There was no differentiation of the visions of Europe between the major parties (Bulgarian Socialist Party and United Democratic Forces) and small parties (Bulgarian Business Bloc, Bulgarian Euro-Left and Bulgarian Agrarian People's Union) as the extracts from the debates illustrate.

"...Personally, the biggest advantage [from EU membership] is the irreversibility of our value choice, namely the choice of the human rights and freedoms, of the democracy, of the social market economy, of the defense, of the rights of minorities. This is an irreversible value choice which makes Bulgaria a European country..."

(Former Prime-Minister Ivan Kostov, 1997-2001, United Democratic Forces)

(Debate 7, December 14, 1999: 8)

"...For centuries Bulgaria has been an inseparable part of the European space, of the European territory. The Bulgarian citizens have always felt European – historically and culturally, in spirit and disposition..."

(President of Bulgaria Georgi Parvanov, 2001- , Bulgarian Socialist Party)

(Debate 7, December 14, 1999: 11)

"... The fact that Bulgaria is included in the new borders of Europe is a gesture of recognition to our people, for its historical struggles, for its resilience to preserve its Christian, European cultural identity during five century York, for its consensual reasoning to be part of the family of European countries where we belong..."

(Aleksander Tomov, Bulgarian Euro-Left)

(Debate 7, December 14, 1999: 14)

"Our parliamentary action [support for the European Cultural Convention] is in agreement with the International Pact for economic, social and cultural rights and it is a considerable contribution to the need for integration of our country in the social, economic, political and cultural structures of the European continent."

(Metodi Nedyalkov, Bulgarian Agrarian Peoples' Union)

(Debate 1, August 14, 1991: 236)

The last three debates on European integration differ from previous debates in two ways. In terms of content the debates demonstrate a certain degree of professionalization of the issue by discussing concrete measures that could

facilitate Bulgaria's accession such as the harmonization of legislation with EU standards, cooperation with the European institutions, training of experts in public administration, acceleration in the speed of reforms, national strategies against corruption. This theme carries on from the election programs of the main parties from 2001 and 2005 when the process for EU accession was set in place. The debates show that the elite consensus on European integration was consolidated towards meeting common goals and objectives to attain EU membership and expressed by linking the topic of a debate with the larger goal of EU membership.

Moreover, the number of political parties that expressed opinions in the debates increased (although the frequency of debates decreased) which shows a growing interest in the EU from across the political spectrum that can be associated with the certainty of EU membership at the last stage of accession negotiations as well as a coalitional model of governance. While in previous debates the topic was constructed from the opinions of two political players, the Bulgarian Socialist Party and United Democratic Forces, in the years prior to accession the political consensus on European integration became more inclusive as well as more consolidated.

From a linguistic perspective all debates leave an impression that European integration was initiated and led by the European institutions as the majority of debates were held in response to a particular initiative/measure of the European Union, i.e. the submission of membership application, visa regime, Common and Foreign Security policy, accession negotiations, the publication of a Road Map and evaluation reports announced by the European Commission. The parties often referred to passive verbs such as 'evaluate', 'assess', 'criticize', 'exclude', 'prevent' to express the actions which the European institutions could undertake if certain criteria was not met by Bulgaria as an applicant state.

From a linguistic perspective all debates leave an impression that European integration was initiated and led by the European institutions as the majority of debates were held in response to a particular initiative/measure of the European Union.

"The problems cannot be separated! One can not separate the problem and the debate on Bulgarian energy from the debate on our membership to the European Union..."

[Dimitur Abadjiev, United Democratic Forces]

[Debate 6, November 4, 1999: 33]

“The Bulgarian Socialists, the Bulgarian Left have been categorically and consistently in favor of Bulgaria’s accession to the European Union, we have always lobbied for that and for a solution to the visa problem.”

(President Georgi Parvanov, 2001 – , Bulgarian Socialist Party)

(Debate 9, July 25, 2000: 89)

Europe as a Valence Issue in Bulgarian Party Politics

The overriding theme in all parliamentary debates was elite consensus on EU membership between the parties and coalitions participating in the debates. The consensus was also evident in the election programs of the main parties from 2001 and 2005 but the debates illustrate that European integration was in fact overwhelmingly supported throughout the transition period and not only after Bulgaria’s accession was perceived as a certainty at the last stage of accession negotiations. For instance, as the examples in this section illustrate the main political parties and players in the European debate referred to the theme of ‘national consensus, ‘political consensus’ and ‘undisputable agreement’ on the question of EU membership from as early as 1995 when Bulgaria submitted its application for EU membership. The points regarding the national consensus were made by mainstream politicians in Bulgarian politics who at the time of the debates or at a later date during the transition period were at the highest positions of power, such as Prime Minister Zhan Videnov and President Georgi Parvanov. The extracts also confirm the finding from Table 2 that the European debate was dominated by the main political parties – the Bulgarian Socialist Party and United Democratic Forces.

“...One thing is satisfactory, that *all political parties* in the parliament are of the same opinion, that the road which is waiting for us to follow is a road towards Europe...”

(Kemal Epu, Movement for Rights and Freedoms)

(Debate 3, October 5, 1995: 69)

“...In the contemporary Bulgarian history I doubt there is another topic on which such an *undisputable agreement* between the political forces exists as it does on the topic of the European integration of Bulgaria ...This *consensus* was formed in the 90s and in this respect I would like to underline the contribution of the Grand National Assembly from the 22nd December 1990, when for a first time the ambition of Bulgaria to become a full-fledged member of the European Union was declared. In the following declarations and acts of all Bulgarian public institutions the desire of Bulgaria to develop relations with

the European Community and its integration with EC has often been confirmed..."

(Former Prime Minister Zhan Videnov, 1994-1997, Bulgarian Socialist Party)

(Debate 4, December 1, 1995: 110)

"...this declaration is the result of an exceptional effort made by all parliamentary groups in this parliament to achieve such a degree of *national consensus* that will make any future attempt to undermine it untenable..."

(Asen Agov, United Democratic Forces)

(Debate 5, July 23, 1997: 7)

It is also interesting to note that the small parties, the Agrarians, the Bulgarian Business Bloc and Coalition Union Attack did not refer to the consensus issue but instead used the EU membership in order to buttress their own priorities. As the Bulgarian Business Bloc was most instrumental in using the membership issue as a platform for furthering its own objectives the examples below were selected from the speeches of its leader, George Ganchev, in order to illustrate this tendency of the minor players. In the case of the Bulgarian Business Bloc the emphasis fell on national interests, strong economy, family business and Christian values. Elsewhere, the Coalition Union Attack also referred to national interests, while the Agrarians emphasized Christian values, peace and solidarity.

"In order to be allowed into the European Union we must be allowed not like beggars carrying coins but like people that produce, that have a low crime rate, employment positions, not 600 000 unemployed and as people that are capable of retaining its young generation at home and not leaving them to wash dishes in Canada. Most importantly – as people, defenders of the Bulgarian culture, the national memory and above all the Bulgarian nation.'

(George Ganchev, Bulgarian Business Bloc)

(Debate 5, July 23, 1997: 10)

"...Consider national interests first and foremost and then Europe, USA, Russia and anyone else.... We will enter Europe with a strong economy, trade and Christian values..."

(George Ganchev, Independent [formally from Bulgarian Business Bloc])

(Debate 8, May 26, 2000: 31)

European Integration and Foreign Policy Alternatives

Although there was an overall political consensus on the topic of European integration the parliamentary debates in Bulgaria distinguished between different visions that the main parties had, on the EU and foreign policy alternatives, expressed as part of a general confrontational theme of ideological bi-polarity.

Confrontational exchanges between two main parties or coalitions that dominate the political space and alternate their positions of power are one of

The Bulgarian Socialist Party was pro-European and pro-Russian but rejected NATO membership until the year 2000 when it changed its position on the issue. By contrast United Democratic Forces perceived EU membership and NATO integration as interlocking projects which were inconsistent with a pro-Russian orientation in foreign policy.

the characteristics of a bi-polar party system as defined by Sartori (1990).¹ In the debates the bi-polarity was present consistently until 2001 when the bi-polar model of party politics was permanently replaced with the formation of a coalitional government between National Movement Simeon II, Coalition for Bulgaria and Movement for Rights and Freedoms.

The theme differentiated between two visions of Europe that represented two sides of the political consensus on EU membership. The Bulgarian Socialist Party was pro-European and pro-Russian but rejected NATO membership until the year 2000 when it changed its position on the issue. By contrast United Democratic Forces perceived EU membership and NATO integration as interlocking projects which were inconsistent with a pro-Russian orientation in foreign policy. Both parties showed limited understanding of the processes of integration to NATO and the EU until 2002. The Bulgarian Socialists were

in favor of close relations with Russia but reviewed their position when NATO membership became a likely prospect following the permission given by the UDF government of Kostov for NATO planes to cross the Bulgarian airspace to accomplish the airstrikes on Kosovo in 2000. United Democratic Forces on the other hand showed a very simplistic understanding of what both memberships required assuming that one can not take place without the other, a notion

¹ G. Sartori, "A Typology of Party Systems", P. Mair (ed) *The West European Party System*. (New York: Oxford University Press, 1990).

arising from the democratic principles and values on which both organizations were established. This difference in visions of European integration and what it entails for Bulgaria in the area of foreign policy and security was reconciled in the last three debates when as shown in the first part of this section the discussions shifted to more technical matters associated with the conditions for EU membership.

The extracts from the parliamentary debates illustrate the confrontational tone of the debates as well as the different visions of Europe that contributed to the elite consensus on European integration.

“..This negative list is effectively an evaluation of the European Union of the negative processes that take place in our country, particularly after the *Socialist government* took power...Which other countries are in the same list? Precisely those with which efforts have been made to develop close relations: first and foremost Russia, Serbia, China, Iraq and so on. Obviously, our inclusion in the list as a result of *the policies of the Socialist government* is exactly what the Socialist government always aimed for – for us to be in this list, these countries from this list to be our friends, to have contacts with them, to develop relationships, to trade and to work politically and economically. Secondly, when and how can we be taken out of this list? ... For this to happen it is necessary that the reason for which we are on the list in the first place to be eliminated. Simple and clear! In other words to clarify my point to the Bulgarian public *the current government* has to be no longer a government of Bulgaria...”;

“Following the electoral success of *BSP* the negative processes in our country that began with the government of Lyuben Berov, then supported by *BSP* and the 36th National Assembly have obviously reached such a high point that those countries, normal, European countries are saying: ‘Stop! No more!’ Stop tricking us of *being with Russia* and at the same time lie that you are with *Europe. Either with Europe or with Russia!* There is no other way! And this needs to be understood. The concrete expression of all this is – either in *NATO or on the negative list!*”;

“...how and when will our removal from this list will be possible? ...when Bulgaria is included, is *accepted in the North Atlantic Treaty – NATO*. If this happens be assured automatically you will be taken out of the negative list of countries with a visa free regime.

Many live with the illusion that it is possible to have a mini Marshall Plan in which Bulgaria will be included at the end of the conflict in Yugoslavia

and we will participate where the big money is. The big money is in the heads of many people from BSP. But these are empty illusions. There will be a mini-Marshall for Bulgaria only when it becomes a *NATO member*. And this has to be understood by the Bulgarian people. There is no way that modern Western democracies will support the policies of a country which seeks political and economic relations with *Russia* but also wants to spend the money on the Parisian chanters and to receive visas undisturbed.'

(Aleksader Yordanov, Former Chief Whip, United Democratic Forces)
 (Debate 3, October 5, 1995: 62-63)

"If there is any guarantee that Bulgaria will not find itself in *NATO* it is opinions like that of Mr. Yordanov [UDF-above]. In a study about the expansion of *NATO* that was distributed to parliament...there is a whole chapter on the importance that *NATO* places on *Russia*. Mr. Yordanov if after we become a *NATO* member you continue with the same rhetoric we will be thrown out for destabilizing the *European stability and security*..."

(Filip Bokov, Democratic Left (Bulgarian Socialist Party))
 (Debate 3, October 5, 1995: 64)

This section presented an overview of the main characteristics of parliamentary debates on European integration in Bulgaria between 1990 and 2005. It was noted that the debates became longer over time as well as that the highest number of debates took place during the time of accession negotiations between 1995 and 2000. The main participants in the discourse were the Bulgarian Socialist Party and United Democratic Forces, each contributing to about a third of all opinions on European integration. The overriding theme in the discussions was elite consensus on European integration although the parties differed in their visions of EU membership. The small parties in particular were instrumental with the issue of EU membership which they used to buttress their own political objectives. On the other hand, the Democrats perceived EU membership as a joint project with *NATO* membership and distanced themselves in foreign policy terms from *Russia*. The Bulgarian Socialist Party rejected *NATO* membership until 2000 but supported pro-Russian relations alongside European integration. The last three debates on European integration between 2002 and 2005 showed that the political consensus on EU membership was consolidated around concrete efforts towards accession to the European Union such as harmonization of legislation, cooperation with the EU, and training of administrative personnel.

Conclusions and Post-Accession Prospects

This article used the method of discursive discourse analysis which was applied to parliamentary debates on EU related topics from Bulgaria in order to test the parties' positions on EU membership. The starting point of the analysis was a set of four hypotheses on foreign policy alternatives and the position of the parties in the party system. The hypotheses were largely supported by the findings which fulfilled an important purpose of providing a general direction of the research.

Hypothesis 1 anticipated that elite support for European integration would increase with the formulation of the EU's strategy for accession. The evidence from Tables 1 and 2 showed that the hypothesis is supported. The length of the parliamentary debates and the number of participants over time increased. Moreover, the main players in the debates on EU related topics were heavy weight politicians who shared a consensus on European integration. The small parties too played a part in the debates on Europe but unlike the Bulgarian Socialist Party and United Democratic Forces they used the issue to buttress their own political objectives. The last three debates on European integration that took place between 2002 and 2005 differed from previous debates in two important ways. On one hand, there were more technical and concerned specific measures that could speed up the accession process for Bulgaria. On the other hand the debates were more inclusive with a higher number of participants and parties, resulting from the coalitional model of governance that was established in Bulgaria after 2001.

The main players in the debates on EU related topics were heavy weight politicians who shared a consensus on European integration. The small parties too played a part in the debates on Europe but they used the issue to buttress their own political objectives.

Hypotheses 2 and 3 related to foreign policy alternatives and European integration. Hypothesis 2 anticipated that elite support for European integration would increase as support for Russia decreased. Hypothesis 3 proposed that support for European integration would increase as elite support for NATO increased. The evidence from the parliamentary debates showed that during the period of the bi-polar model of party politics which persisted in Bulgaria until 2001, the Bulgarian Socialist Party and United Democratic Forces had different visions of European integration which they used in confrontational exchanges during the debates. The Bulgarian

Socialist Party perceived European integration as consistent with a pro-Russian orientation in foreign policy and a rejection of NATO. This position was altered in 2000 following the likelihood of NATO membership after Bulgaria allowed its air space to be used by NATO planes for airstrikes on Kosovo. United Democratic Forces held an opposite view: it perceived European integration as a continuation following NATO membership arising from the democratic principles and values of both institutions.

Finally, hypothesis 4 could not be proved or disproved by the research findings. The hypothesis assumed that parties in government would be more

Three years after accession it is clear that Bulgaria is taking a mainstream position on most critical issues for the Union. It is expected that in the future Bulgaria will continue to follow the political line of Germany and France as well as most of the other new EU Member States from Central and Eastern Europe.

supportive of European integration than parties in opposition which relates mainly to the integration tasks that government parties are expected to perform as part of the preparation for EU membership. The evidence from the parliamentary debates and Table 2 point out that at a general level the hypothesis can be rejected as both government and opposition parties contributed an equal amount to the European debate. It is possible that an explanation lies with the fact that the accession process continued for so long in Bulgaria that all mainstream parties contributed in some way to the integration process while in government, and so could claim ownership of European integration.

What does this tell us about the post-accession political attitudes towards the EU in Bulgaria? At a structural level, one finds that more parties and coalitions have a clearly formulated position on European integration than in the pre-accession period as parties

participate in the European parliament elections where understanding of European issues and conveying their knowledge to voters is crucial for gathering support. For Bulgarian parties the EP elections are a litmus test to their credibility and enhance their chances for popularity at national level. Moreover, the direction of the European debate in Bulgaria shifted from being a top-down debate (politicians informing the public about the EU) to a situation where political parties began to address public concerns arising from EU membership on a wide range of issues such as immigration, absorption of EU funds, the euro, regional policy, Schengen membership, education, health and social care

programs. While in the pre-accession the European debate was restricted to high ranking politicians as this article demonstrates, in the post accession period the necessity to make decisions arising from membership meant that understanding and decision-making on EU issues was no longer elitist but involved junior politicians, civil servants and managers of local administrations on a day-to-day basis.

The contents of the European debate progressed from being about the technical aspects of accession towards the role, position and performance of Bulgaria as a new EU Member State. It will be in this contextual arena that the debate on Europe will continue to evolve in the future. Post accession parties might be bolder in criticizing the EU, especially those that did not exist or participated in elections in the pre-accession period such as Citizens for European Development of Bulgaria or Law, Order and Justice Party and hence have no history of supporting accession. Therefore, euroscepticism might occur at a later date in Bulgaria than in other new EU Member States.

An intriguing aspect of the post accession scenario is to foresee what kind of Member State Bulgaria will make in the European club? Three years after accession it is clear that Bulgaria is taking a mainstream position on most critical issues for the Union such as the *Lisbon Treaty*, enlargement and the distribution of structural funds. It is expected that in the future Bulgaria will continue to follow the political line of Germany and France as well as most of the other new EU Member States from Central and Eastern Europe. It is also likely that Bulgaria will continue to support further enlargement with Croatia, Macedonia but also Turkey due to its large Turkish minority. Where Bulgaria's presence will be most visible is in fostering closer ties between Russia and the Union as well as reconsidering the Union's policy towards nuclear energy plants and environment in the prospect of future enlargements.

References

Sartori, G., "A Typology of Party Systems", Mair, P. (ed) *The West European Party System*. (New York: Oxford University Press, 1990).

Parliamentary Debates (Transcripts)

"Debate on the Ratification of the European Cultural Convention", 37th National Assembly (Sofia: 1992a), (in Bulgarian).

"Debate on the Bulgarian-USSR Relations Instigated by the Visit of the Bulgarian Government Delegation to the USSR", 37th National Assembly (Sofia: 1992b), (in Bulgarian).

- “Debate on the Declaration of the National Assembly following the Inclusion of Bulgaria in the Negative List of Countries for Visa Purposes”, 37th National Assembly, Book 32, Session 3 (Sofia: 1997a), [in Bulgarian].
- “Debate on the Project Decision of the National Assembly on the Submission of Official Application for EU Membership of the Republic of Bulgaria to the European Union”, 37th National Assembly, Book 40, Session 3 (Sofia: 1997b), [in Bulgarian].
- “Debate on the Project Declaration of the National Assembly of Republic of Bulgaria regarding the Recommendation of the European Commission on the Accession Negotiations of the Associate Countries to the European Union”, 38th National Assembly, Book 12, Session1, (Sofia: 1998), [in Bulgarian].
- “Debate on the Project Decision regarding the Negotiations with the EU for the Closure of Nuclear Reactors 1, 2, 3, 4 in Kozloduy and Compensations”, 38th National Assembly, Book 112, Session 8, (Sofia:1999), [in Bulgarian].
- “Debate on the Invitation to Begin Accession Negotiations with the European Union”, 38th National Assembly, Book 118, Session 8 (Sofia: 2000a), [in Bulgarian].
- “Debate on the Chapter of Common Foreign and Security Policy”, 38th National Assembly, Book 138, Session 10 (Sofia: 2000b), pp. 44-66. [in Bulgarian]
- “Debate on National Security”, 38th National Assembly, Book 147, Session 10 (Sofia: 2000c), [in Bulgarian].
- “Debate on the Question of the Removal of the Republic of Bulgaria from the List of Countries the Citizens of which Require Visas to Travel to the Countries from the Schengen Group of the European Union”, 38th National Assembly, Book 158, Session 11 (Sofia: 2001), [in Bulgarian].
- “Debate on the Strategy to Intensify the Accession Negotiations of Bulgaria to the European Union”, 39th National Assembly, Book 28, Session 3, (Sofia: 2002a), [in Bulgarian].
- “Debate on the Declaration regarding the Date and Road Map of the Republic of Bulgaria in Connection to Our Membership to the European Union”, 39th National Assembly, Book 62, Session 5 (Sofia: 2002b), [in Bulgarian].
- “Debate on the Evaluation Report of the European Commission from 25th October 2005 on the Readiness of Bulgaria and Romania for Membership in the European Union”, 40th National Assembly, Book 17, Session 1 (Sofia: 2005), [in Bulgarian].

Pavol Baboš

One Road, Two Ways: Integration of Estonia and Latvia to Economic and Monetary Union

Abstract: The Baltic States are often considered a unitary region with few if any differences among them. After regaining independence 20 years ago, Estonia and Latvia pursued a similar monetary policy with the short-term aim of stabilizing the economy and a long term view of integrating the countries into western economic structures. Although the first mission was successfully completed, the second one became a bit more complicated. This paper aims to re-investigate the economic policies of Estonia and Latvia with regard to economic and monetary integration of the countries. The author has tried to explain the role of politics in the decision-making process in the early 90s and the consequences these decisions have had. The secondary aim of this study is to explain the roles and interaction of monetary and fiscal policies on Estonian and Latvian accession to the EMU. The article found institutional settings a key to developing a successful route for Estonia to the Euro Zone.

Euro currency will be soon celebrating its 10th anniversary in circulation. Yet it is used by five countries which were not even member states of the European Union at the time that the European Monetary Union (EMU) was established, including three post-communist countries.

However, the process of adopting the euro in Central and Eastern Europe still remains something of a cloaked mystery. Why is Slovakia already using the euro, while Lithuania was rejected? What did Estonia do differently for enabling entry to the EMU in January 2011, yet Latvia still remains at the door fumbling for a key and the Czech Republic is not even trying to get in? Article focuses on two of the Baltic States and explain their role in the game.

Pavol Baboš is a PhD. candidate at the Faculty of Philosophy's Department of Political Science, Comenius University in Bratislava.

The region of Central and Eastern Europe represents different and varied stories of economic development and monetary integration. Three of the states are currently members of the Euro Zone (Estonia, Slovakia and Slovenia). Montenegro uses euro currency without being an EU Member State. Many states currently using the floating exchange rate regime claim not to become a member at least until 2019 (Poland and Czech Republic). And there is also a group of the states with a fixed exchange rate regime willing to introduce euro as soon as possible (e.g. Latvia, Lithuania).

This paper focuses on the economic integration of two countries from the Baltic region. Estonia and Latvia are often considered as a uniform and similar block of countries, together with Lithuania. However, if it comes to economic development and monetary integration the puzzle is easy to decipher:

Looking from outside there might seem to be many reasons to look at Estonia and Latvia as twin countries. Both the Baltic States were in the past part of the Soviet Union and therefore shared the only official currency – Russian rouble.

Solutions of economic difficulties in the 'short and medium term' are basically based on two pillars: monetary and fiscal policies.

Consequently, none of them held responsibility for the monetary policy in their own hands. After the demise of the Soviet Union and the restoring of the independence of the Baltic States problems related to building a national economy arose. The process included finding a proper way to introduce market-oriented reforms, stabilize the hyperinflation and restructure the economy as a whole. Last but not the least, issues of monetary policies needed to be solved too. Latvia and Estonia had an array of possibilities on how to deal with the problem of its monetary policy, from electronic currency, rouble stamps or some non-cash methods. However, these solutions were refused due to "likely political clashes with Russia"¹.

Solutions of economic difficulties in the 'short and medium term' are basically based on two pillars: monetary and fiscal policies. This paper aims to re-investigate the process of building national economies in Latvia and Estonia. The main question of this paper is economic integration and accession to the EMU with regard to economic policies and in the light of the global financial crisis. It is interesting that two similar states have reached different results. Text argues that decisions on monetary policy in the early 1990s proved successful

¹ Interview for the Latvian Central Bank, part of 'The Money World' exposition (visited in Riga on March 18, 2009).

in stabilizing the economy, however, it set the countries on a path which deprived the states of very useful economic tools to respond flexibly to economic and social challenges linked with the economic challenges brought by European integration and global financial crisis. This paper focuses on the role of fiscal policy, its influence on the monetary integration and a possible role of fiscal policy in the whole process. Having this in mind, author argues that past decisions on monetary policy has in the end worsened the great economic difficulties Latvia and Estonia have been undergoing and during the global economic crisis. With the fixed exchange rate regime, the central banks were basically deprived of important tools of monetary policy. To put it in other words, political decisions from the early stage of a nation state building process has had far reaching effects on other areas of economic public policy. However, using tools of fiscal policy differently, Estonia was successful in reaching the third stage of EMU and will introduce the euro currency in 2011.

The next section examines a process of building national state and national economy in the Baltic region. Accession to the European Union and economic integration are presented in the third section of this paper. Following that is an analysis of the economic convergence of Estonia and Latvia to the European Union and consequences of this process. The final part attempts to link decisions regarding economic policy-making from the 1990s to the current state of economic integration of the two Baltic States. The conclusion assesses the last two decades of economic development and summarizes the main findings of this paper.

Building National Economy

Economic policies and related steps taken by Latvian and Estonian governments must be considered in a broader frame of restoring independence and the nation-state building process. The collapse of the Soviet Union was in the post-communist states, including the Baltic region, was accompanied by considerable turmoil in the respective countries. As Offe puts it, "the rapid flow of events not only broke out unexpectedly: they were also not guided by any premeditated sequence, or by proven principles and interests about which the participants would be clear."²

Bearing in mind other past examples of democratic transition the case of post-communist states is quite unique. Not only had the national, political and

² C. Offe, "Capitalism by Democratic Design? Democratic Theory Facing the Triple Transition in East Central Europe", *Social Research* Vol. 71, No. 3 (Fall 2004), p. 503.

constitutional issues been left unresolved but there was also the economy that needed to be reformed. Necessity for all the changes to take place as soon as possible made it even more difficult. Offe explains: "At the most fundamental level a 'decision' must be made as to who 'we' are; that is, a decision on identity, citizenship, and the territorial as well as social and cultural boundaries of the nation-state. At the second level, rules, procedures, and rights must be established that together make up the constitution or the institutional framework of the 'regime'. It is only at the highest level that those processes and decisions go on that are sometimes mistaken for the essence of politics, namely, decisions on who gets what, when, and how – in terms of both political power and economic resources."³

In an effort of the Baltic States to dissociate themselves from the Soviet Union, Estonia and Latvia attempted to define their nationhood, statehood and make other consequent decisions. For example, after declaring independence the states defined themselves as 'restored' rather than 'new' states.⁴ In the issue of citizenship the Baltic States acted again clearly in order to show its attitude toward the Russian Federation. Its laws refused to grant citizenship to Russian immigrants and their descendants and consequently became a subject of strong criticism from several international institutions like CSCE or EU. Moreover, Latvia adopted "the most exclusionary processes".⁵ Citizenship laws were the most visible, although not the only proof that Latvian and Estonian policies in early 90s were driven by attempts to strengthen nation statehood by exclusionary positions towards many things related to Russia. Kolstø believed that for the Baltic States, "the key question as to how the nation should be defined revolves around the nontitular groups, primarily the Russians and the other Russian speakers..."⁶

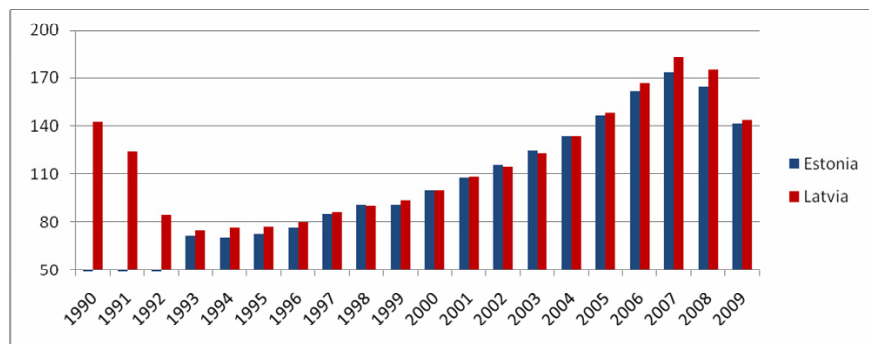
The question of citizenship is also closely connected to economic reforms and performance of the countries. The group of 'excluded' citizens was composed mainly of the Russian speaking minority, a vulnerable strata of society that was undoubtedly among the 'losers' of transition. As such this group represented, potentially, the core electorate for leftist and populist political parties in Estonia and Latvia. Since this group of citizens had no voting right, the right wing parties were able to win a greater majority and introduce economic reforms

³ Ibid, p. 506.

⁴ J. Chinn, L.A. Truex, "The Question of Citizenship in the Baltics", *Journal of Democracy* Vol. 7, No. 1 (1996), p. 135.

⁵ Ibid, p. 137.

⁶ P. Kolstø, "Nation-Building in the Former USSR", *Journal of Democracy* Vol. 7, No. 1 (1996), pp. 118-132.

Figure 1. Gross Domestic Product, Volume 1990-2009 in %

Source: European Commission (Eurostat)

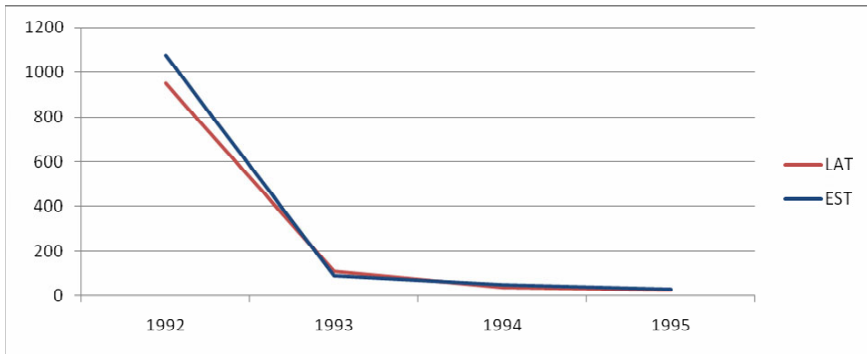
in a considerably easier and more sustainable way. As Norkus has shown, the case of Lithuania, the country with the least strict citizenship laws, gives this idea a certain degree of justification: "This implication can be expressed by the counterfactual assertion that if Russian-speaking immigrants had been granted citizenship rights then the first parliamentary elections after independence would have brought leftist governments to power that would have prolonged the transformational recession, with an outcome similar to that in Lithuania. Who else but leftist and populist parties could have won the votes of the majority of the Russian-speaking population, if Estonia and Latvia had had citizenship laws similar to those in Lithuania?"⁷

Estonia and Latvia also applied considerably strict lustration laws. The old and trained elites were out of the game and the new ones had very limited, if any, experience with governing a sovereign national state. The same applied to the field of economic policies of the newly restored countries. Regaining independence was accompanied by hyperinflation, a large drop of production and consequently steep increases in unemployment. Figure 1 shows the level of production over the last two decades and when Estonia and Latvia reached the level of 1990.

Estonia: Monetary Policy and Stabilization

Estonia was the first among the Baltic States to introduce its own currency after declaring independence. The Russian rouble was replaced by Estonian

⁷ Z. Norkus, "Why Did Estonia Perform Best? The North-South Gap in the Post-Socialist Economic Transition of the Baltic States", *Journal of Baltic Studies* Vol. 38, No. 1 (2007), p. 27.

Figure 2. Inflation (Goods & Services), in %

Source: Statistical offices of Estonia & Latvia

kroon in June 1992. Since that year Estonian monetary policy has been ruled by principles of currency board arrangement and the kroon was pegged to the 'deutsche mark' (1 DEM = 8 EEK). Magnus Feldmann implies that the decision to introduce a currency board arrangement might have been driven by the state's lack of institutional capacity to introduce and sustain its own monetary policy.⁸

However, the currency board arrangement was also a strong commitment to the western and richer Europe; especially with a new country on map, local authorities who were responsible for the monetary reform in 1992 had to establish international and domestic confidence in the new currency. The currency board arrangement provided one of the most suitable tools for this goal. Moreover, this policy created downward pressure on inflation, since the money supply must be fully guaranteed by gold or foreign reserve under CBA. At the same time currency board arrangement puts strong constraints on fiscal policy and thus provides incentives for a strict budgetary policy.

Figure 2 shows that measures taken by both Estonian and Latvian governments were successful, at least in terms of coping with the inflation. Although monetary reform was a bit more of a complicated business for the government in Riga.

⁸ M. Feldmann, "The Baltic States: Pacesetting on EMU Accession and the Consolidation of Domestic Stability Culture", K.H.F. Dyson *Enlarging the Euro Area: External Empowerment and Domestic Transformation in East Central Europe*. (Oxford University Press, 2006), pp. 127-144.

Latvia: Monetary Policy and Stabilization

The question of monetary policy in Latvia was not answered right after declaring independence. Domestic actors could not agree on any consensus on how to institutionally arrange the monetary issues in the country. International Monetary Fund had a very reserved attitude toward national currencies at that time. According to Feldmann, the final solution of the monetary problems was 'home-grown'⁹ and a major role in the Baltics was played by economists who returned from emigration (George Viksnins in Latvia). This indicates that the decision for a certain monetary policy was driven by home actors, who also prioritize national symbols of sovereignty, not only economic transformation.

The Latvian parliament passed the law establishing a central bank and gave it the right to issue money on the Latvian territory soon after regaining independence. However, the common practice was different and the Russian rouble was a valid currency for the first couple of months after the restoration of a national state. Since the value of the rouble was decreasing considerably every day and the Latvian government did not have many tools to deal with it, it became clear that another solution was needed. According to Ivars Godmanis, former Prime Minister, "hyperinflation of the Russian rouble that could have not been controlled neither stopped nor was one of the reasons to introduce own currency."¹⁰

The Committee for currency reform was set up by Latvian parliament in 1992 with a task to stabilize the currency and outline the next steps. The Committee was composed only of three persons and "all its decisions were later transformed into official laws".¹¹ The presence of nationalism in arguments for the reform was later confirmed by several respondents. In order to overcome the initial problems with hyperinflation the temporary currency of 'Latvian rouble' was introduced for a short period of time. Latvian lat was brought to life only after the period of stabilization came successfully to an end.

The lat was then introduced in 1993 and the Latvijas Banka (Latvian Central Bank) had chosen the strategy of a fixed exchange rate. Latvian national currency was pegged to IMF's Special Draw Rights in February 1994, of which the ECU composed 35% at that time. De facto it was the start of the fixed

⁹ M. Feldmann, "Baltic States: When Stability Culture is not Enough", K.H.F. Dyson *The Euro at 10. Europeanization, Power and Convergence*. (New York: Oxford University Press, 2008), p. 245.

¹⁰ Interview with Ivars Godmanis for 'The Money World' exposition (visited in Riga on March 18, 2009).

¹¹ Interview with Ojars Kehris, Committee Member, for 'The Money World' exposition (visited in Riga on March 18, 2009).

exchange rate policy that (if overlooking some minor changes) the Latvijas Banka is still stuck to. The bank explains such a strategy as “one of the most effective instruments for reducing inflation, stabilizing the macroeconomic environment and strengthening the public’s confidence in the national economic policy during the initial phase of the economic reforms in transition economies.”¹²

Stabilization Period and Beyond

Latvia and Estonia found themselves at a ‘critical juncture’ concerning the monetary issues in 1992. There were several options how to answer monetary questions of the states: For example, using either the Russian rouble, or rouble with stamps, or an electronic currency of some form. Elites at that time decided on the countries’ own currency. The feelings of national pride and the will to clearly dissociate from Russia played a very important role in the decision-making process. Words of the then Prime Minister of Latvia Godmanis illustrate the situation: “The independence element was present, of course. How could you talk about an independent state or a market economy without completing the independent monetary system?”¹³ The Soviet-Latvian line of conflict might be also documented by support for the new monetary system. As Godmanis puts it: “There was a broad consensus of experts and public for economic stability, the only refusal came from the Soviet side, and some economists from the old soviet school.”¹⁴

However, introducing a currency peg had its consequences. On one side this policy clearly helped to tackle the hyperinflation and stabilized the overall economy. The economic output in terms of GDP started to hike again. Countries were relatively successful in attracting foreign direct investments and unemployment was stabilized. (See Figure 3 and 4).

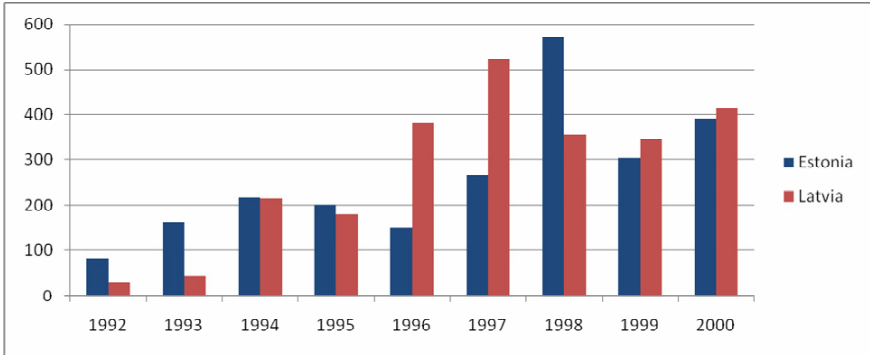
So when looking at the development of inflation during the 1990s one could say that the central banks of Estonia and Latvia were successful in pursuing the monetary policy aimed at price stability. Although stability was an intended focus, a fixed exchange rate regime also has other effects. Consequently, the central bank must back its own currency with reserves in either gold or foreign currency and guarantees its free convertibility. Commitment to keeping a peg gives away important tools of monetary policy – deciding over interest rates or exchange rates being among the most important. On top of that, a fixed exchange rate regime puts an emphasis on fiscal policy when it comes to medium and long

¹² Available online at: http://www.bank.lv/eng/main/all/monpolicy/exchange_rate_policy/.

¹³ Interview with Ivars Godmanis made for ‘The Money World’ exposition (visited in Riga on March 18, 2009).

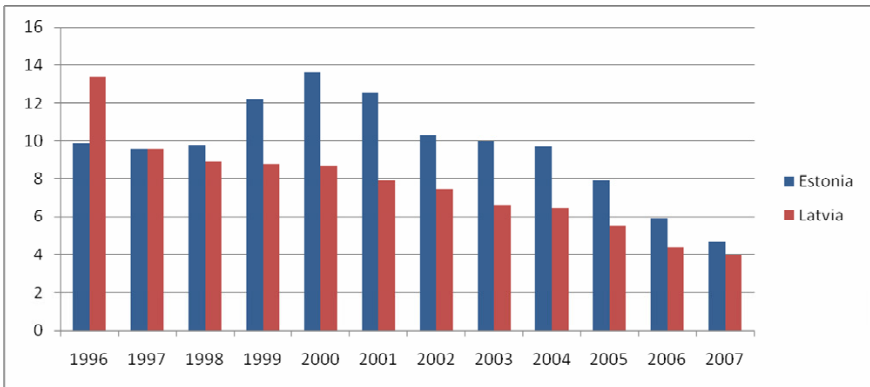
¹⁴ Ibid.

Figure 3. Foreign Direct Investment Inflow, in USD (millions) at Current Prices and Current Exchange Rates



Source: UNCTAD Statistical Database

Figure 4. Unemployment in % (age 15-74)



Source: European Commission (Eurostat)

term stability of any economy. A credible currency and established international reputation should be accompanied by responsible fiscal policy. The Estonian and Latvian government approach can be hardly labeled similar in this question.

As noted above, all three of the Baltic States experienced, more or less, similar stabilization in the 1990s. Inflation was not the only attribute showing the stabilization of the Estonian and Latvian economy. Unemployment decreased

considerably (see Figure 4) from the late 1990s during the next decade and GDP per capita kept continuously growing during the same period.

However, in the end of 1990s there was an expert discussion whether the states should abandon its fixed exchange rate regime. Lithuania had gone further in this regard and a draft law introducing a change in the monetary policy was put forward to the Lithuanian parliament in 1998. However, the Asian crisis and consequently the Russian rouble crisis discouraged political elites from leaving the peg. Especially after this became a pillar of stability.

EU and Monetary Integration

By the act of signing the *Accession Treaty* new Member States have committed themselves to adopting the European single currency. Although there is no legally binding document that would set the latest date to do so, all Baltic States decided to introduce the euro as soon as possible. This scenario had been predicted by many experts and journalists at the time of EU enlargement. Magnus Feldmann¹⁵ explained that the Baltic States were not actively pursuing its own monetary policy for long years and thus the early entrance into EMU is technically easy. He wrote that the EMU accession is not problematic in the case of Estonia, Latvia and Lithuania, because it only means a continuance of domestic macroeconomic policies. On top of that Feldmann introduces the term 'stability culture' that he assigns especially to Latvia and Estonia. Under this term he means that there is a broad consensus among the political elites on macroeconomic policies in order to secure economic stability.

According to Dyson there is a strong influence of historical experience and historical memory of the Baltic States pushing them to adopt euro as soon as possible. Dyson also claims that accession to the EMU is not only a matter of economic, but also foreign and security policy.

The Latvian government and parliament declared their wishes for a quick accession to the EMU in many documents. In 2006 the government approved *Latvia's National Euro Changeover Plan*. The document outlined several measures dealing with the technical details of the proposed changeover; how to deal with public debt, budgetary issues, consumer protection, etc. A special commission

¹⁵ M. Feldmann, "The Baltic States: Pacesetting on EMU Accession and the Consolidation of Domestic Stability Culture", K.H.F. Dyson *Enlarging the Euro Area: External Empowerment and Domestic Transformation in East Central Eastern Europe*. (Oxford University Press, 2006), pp. 127-144.

was also established with the aim of preparing a specific strategy of Euro Zone entry and to coordinate different stakeholders' steps.

The commission included representatives from the central bank, statistical office and economic ministries.

When preparing its strategy the Latvian government had one thing in mind – adopting the euro should happen as soon as it would be possible. Even in its changeover plan from 2006 the Latvian government stated that “the government wants to introduce the euro on January 1, 2008”, although this changed later. Concerning the previous monetary policy adopting the euro was “just the next logical step, a technical problem for all the Baltic States”.¹⁶ According to Dyson¹⁷ the adoption of the euro is for Latvia – and the other two Baltic countries – another step in the *europaization* process. Among the influential factors pushing for the early euro adoption Dyson identified the historical experience and historical memory of the Baltic States. Monetary integration is in his opinion ‘in the shadow of Russia’ and is not only part of the monetary policy, but viewed as being the defense policy goal as well.

Both Estonia and Latvia decided to adopt the Big Bang Strategy for euro adoption, as other new Member States did.

Illustratively enough, the *Action Plan for introducing the Single European Currency in Latvia* was adopted as an amendment to the national plan. This plan gives detailed instructions to what is needed to be done in order to adopt the euro and which authorities are responsible for the given tasks. All measures and steps were dated in order to enter the Euro Zone in January 2008. However, in 2006 Lithuania was rejected as a full member of the EMU. Consequently it became clear that Estonia and Latvia was not able to fulfill the most problematic criteria – the problem of inflation. This forced the Latvian government to reevaluate the original plans. Thus the expected date for euro changeover has been postponed several times since 2007.

The timing of the EMU accession was not a question in Estonia either. According to Raoul Lättemäe “Estonia has always expressed the desire to join the euro area sooner rather than later.”¹⁸ Eesti Pank, as the central bank

¹⁶ Interview with Ivars Godmanis made for ‘The Money World’ exposition (visited in Riga on March 18, 2009).

¹⁷ K.H.F. Dyson, “Euro Area Entry in East-Central Europe: Paradoxical Europeanisation and Clustered Convergence”, *West European Politics* Vol. 30, No. 3 (2007), pp. 417-442.

¹⁸ R. Lättemäe, “Estonia’s Preparations for Joining the Euro Area”, *Kroon & Economy*, No. 3 (2005), p. 6.

of Estonia put it, also clearly in its Report on the Adoption of the Euro stated: "introduction of the euro at the first opportunity has been and will remain the priority of Estonia's economic policy in the coming years."¹⁹ Early changeover plans had to be changed later in Estonia. In 2007 a new changeover plan was adopted. Exact dates were substituted by a less concrete €-day, and other limits were expressed as amount of days or weeks before or after the €-day.

Both Estonia and Latvia decided to adopt the Big Bang Strategy for euro adoption, as other new Member States did. In practice this means that 'changeover' takes place at the same time in all areas, including both cash and non-cash payments. This way of changeover is believed to bring about the least transactional costs and make the whole process most effective.²⁰

Troubles with the Maastricht Criteria

The Maastricht Criteria were based on the *Treaty of European Union*, Article 121. In theory, fulfilling the criteria should reflect a nominal convergence of a candidate country's economy to the average level of the economy of the European Union. Not only the fulfillment, but also sustainability of the Maastricht Criteria is examined before a candidate country is to enter the third stage of the Economy and Monetary Union.

The development of the key criteria for the last couple of years is shown in Table 1. Neither Latvia nor Estonia had any problem with four out of five indicators before the financial crisis hit Europe. Interestingly enough, the effects of the crisis have worsened the situation in Latvia on one side, but on the other side it facilitated fulfilling the criteria in Estonia.

Concerning the level of public debt both Estonian and Latvian governments have been acting very responsibly. Due to the fact that none of the two states inherited zero public debt after the dissemination from the Soviet Union the government debt at the level of around 9% of GDP²¹ before the financial crisis cannot be considered high. With its currency pegged to euro Estonia and Latvia have been for a longer time fulfilling the criterion of stable currency and participation in ERM II. Both of the Baltic countries in question have been members of the ERM II for longer than 2 years.

The major problem for the Latvian and Estonian government was the inflation criterion. As it is shown in Table 1, the growth of prices in both countries has been continuously exceeding the limit set by the European central bank, until

¹⁹ "Report on the Adoption of the Euro", Bank of Estonia (June 2008), p. 4.

²⁰ "Latvia's National Euro Changeover Plan" (2006), p. 10.

²¹ Data for fiscal year 2007; available on March 1, 2010 at: <http://www.bank.lv/eng/main/euro/>.

2008. Only Estonia managed to decrease the inflation below the reference value recently.

According to the *Economic Development* annual report issued by the Finance Ministry of Latvia in May 2008, the inflation before the financial crisis was determined by several mutually interdependent factors including the structural ones, which is correlated with the Latvian EU membership. The ECB *Convergence Report* from 2008 supports the findings of the Ministry of Finance and indicates that most of the forces driving inflation were almost impossible to deal with from the inside. The ECB report names the following factors behind Latvian inflation: global increase of energy and food prices, adjustments in administered prices, one-off factors related to EU accession, and later on demanding pressures – strong wage increases.²²

Martin Pašiak has described the efforts of the Latvian government as insufficient and the measures as ‘passive’.²³ The inflation was drawn namely by energy prices, deregulated prices in specific areas and unnaturally high domestic demand. Illustrative enough, just the growth of the natural gas price in 2008 was around 65% (y-o-y October 2008), which increases heating prices to around 30%.

As for Estonia, ECB has stated in its latest Convergence Report that the inflation has been ‘volatile’ in the past and maintaining the current low level will be ‘very challenging’.²⁴ According to ECB, the main upward risks are development of world food and energy prices and possible increases in indirect and excise duties. The Estonian Ministry of Finance forecasts that inflation will fluctuate between 2.5% and 3.0% in 2012-2014.²⁵

The global financial crisis uncovered the structural inequalities between Latvia and Estonia. Table 1 shows the differences in fulfilling the Maastricht Criteria. Latvian inflation has dropped sharper than in Estonia. On top of that, different forecasts show negative inflation for 2010 and 2011 (compared to positive development in case of Estonia). What is more striking is the general government budget balance. Latvia has exceeded the 3% reference value in 2009 considerably and according to the ECB forecast the numbers will not be good in 2010 either – a deficit at the level of 8.6% of GDP.²⁶

²² “ECB Convergence Report 2008”, p. 41.

²³ M. Pašiak, “A Fairy Tale with Happy Ending? The New Member States and the Euro Zone Entry”, D. Malová et al. *From Listening to Action? New Member States in the European Union*. (Bratislava: Comenius University, 2010), p. 76.

²⁴ “ECB Convergence Report 2010”, p. 42.

²⁵ “Summer 2010 Macroeconomic Forecast of the Ministry of Finance of Estonia”; <http://www.fin.ee/economic-forecasts>.

²⁶ “ECB Convergence Report 2010”, p. 113

Table 1. The Development of the Key Maastricht Criteria

Inflation	2005	2006	2007	2008	2009	2010 (April)
Reference value	2.6	3.0	2.8	4.1	1.8	1.0
Estonia	4.1	4.4	6.7	10.6	0.2	-0.7
Latvia	6.9	6.6	10.1	15.3	3.3	0.1

Government Debt	2005	2006	2007	2008	2009
Reference Value	60	60	60	60	60
Estonia	4.5	4.6	3.8	4.6	7.2
Latvia	12.4	10.7	9.0	19.5	36.1

Budget Balance	2005	2006	2007	2008	2009
Reference value	-3	-3	-3	-3	-3
Estonia	1.6	2.5	2.6	-2.7	-1.7
Latvia	-0.4	-0.5	-0.3	-4.1	-9.0

Long-Term Interest Rate	2005	2006	2007	2008	2009
Reference Value	5.9	6.4	6.43	6.24	6.0
Estonia ²⁷	N/A	N/A	N/A	N/A	N/A
Latvia	3.9	4.1	5.28	6.43	12.7

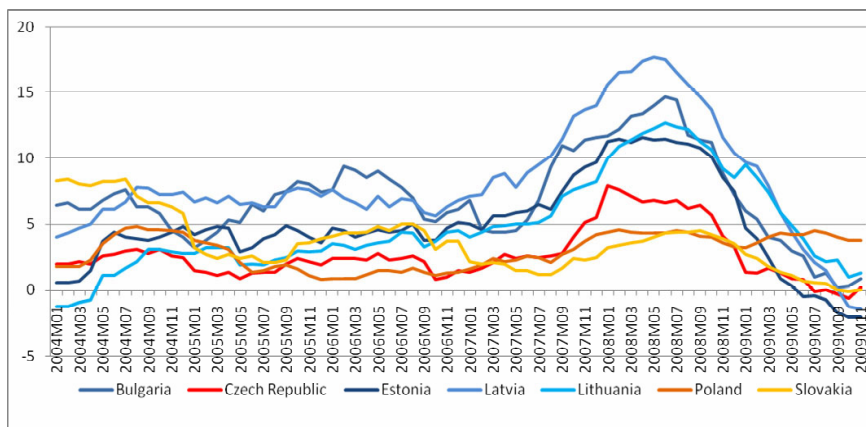
Source: European Commission (Eurostat); ECB Convergence Reports

A Trap of Stability Policy

A fixed exchange rate regime is not without its problematic and negative effects on policy-making in small open economics. Besides exerting pressure on a strict fiscal policy it also makes inflation targeting more difficult. Many economists and economic analysts²⁸ have shown in their studies that maintaining the fixed exchange rate policy might deprive a state of effective tools to tackle the inflation. As John Lewis puts it, the Baltic States needs a lot of good luck when dealing

²⁷ As the "ECB Convergence Report" states, due to the "absence of a developed bond market in Estonian kroons and reflecting the low level of government debt, no harmonized long-term interest rate is available".

²⁸ See Lewis, Eijffinger, Buitter, Feldmann (and others).

Figure 5. Inflation Development in Eight New Member States (in %)

Source: European Commission (Eurostat)

with inflation after pegging their currencies to the euro, "Nominal convergence to the Euro Zone implies that the price level in a CEEC will rise relative to the Euro Zone over time. This further implies that the amount of euros needed to purchase a basket of consumer goods in a CEEC will rise over time, and that this 'euro-denominated inflation rate' will be higher in the CEEC than in the Euro Zone."²⁹

In other words the process of productivity convergence of Latvia and Estonia produces considerable pressures for an increase in wages and prices. In countries with a floating exchange rate regime this is usually aligned through currency appreciation. Since neither appreciation nor depreciation of a currency is possible in Estonia and Latvia, the higher productivity growth in the two states compared to the anchor zone – the Euro Zone in this case – pushes the inflation up.

Figure 5 shows how the inflation in a sample of seven new Member States has developed after the given countries joined EU. Four of them which have pegged their national currencies to euro (Bulgaria and the Baltic states) are marked by different shades of blue. Another three of them (members of the Visegrad Group) kept a regime of floating exchange rate. Eijffinger (and others)

²⁹ J. Lewis, "Meeting the Maastricht Criteria for Exchange Rates and Inflation during a Period of Nominal Convergence", *Economy & Kroon* 3 (2007), p. 8.

argues that the level of inflation in the Baltic States and Bulgaria should be higher. In order to see the pattern clearly the two groups are visually differentiated. The graph presents a comparison of the selected sample. The figure provides very solid ground to take the aforementioned theory seriously. However, the requests and calls for a change in Maastricht Inflation Criteria were strictly refused several times.³⁰

An instrument usually used by central banks to target and tackle inflation is the interest rate adjustment. Basic logic behind the monetary rules of modern central banks is that increases in interest rates should cause a decrease in consumer credit and private investments and thus push down the price level through the wage channel. However, the long-term peg policy, pursued by Estonia and Latvia, made this mechanism highly ineffective.

Latvian and Estonian development illustrates how incentives derived from economic policy shapes the behavior of people. During a very short time period the Baltic States entered the European Union, pegged their currencies to the euro and declared a strong will to integrate into EMU as soon as possible. Accordingly, people in Latvia and Estonia had good reason to consider the exchange rate of the euro and their own currency stable with euro becoming the local currency soon. Such an economic and political environment created incentives for people to avoid high interest rates when taking a loan in Lats or Kroons by setting up accounts and making financial operations in euro. Consequently, the more the central bank increased interest rates (as a part of inflation targeting), the more people turned to euro as a currency in use. It is very difficult to show the difference in the interest rates in a single figure, since there is more than one way of setting the interest rates in different countries and different banks. Also there was no available data on long-term interest rates for households provided by Estonian banks in euro. However, to indicate the difference in price of loans in Latvia, Table 2 is illustrative enough.

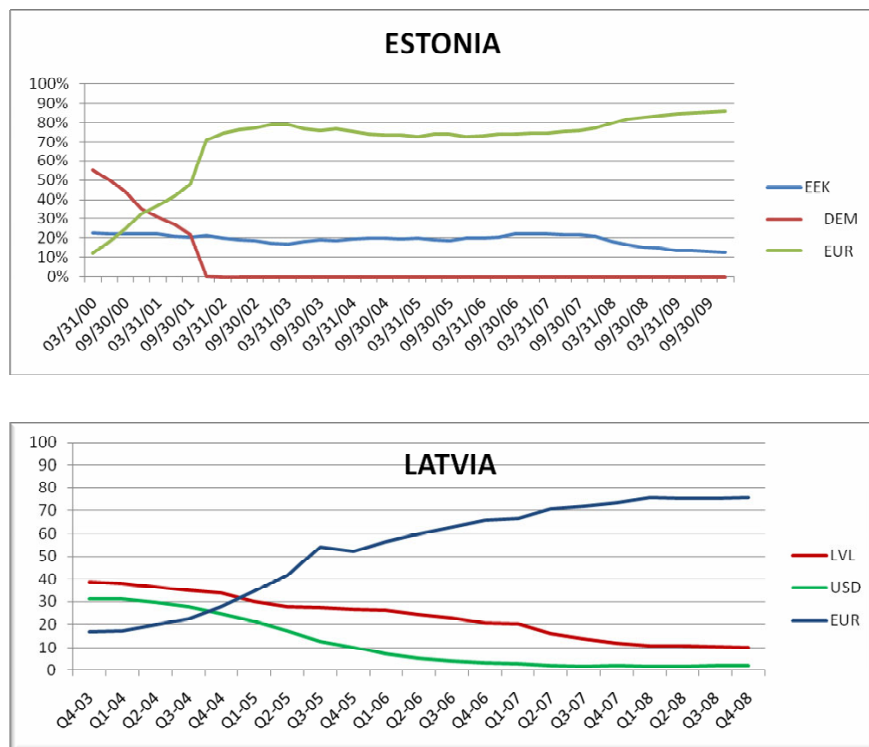
Table 2. Long-Term Interest Rates (in %) Development in Latvia

Long-Term Interest Rates in %	Dec. 2006	Dec. 2007	Dec. 2008	Dec. 2009
EUR: Weighted Long-term Interest Rates (Households & Enterprises)	5.9	6.5	7.8	7.5
LAT: Weighted Long-term Interest Rates (Households & Enterprises)	11.3	16.6	15.2	12.5

Source: Latvian Commission for financial and capital markets (2010)

³⁰ "Estónsko navrhuje zmenu inflačného kritéria pre prijatie eura", *Sme* (December 12, 2008); <http://ekonomika.sme.sk/c/4221181/estonsko-navrhuje-zmenu-inflacneho-kriteria-pre-prijatie-eura.html>.

Figure 6, Figure 7. Loan Structure by Currency (in %)



Source: Central bank of Latvia, Central bank of Estonia

Taking a loan in lat has clearly been more expensive than using the single European currency. The following, figures 6 and 7, present the development of the loan structure of Estonian and Latvian households and enterprises by currency.

High inflation and consequently interest rates during the longer period of time has brought about a situation where almost 90% of credit provided to households and enterprises were euro-denominated (in the end of 2009). Due to high inflation both Estonia and Latvia were losing competitiveness even before the impact of the global financial crisis fully hit the Region. However, the crisis made things even worse. The unemployment rate was attacking the 20% level and GDP shrank by almost the same.

Thus, decision-makers in Estonia and Latvia found the countries caught up in what seemed a serious trap. The price level in Latvia was still too high to attract investors, or make exports cheap. Increasing competitiveness through the currency devaluation was almost impossible. Devaluation of lat/kroon would inflate the euro-denominated loans in that very moment. For Estonia it would also mean the endangerment of a stable central exchange rate and thus a risk of not fulfilling the Maastricht criteria in 2010.

One problematic issue is that monetary policy tools are practically in the hands of ECB, which must adjust its steps primarily to Euro Zone needs. The long celebrated fixed exchange rate regime thus found its limits but could not be removed without serious political and economic consequences. Therefore it was the fiscal policy during the recent decade that played a major role in driving the economy toward EMU. When it comes to the two countries in question, the Latvian government has not undertaken any fundamentally appropriate steps to keep its economy from excessive overheating. In his study, Pašiak cites his research respondent from Latvia: "We weren't really working on that. When there were good times, we were just spending, and as a result, we have the situation that we have."³¹

Budgeting: A Key to Success?

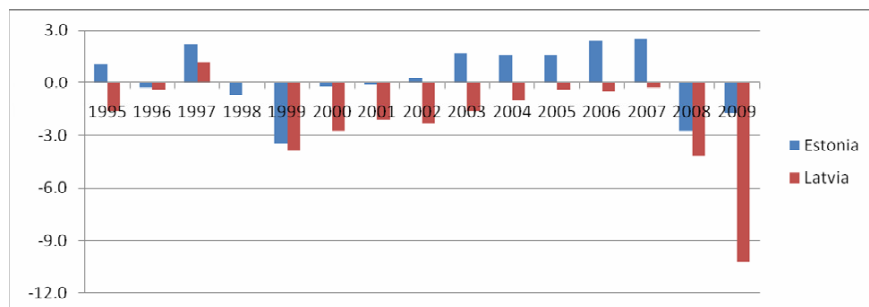
Looking at the 1990s one might consider Estonia and Latvia as taking the same steps toward the same goal. However, Estonia is accessing EMU in January 2011 while Latvia stays behind the door. What has caused this unequal development in the countries' economic integration?

There are works arguing that Estonia had always performed better and this statement is based mostly on cultural arguments.³² Whether these explanations relates to religious differences (protestant vs. catholic), Estonian proximity to Finland or initial economic conditions in 1989, there are more doubts than justification in it.

First of all, the differences among the states when it comes to the initial economic conditions were not large enough to explain the latter development

³¹ M. Pašiak, "A Fairy Tale with Happy Ending? The New Member States and the Euro Zone Entry", D. Malová et al. *From Listening to Action? New Member States in the European Union*. (Bratislava: Comenius University, 2010), p. 76.

³² For example see Z. Norkus, "Why Did Estonia Perform Best? The North-South Gap in the Post-Socialist Economic Transition of the Baltic States", *Journal of Baltic Studies* Vol. 38, No. 1 (2007), pp. 21-42.

Figure 8. General Government Budget Balance (% of GDP)

Source: European Commission (Eurostat)

gaps. The EBRD analysis confirmed that all the three Baltic States were in quite similar economic positions in the beginning of the transition period.³³ Neighboring Finland and the geography factor is not a convincing argument. Finland was undergoing a considerable economic crisis during the 1990s. On top of that, only Latvia and Lithuania have ice-free ports and are closer to European markets. And if it comes to the religious argument, this might help to understand differences between Lithuania and the other two countries. However, it tells us nothing about Estonia and Latvia, since both states population is historically protestant.

From a socio-economic point of view the picture is also not so clear. Unemployment level was lower in Latvia for several years since 1990, the same applies to inflation. However, the main goal of economic integration was reached firstly by Estonia. And fiscal policy seems to be the key to success.

The Estonian government pursued a strict fiscal policy in the 1990s and has continued doing so after 2000 (as showed in the Figure 8). The Estonian Stabilization Fund was established in the mid-90s and government savings were transferred into this fund (together with privatization revenues). Such a strict fiscal policy had an anti-cyclical effect during the boom times and thus caused downward pressure on prices and did not allow the overall economy to overheat as much as in Latvia.

The exact reason driving Estonian political elites to budget surpluses has not been clearly indentified. Literature provides different partial explanations

³³ "Transition Report 1999. Ten Years of Transition", (Paris: European Bank for Reconstruction and Development, 1999), pp. 28-29.

as proximity to Finland, strong beliefs of Estonians in liberal market forces, a considerably high level of trust of voters towards political institutions, culture of stability, and the limited role of parliament in the budgetary process. Although explaining all of them is far beyond the scope of this article, the last one is worth of mentioning in more detail.

The Estonian constitution places considerable limits on *Riigikogu* in the budget adoption process. According to Article 116, any amendments that “require a decrease in income, an increase of expenditures, or a redistribution of expenditures, as prescribed in the draft national budget, must be accompanied by the necessary financial calculations, prepared by the initiators, which indicate the sources of income to cover the proposed expenditures”.³⁴ This statute should be understood against the background of coalition politics in Estonia. Since the 1990s coalition governments usually agree on strict fiscal policy. The recent Government Program of 2007 said that government will try to “continue pursuing a strict budgetary policy with a budget surplus and reduction of the government debt”.³⁵ Although the government program is not a legally binding document, Kraan, Wehner and Richter explain that budget surplus has been considered a norm since the 1990s in Estonia and “the breach of such fundamental promises would be politically damaging to the governing parties”.³⁶

The Latvian constitution or law has no such limits on the budgetary process in parliament despite Latvian fiscal policy being relatively strict in the beginning of 1990s. However, from 1995 onward there was only one budgetary surplus created in 1997. After the Russian crises Latvia has continuously adopted budget deficits. Since Latvia could not use important monetary tools to address the inflation, fiscal discipline was necessary in providing anti-cyclical pressures. However, a failure to keep the budget in the black contributed to higher inflation. Secondary to that, the level of the general governmental budget deficit prevented Latvia from thinking about euro adoption soon.

Conclusion

Estonia and Latvia set out on a bumpy road of political and economic transition more than 20 years ago. The Soviet Union was a departing point for the two

³⁴ Article 116 of the “Constitution of Estonia”.

³⁵ “Government Program” from April 2007, available online at: <http://www.valitsus.ee/?id=1468>.

³⁶ D.J. Kraan, K. Richter, J. Wehner, “Budgeting in Estonia”, *OECD Journal on Budgeting* Vol. 8, No. 2 (2008), p. 10.

countries and author argues that this fact, among others, has also influenced the direction and speed on the road.

When it comes to economic development and integration with the 'West', hyperinflation and the stability of the whole economy was the first and hottest problem to solve. The two Baltic States pursued extremely strict monetary policy with a fixed exchange rate regime – despite the fact that it was neither the only one nor the recommended option. This decision later proved to provide countries with the necessary stability and credible image in the eyes of foreign investors. During the 1990s monetary policy became a symbol of stability, a virtual driver of countries' economic development. However, monetary policy was not the only singular factor of economic integration with the European Union. On another note, the considerable inflow of foreign capital and the high level of labor productivity growth brought about an increase in prices.

The two Baltic States pursued extremely strict monetary policy with a fixed exchange rate regime – despite the fact that it was neither the only one nor the recommended option.

However, if it comes to the fiscal policy, the Estonian government was acting, significantly, more responsibly than its Latvian counterpart. The government in Tallinn was producing budget surpluses and savings for 'the crisis', while Latvia piled up general government deficits. With the global financial crisis sweeping across Europe, neither of these countries was able to avoid the trap of a fixed exchange rate regime. However, Estonian responsible fiscal policy allowed the country to fulfill the Maastricht Criteria and thus enter the EMU in January 2011. Although the long-term problem with inflation has disappeared for now, a new one has risen in Riga – budget deficits.

If one imagines monetary and fiscal policy as two feet the economy is standing on, one could see two countries that stepped out very strongly on the road of economic transition in early 1990s. There is little if any doubt that the monetary policy was 'strong enough' in both of the Baltic States. Now it becomes clearer why Estonia has reached its goal first while Latvia started to limp in the mid-way.

References

- Dyson, K.H.F. "Euro Area Entry in East-Central Europe: Paradoxical Europeanisation and Clustered Convergence", *West European Politics* Vol. 30, No. 3 (2007).

- Feldmann, M., "Baltic States: When stability Culture is not Enough", Dyson, K.H.F. *The Euro at 10. Europeanization, Power and Convergence*. (New York: Oxford University Press, 2008).
- Feldmann, M., "The Baltic States: Pacesetting on EMU Accession and the Consolidation of Domestic Stability Culture", Dyson, K.H.F. *Enlarging the Euro Area: External Empowerment and Domestic Transformation in East Central Europe*. (Oxford University Press, 2006).
- Chinn, J., Truex, L.A., "The Question of Citizenship in the Baltics", *Journal of Democracy* Vol. 7, No. 1 (1996).
- Kolstø, P., "Nation-Building in the Former USSR", *Journal of Democracy* Vol. 7, No. 1 (1996).
- Lättemäe, R., "Estonia's Preparations for Joining the Euro Area", *Kroon & Economy*, No. 3, (2005).
- Norkus, Z., "Why Did Estonia Perform Best? The North-South Gap in the Post-Socialist Economic Transition of the Baltic States", *Journal of Baltic Studies* Vol. 38, No. 1 (2007).
- Offe, C., "Capitalism by Democratic Design? Democratic Theory Facing the Triple Transition in East Central Europe", *Social Research* Vol. 71, No. 3 (Fall 2004).
- Pašiak, M., "A Fairy Tale with Happy Ending? The New Member States and the Euro Zone Entry", Malová, D. et al. *From Listening to Action? New Member States in the European Union*. (Bratislava: Comenius University, 2010).

Selected Documents

"Constitution of Estonia"

"Constitution of Latvia"

"Transition Report 1999. Ten Years of Transition" (Paris: European Bank for Reconstruction and Development, 1999).

"ECB Convergence Report" (2008).

"ECB Convergence Report" (2010).

"Latvia's National Euro Changeover Plan" (2006).

"Report on the Adoption of the Euro, Bank of Estonia, June 2008.

"Summer 2010 Macroeconomic Forecast of the Ministry of Finance of Estonia"; <http://www.fin.ee/economic-forecasts>.

Lubomír Čaňo, Attila Szép

Bratislava's View of Eastern Partnership

Abstract: The position of Slovakia towards the EaP and the partner countries derives from its long-term political goals and stances. It is in Slovakia's interest to embrace these countries into the same area of democracy, security and prosperity, where it has been incorporated as well. Since the ENP is needed as a general framework for the EU policy in its neighborhood, the ENP review is very important for the future of the Eastern partnership. Slovakia has welcomed the initiative of the European Commission to review and optimize the European Neighborhood Policy, including its goals and instruments, reflecting on new possibilities opened by the Lisbon Treaty, as well as main developments in the EU neighborhood. As regards the Eastern Partnership, it has to strengthen its political visibility, both in member and partner states, since all the relevant bilateral EU cooperation with Eastern partners should be done under the EaP umbrella.

The main aim of the Eastern Partnership (EaP) is to create an area of cooperation and, to a large extent, Euro-conform countries in Eastern Europe, by supporting political, economic and social reforms. Transformation processes in the partner countries should also imply

adapting to EU standards and *acquis*. Thus, the EaP is an instrument to form an EU-compatible region with governmental and political structures able to communicate with the EU.

The position of the Slovak Republic towards the EaP and the partner countries derives from its long-term political goals and stances. The region behind the Eastern EU border belongs to Slovakia's foreign policy priorities, whereby the

Lubomír Čaňo works as the Director of the Department of the Common Foreign and Security Policy at the Ministry of Foreign Affairs. **Attila Szép** is a desk officer for Belarus and South Caucasus countries at the Slovak Foreign Ministry.

Slovak Republic is one of the EU member states naturally preoccupied with widening and deepening cooperation between the EU and the Eastern European countries. It is in Slovakia's interest to embrace these countries into the same area of democracy, security and prosperity, where it has been incorporated as well. Slovakia sees Ukraine, Belarus and Moldova as priorities within the EaP but, at the same time, is interested in taking part in the realization of the program in the South Caucasus.

Strategic Review of the European Neighborhood Policy

Slovakia has welcomed the initiative of the European Commission to review and optimize the European Neighborhood Policy (ENP), including its goals and instruments, reflecting on new possibilities opened by the Lisbon Treaty, as well as main developments in the EU neighborhood. Slovakia, as other EU Members States and Partners, has contributed to this exercise. The results of various rounds of discussion should be reflected in the Communication presented by the European Commission in April 2011.

Why is the ENP review so important for the future of the Eastern Partnership? The Eastern Partnership is the EU policy with its own policy goals and guidelines, own structures, own public, though not with its own budget. But not only for the money, though critically important for the implementation of the Eastern Partnership, the ENP is needed as an umbrella, or a general framework for the EU policy in its neighborhood. One can even say that the Eastern Partnership is some sort of ENP+ for its Eastern Dimension, with its own life and vision, and own speed. Because of partner differences within the ENP area the ENP can be perceived also as a straight jacket for the Eastern Partnership. But it is important to recall the very goal as to why the ENP was introduced – to avoid dividing lines in Europe between the present EU and countries outside of the European Union, and to support closer relations with neighboring countries that do not have a European perspective, e.g. becoming the member of the EU. Therefore the goal is to strengthen the European Neighborhood Policy, not to weaken it by splitting it into two or three formal specific regional EU policies, having one vision for its neighbors, which fully respects and encourages individual performance based on individual ambitions for a level of political association and economical integration with the EU. The Eastern Partnership is a pioneer of ENP future possible relations with neighbors, and the intention, through supporting the ENP concept, is to enlarge, not to limit the number of neighbors willing to adopt more ambitious reforms and to harmonize deeper with the EU legislation. Yet, the differentiation within the countries of the ENP,

is of the utmost importance. Differentiation based on performance stimulates motivation and ownership.

The ENP for Slovakia is foremost an instrument to share the EU's values, and promote and to offer the EU standards and norms (acquis) to the partners to facilitate their reform processes similar to those that countries in Central Europe underwent since the fall of the Berlin wall. In terms of Slovakia, opportunities offered by the ENP and its dimensions are not in full use by the partners, also because the ENP and its various dimensions are not either ambitious enough or meeting the partners requirements (European perspective), and/or often are not believed to be budgeted accordingly, as well as the instruments are still believed to be too bureaucratic, not flexible or streamlined enough.

When reviewing the ENP a basic question will immediately arise – what is its end goal? The EU family has defined it – cooperation as close and deep as possible but, and this 'but' is crucial for many, no word on possible EU membership. This makes the crucial difference between the EU policy of enlargement (realized in the Western Balkans) and policy of neighborhood (no EU perspective mentioned). However, the interested partners, mainly from Eastern Europe, should be aware of the fact that the ENP does not prevent that the partner, when ready, become a new EU member state.

So what credible end goal can be offered to the neighboring partners? According to Slovakia in the next 10-15 years it would be possible to establish a European Partnership Community, e.g. a community of contracted neighboring partners, which adopted the necessary EU legislation and norms enabling them to participate in the selection of EU policies in addition to having access to the EU internal market. But this would not be enough – the ENP should also confirm in its strategic long term vision that the European perspective can be granted to all those eligible European partner countries of the ENP, which are interested, have used the ENP to maximum benefit and political and economical integration with the EU, and have confirmed capacity to meet the criteria for membership of the European Union. Such commitments on the EU side would make costs for reforms and benefits received in balance.

What else can be expected from the review of the ENP, which should be presented in the form of a Communication of the European Commission in April 2011? Economic integration is certainly an important building block of

The goal is to strengthen the European Neighborhood Policy, not to weaken it by splitting it into two or three formal specific regional EU policies.

the ENP and each country has the same possibility to develop relations with the EU including the trade area. The EU offers a long-term strategic vision of economic integration to its Internal Market. On principle, all ENP partners have subscribed to this approach in respective Action Plans. Where appropriate and achievable, the ENP should strive for Deep and Comprehensive Free Trade Agreements (DCFTA) with partner countries and thus establish a network of free trade areas resulting in the Neighborhood Economic Community (inspired by the European Economic Area). The EU should offer to neighboring partners, subject to adoption of respective sectoral EU legislation by them, concluding Sectoral/Economic Agreements in areas of common interest and giving them access to respective EU programs and agencies/committees with the status of observer, where possible.

It is of a crucial importance to reaffirm commitment by the EU and the partner countries to make the Eastern Partnership a credible, attractive and efficient EU policy that makes a difference.

Regarding frozen conflicts or rather frozen solutions, the EU must be more active in settling conflicts and disputes on the territory of its partners. It is obvious that protracted conflicts continue to hamper development in partner countries and, moreover, continue to pose a risk to the EU's own security. While respecting existing dispute settlement mechanisms, the EU should actively engage in confidence-building and conflict resolution.

Civil society should be more involved in the ENP agenda, the ENP should be engaged more in building civil society in partner countries, and the ENP has to be clearer on a democratic dimension of its policy towards neighboring partners. The ENP should encourage public discussion in partner countries on both goals and implementation of ENP action plans. The Civic Society Forum established for the Eastern Partnership is an example to follow also in the ENP. The ENP has to maintain an indisputable political dimension. Any developments in area of democracy and human rights should be directly linked to intensity of the cooperation with the EU. Overall, since its launch in 2004, the pace of reforms in this 'democratic dimension' has been significantly slow. Commitment to these principles is however one of the cornerstones of the ENP in general. The EU should stay firm on these principles and make clear that they are no longer an internal affair of any participating country.

Increasing the ownership of the partners as an objective of the ENP review was already mentioned. Since its launch in 2004, there were moments when

partners perceived the ENP as a policy 'dictated' by the EU. In years to come the element of a true partnership should be further strengthened. The ENP should be developed in terms of a dialogue between equal partners.

Mobility and visas are at the top of the agenda of our partners in framework of the ENP and substantially contribute to attractiveness and visibility of the ENP. Slovakia fully supports the perspective of a common liberalized visa area between the EU and the ENP partners, subject to met conditions in this area.

The ENP needs more differentiation of its instruments towards the partners. The direct political link between performance and financial assistance needs to be enhanced especially in the area of democracy, human rights and rule of law. The ENP Action Plans represent the main political tool in the implementation of the ENP in general. Yearly evaluation has uncovered many shortcomings – rigidity and too many general priorities difficult to measure. A new generation of Action Plans should be devised in a more pragmatic way. While outlining a limited number of priorities only, their evaluation could possibly be extended over a longer period of time (e.g. two years), especially in areas such as democracy, rule of law and human rights. New generation of Action Plans should become an integral part of the domestic reform agenda in partner countries. Many civil society organizations are represented in partner countries and provide useful up-to-date information on situations in specific sectors. Monitoring of the Action Plan should use the open source method, in which every input may be useful in reaching final conclusions.

The EU financial commitments for the ENP should both meet political commitments made by the EU and the individual needs of partners for implementation of their plans, programs and reforms. Simplification of EU funds allocation, programming and contracting is necessary. We expect an adequate and balanced financial ENP framework for 2014-2020, respecting regional ENP dimensions.

On the Road to the Budapest Summit

Slovakia will support the Hungarian EU Presidency in having a successful Eastern Partnership Summit. As a first follow-up summit after launching the Eastern Partnership the political leaders will take stock of what has been achieved in different tracks of the Eastern Partnership. But not only will the implementation record, though important, be on the summit table. A Budapest Declaration should provide political guidance for further development of our cooperation and implementation of the Eastern Partnership policy. It is of a crucial importance to reaffirm commitment by the EU and the partner countries to make the

Eastern Partnership a credible, attractive and efficient EU policy that makes a difference.

The EU, including Slovakia, expects from the Eastern partners a clear commitment to European values, a true will in making reforms, a deep understanding of their homework. There is no doubt that the EU will assist the partners – if they succeed, it will be the EU's success too.

Slovakia has learned and experienced benefits of regional consultation and cooperation – especially when dealing with the EU. Just to mention the Visegrad Group (V4) that cumulated efforts of the four countries of Central Europe in various fields of common interest, such as EU integration. Slovakia wants to build on this positive regional cooperation and therefore the Slovak Presidency of the Visegrad Group will organize an informal ministerial meeting of V4 and the countries of the Eastern Partnership in March 2011 in Bratislava. Slovakia expects that this meeting will produce ideas for upgrading the Eastern Partnership concept that can be reflected in the Budapest Summit Declaration.

Slovakia would like to highlight in Budapest a principle 'more for more', e.g. level of ambition/will and speed of reforms will determine how far and deep relations between a partner and the EU can develop. The Eastern partnership needs to strengthen its political visibility, both in member and partner states. All the relevant bilateral EU cooperation with partners should be done under the Eastern Partnership umbrella.

In conclusion, the Eastern Partnership is a policy which has all the potential and instruments that can be further developed to anchor the Eastern neighbors to the EU and to deepen relations with them. It is a joint endeavor; joint interest and a busy but fair road for Budapest and beyond!

The Czech and Slovenian EU Presidencies in a Comparative Perspective

By Petr Drulák, Zlatko Šabič (eds). Dordrecht: Republic of Letters Publishing BV, 2010).

Presidency of the European Union constitutes a minor area of interest in European studies and political science, and the literature only occasionally offers a well-developed conceptual framework and comparative analysis. Similarly, although politically incorrect, the new Member States represent an even more fragmented research area. Therefore, the author of the review welcomes this book as a good choice for up-to-date topics, analysis of new cases and interesting issues for comparison. Unfortunately, as the new Member States need time for learning, this book needs some more data or interaction to strengthen its comparative added value.

The study of Eastern enlargement has brought some light on the European Union's influence on the countries of Central and Eastern Europe. Some of these continue to be in force due to continued monitoring of a specific policy area or provisional arrangements, plus new channels of influence and interactions are evolving thanks to membership. A study of EU influence on CEE countries is still highly relevant. Therefore the

choice of analyzing socialization and presidency performance made by Petr Drulák, Zlatko Šabič and their colleagues from the Institute of International Relations in Prague and the Faculty of Social Sciences, University of Ljubljana is significant. The authors assume "that the socialization process of accession continues even after the formal accession has been accomplished" (p. 1) and analysis of the presidencies' performance is useful in overcoming "the too narrow bureaucratic focus of the enlargement literature" (p.1). The book's main assumption is that the quality of the country's socialization within the EU influences the presidency performance of a given Member State. Therefore "detailed examination of selected features of each country's EU presidency can reveal the extent to which the country conforms with the usual presidency roles and fits into the established institutional mechanisms of the Council presidency" (p. 2). Successful socialization is exemplified by the conformity with roles and fitness into institutional mechanisms while the actual presidency's results (good or

bad] do not matter. On the contrary, the insufficient socialization is caused by inconsistency between the country's actual performance and established roles and mechanisms in the EU.

Authors develop their analysis around Schimmelfennig's conceptualization of norms that basically represent collective standards of actor's proper behavior if one's belonging to some organization or group. Norms "have both constitutive and regulative effects" (p. 6). On one hand, that means they contribute to the constitution of the social phenomena. Drulák exemplifies the constitutive effects in the case of the EU as follows: "the EU is a community which relies on a host of formal and informal norms. These norms contribute to the self-understanding of the EU as a rules community as well as to its external image" (p. 6). On the other hand, norms regulate behavior of actors without constituting their identities, e.g. "there is a norm shared by the members of the Euro Zone which stipulates that their budget deficits should not exceed a set threshold" (p. 6). Obviously one can find norms with both effects on the EU, but more interesting is the never-ending process of states' interaction with these norms and their effects that is addressed also in the socialization study. In their analysis based on the EU socialization study, Drulák and his co-authors cite obstacles to successful socialization, namely the competing norms and lack of resources. They argue that EU norms may clash with domestic, Member States' own norms or "with the norms

of the Westphalian international order (sovereignty), which a Member State may see as essential" (p. 9). Resources such as economic performance and administrative capacity (tangible resources) and know-how, experience or the qualities of administration (intangible resources) are essential for the ability to comply with norms and their implementation into a domestic system. Based on the presence or absence of the two obstacles to socialization, Drulák presents four types of socialized EU Member States: 1. Role Model: The Member State faces no obstacles to socialization; 2. Foot-Dragger: The Member State lacks resources but faces no competing norms; 3. Eurosceptic: The Member State faces competing norms despite having enough resources; 4. Troublemaker: The Member State does not have enough resources and faces competing resources (p. 9). The cases selected to appear in this book represent competing categories of the almost role model Slovenia and the eurosceptic Czech Republic. Presidency performance, the second analytical framework of the book, has also been conceptualized through the norms. Norms of impartiality and effectiveness are at the heart of the EU presidency study and their presence or absence again serves for constituting four types of presidency performances. The first is where states are effective and impartial. The second, is hesitant and impartial but ineffective, while the third is arrogant and effective but partial. The final one is the loser because it is ineffective and partial.

In Drulák's view, the "clashes between impartiality and effectiveness can be examined with respect to the policy area and the size of the presidency country, among others" (p. 11). According to this, the size of the country matters for only one of the two norms. Small Member States lean towards impartiality because they have few interests to defend. Big Member States lean, on the other hand, to effectiveness. Similarly, these two norms compete also in external representation performance because being an effective EU leader on an international forum usually does not go hand in hand with an honest brokering of the presidency seeking consensus among Member States. Finally, Drulák concludes the theoretical introduction by stating that studying presidency performance can be conducted not only by the use of impartiality and effectiveness norms, but also with the socialization mechanism. Once again "the quality of the socialization can influence the EU presidency performance" (p. 1). Following this conceptual framework each of the book's chapters formulates and tests its partial hypothesis.

The book is divided into two broad sections: the first covers the institutional and political background and the second is devoted to political priorities. Chapters in the first section basically cover three issues: Europeanization, ratification of the *Lisbon Treaty* and executive co-ordination of the presidency. Mats Braun, in his analysis of the Europeanization of the Czech Republic, offers examples of the socialization effects and competing

norms on the political elites and political institutions with interesting data from interviews on the policy level using the example of REACH regulation. Braun also excellently formulates the very specific characteristic of the Czech Republic as an EU Member State that distinguishes it from the majority of new Member States: "the Czech EU presidency serves as a good illustration of what is probably the main Czech problem in EU diplomacy – the lack of a consensus on EU policy. In fact the two biggest parties in the country represent two very different visions of the future of Europe. The destiny of the Czech EU presidency also puts question marks over how seriously Czech politicians view EU diplomacy. The main illustration of the lack of a Czech consensus on European issues is exemplified in President Klaus' individually negotiated opting-out from the Charter of Fundamental Rights in the Lisbon Treaty." (p. 36) Unfortunately, the following chapter on Slovenia as a Euro-enthusiastic society and political elite covered by Ladislav Cabada and Šárka Waisová does not come up with such interesting findings or data. The label of the 'good pupil' was used to characterize Slovenia for a long time. Analytically, a different picture also brings chapters on ratification of the Lisbon Treaty. While Šárka Matějková has documented the qualitative change in the Czech Republic's position on Lisbon ratification due to socialization within the presidency, described as taking path from making troubles to compliance, Zlatko Šabič devoted his

chapter on Slovenia to a different issue. Admittedly, Šabič lacked material for analysis because Slovenia ratified the Lisbon Treaty at the begging of its presidency (on January 29, 2008) and there was hardly any disagreement among mainstream political parties on the ratification. Therefore he focused on the democratic deficit issue and argued for the necessity to discuss EU issues with the public. Slovenia represents a very good example of taking public support for granted due to long-term and high support in public opinion polls. The presidency should, in the author's view, also serve as a kind of leader in communicating and initiating discussion with the public. Despite the obvious obstacles, such as the lack of actual data, compared with the structure of the book into separate case/country studies contributes especially in this case to the weakening of the argumentation of the book. The chapters on executive co-ordination by Jan Karlas and Damjan Lajh represent equivalent analysis despite their minor conceptual differences. While Karlas substitutes the impartiality with legitimacy due to his focus on internal co-ordination, Lajh replaces competing norms for political learning because there is no pre-scribed internal institutional setting in the EU yet. However, Karlas's conclusion of an unexpectedly effective Czech presidency might be surprising in comparison to Lajh's conclusion that Slovenia performed as an honest broker with moderate performance. The surprising outcome is caused by the analysis

reduction to internal co-ordination, concretely to procedural legitimacy and procedural effectiveness that Karlas stresses several times.

Second, the political priorities' section examines, among others, the Czech presidency performance in the area of economic policy and crisis environment in the chapter by Štěpánka Zemanová and Josef Abrahám. Slovenia experienced a peaceful time during its presidency and focused on the unfulfilled Lisbon strategy and economics analyzed in the chapter by Maja Bučar and Boštjan Udovič. Energy policy is an interesting part of the book because of its rising salience in EU affairs and especially high relevance for new Member States. In her chapter, Tina Fistravec characterizes Slovenia as "an industrious but cautious pupil" (p. 183) while Vít Střítecký sees the Czech Republic as "Europeanists in spite of themselves" (p. 163). Despite the long-term of support for enlargement in both countries their presidencies did not achieve any significant breaks. Enlargement chapters on the Czech Republic were analyzed by Vít Beneš and on Slovenia by Zlatko Šabič, Mojca Mehikić and Petra Roter. In the analysis of justice and home affairs Radka Druláková characterizes the Czech presidency as an honest broker while David Brožina sees Slovenia "to be well above hesitant but not quite on the level of a winner" (p. 280).

The concluding chapter by Petr Drulák and Zlatko Šabič summarizes the presidency records of Slovenia and the Czech Republic following the expectations

that the different kinds of socialization both countries experienced laid down the background for different performances. Slovenia as a role model performed better than the trouble-maker Czech Republic in conducting the EU presidency. Despite this, there are some 'BUTs' that make the analysis more interesting. Among others the book highlights the different degree of socialization between Czech politicians and civil servants and concludes that the "presidency itself actually contributed to a deeper socialization of the Czech politicians by broadening their EU experience and by making them bear the EU responsibilities. These socialization effects are especially visible with respect to the ratification of the *Lisbon Treaty* and the Europeanization of energy security. In both cases right-wing politicians, whose support to the EU has traditionally been lukewarm at best, eventually embraced the strengthening of the EU powers there" (p. 282). The analysis also stresses the difference between the actual administrative management that "was quite effective" (p. 283) and the image of the Czech presidency as a loser after the fall of its government. However, authors do see a mixed record of Czech presidency in policy areas that places the Czech Republic "between the categories of 'arrogant' and 'loser'" (p. 283). For example, in the area of economic and energy policy the presidency "somewhat struggled with impartiality, the former due to its unashamedly neoliberal approach, and the latter due to its effort to keep Russia out, while bringing about some results before the presidency

turned into a lame duck after the fall of the government" (p.283). But on the other hand, as chairing authority, the Czech presidency did perform effectively in the Competitiveness Council and in the Council for Economic and Financial Affairs. Unfortunately, as a leader, the Czech presidency "failed to provide the necessary leadership in dealing with the financial crisis" (p. 283). Analysis of the records of the enlargement, justice and home affairs places the Czech Republic into the 'hesitant' category because these topics did not enjoy much political attention and have been handled by civil servants who "by default, could not produce any breakthrough" (p. 284) in these issues. Slovenia is, in contrast, a role model thanks to its cross-party political support for the EU project. However, its overall support sometimes hampers the actual discussion of EU issues as Šabič has pointed out, in the case of the *Lisbon Treaty* ratification. But overall, Slovenia represents a role-model that faces and causes only a few problems in the EU. The most famous issue is the blocking of Croatia's negotiations that contradicted previous work on the Western Balkans agenda during the Slovenian presidency. However, Drulák and Šabič emphasize "this issue is more politicized than other issues are, and the Slovenian government was in no position to keep a passive attitude on EU matters here" (p. 286). Slovenia's other peculiar position is in the regional policy where Slovenia still "fails to establish the regions, which would be between the central state level and the municipalities. In this respect, it behaves

like a foot-dragger with respect to one of the key EU principles” (p. 285). In the area of economy, energy and justice and home affairs Slovenia marked the ‘hesitant’ position because its “unambiguous respect for the norm of impartiality ... Slovenian presidency focused on playing the role of an honest broker whom others perceive as not pushing for narrow national interests. By being impartial, Slovenia turned its weaknesses – being ‘small’ and ‘passive’ – into the strength of having a higher credibility” (p. 288).

To sum-up, the reviewed book includes an analysis of presidency performance including institutional and political elements that tries to cover the researched issue in a complex way. Its conceptual framework classifies the book into a group of very useful and

relevant studies of presidencies and new EU Member States that brings some new information about country development within the European Union. Unfortunately, the intention to bring complex information on both studied cases in several institutional and policy aspects, have reduced the comparative elements of the text only to concluding chapter. Despite the fact that the reviewed publication represents a series of case studies its findings have some limited value for the next new Member States preparations and study.

Zuzana Lisoňová
Center of Excellence for Social
Innovations, Comenius University in
Bratislava

Sarajevo. Čakanie na lastovičky [Sarajevo. Waiting for Swallows]

By Miroslav Mojžita,. Bratislava: Kalligram, 2010.

It was a good opportunity for a new book on South-Eastern Europe. Firstly, the author had the background. Miroslav Mojžita had served as the Bratislava's ambassador to Sarajevo for six years, specialized on the Balkans for fifteen years, and had already published several books on diplomacy. In addition, the book's subject was attractive enough. Post-war Bosnia remains a *terra incognita* for the Slovak public, foreign affairs experts, and even tourist agencies. Finally, the time was ripe. Another Slovak diplomat Miroslav Lajčák's tenure as the High Representative for Bosnia and Herzegovina in 2007-2009 left behind some unsaturated interest in the country heading towards the October 2010 parliamentary elections.

The objective of the book – as stated in the introduction – is rather a modest one. “My intention was to write something about today's Bosnia and Herzegovina,” the author reveals and adds: “But whatever I attempted to write, I had always been thrown back to the past, because in this country the present is so strongly linked to the past as perhaps nowhere else” (p. 7). Yet, when these words are pronounced by a top Slovak diplomat, the reader naturally expects that he has ‘something’ important to say. However, the book is neither a guide

through Bosnia's history, nor a review of its contemporary politics, economics and society, nor an invitation to see its tourist sights.

The first impression is good. The initial chapters introduce the country marred by the all-dividing ethno-politics in an unbiased and, indeed, a civil manner. In a language accessible to an averagely educated Slovak, Mojžita declaratively condemns all nationalism, promotes the civic principle, makes references to authors, historians, and diplomats who could be accused of ethnic radicalism, and even challenges Samuel Huntington's concept of the clash of civilizations. He uses dozens of short chapters to introduce interesting personal observations such as Bosnia's new Arab-style mosques competing with the Ottoman ones “may belong to the obvious material testimonies that after this war, nothing can be as it has been before the war,” (p. 32), or that Bosnia's war was that of atheists, and nationalism was used as a power lift by the old Communist guard and the new gangster elite. He masters the simplification of such complex phenomena as the Dayton Agreement ending the war in 1995 and offers an inspiring glimpse of possible ways out of Bosnia's political stalemate. He borrows the ideas of the Bosnian

Jewish leader Jakob Finci who said that “one of the conditions of a continuous reconciliation and reconstruction of the normal life is the capability to perceive the suffering and hardships of the others” (p. 73), he acknowledges the European integration as a major guarantee of Bosnia’s own integration, and he counts on “respect, not tolerance” (p. 220) to bring reconciliation to Bosnia’s ethnic communities.

But that’s about it. In most of the book, Mojžita does not use citations to construct and invigorate his own argument; does not elaborate on his, albeit few, original observations and does not sketch out any solutions for Bosnia’s crisis. In the majority of chapters, the reader will actually never learn where the numerous quotes are supposed to lead or what the author’s opinion actually is. Paragraphs are linked by adjectives such as ‘interesting’, ‘important’, and ‘worth mentioning’ – a loose thread searching for a pattern to hold it together. The plethora of subjects ranging from Josip Broz Tito’s mountain tunnel to Dayton Accords to Bosnia’s pyramids is suffocated by an eclectic chain of ‘others’ opinions.

In the cacophony of ‘others’ opinions, the author’s own is hardly audible. But when it emerges, it does not remain impartial to the country’s fragmented by the memories of war. According to Mojžita, it’s the Bosnian Serbs who defend the Dayton against the Bosnian Muslims. Albeit ‘a sharp national leader’, the former prime minister of Republika Srpska Milorad Dodik is given an image

of an honest, witty, and constructive leader whose only flaw is that he “has not ceased to repeat how he regrets the downfall of the multi-national Yugoslavia” (p. 214). However, Dodik’s dark side seems to be omitted. While in one speech the nationalist politician stressed that he accepted the accords granting Bosnia’s territorial integrity, in another he didn’t hesitate to threaten the Bosniak politicians and the international community with a referendum on Republika Srpska’s independence. And as far as Bosnia’s European future is concerned, it was Milorad Dodik who declared – in reference to the advancement of Bosnia’s centralization required by Brussels – that “if we have to choose between the European Union and the police of Republika Srpska, we will choose the police of Republika Srpska”.

Some surprisingly positive words are dedicated to the former vice-president of Republika Srpska Biljana Plavšić, who was sentenced by the ICTY to 11 years in prison for crimes against humanity. The one-time biology professor labeled the cleansing of Bosnian Croats and Muslims a ‘natural phenomenon’, and took ‘full remorse’ for targeting civilians before the ICTY only to admit in a January 2009 interview that she had confessed to guilt ‘so I could bargain’ on other charges. Plavšić has since claimed innocence for herself, which, in turn, has re-discredited her in the eyes of Balkans observers. Even the excellent Croatian writer Slavenka Drakulić admitted being ‘terribly wrong’ when she admired the

woman for her courage to plead guilty. The author prefers to credit Plavšić for refusing to hide before ICTY and to reveal she “was exposed to pressure (at) the Tribunal and took responsibility also on behalf of others” only to receive a “disproportionate sentence” (pp. 137-138). Plavšić, according to Mojžita, became a ‘convincing’ book author (p. 136) pointing to war profiteering from her Swedish prison. No word of Plavšić’s political views deemed ‘extremist’ even by another ICTY convict Vojislav Šešelj, no word of Plavšić’s famous stepping over dead bodies in Bijeljina to kiss another alleged war criminal Željko Raznatović alias Arkan.

All that being said, *‘Sarajevo Waiting for Swallows’* could have still served as a written testimony about the Slovak diplomacy in the region. The question, ‘what does Slovakia do in Bosnia?’ naturally looms over all of the 264 pages – but finds no comprehensive response on any of them. There is one story about the Slovak president visiting Mostar’s Old Bridge and another one about a bridge built from the Slovak

development aid. Little or no attention is given to the Slovak NGOs, businesses, or even Miroslav Lajčák’s activities in Bosnia. Mojžita, praised by Lajčák as one of the most world-recognized Slovak ambassadors, almost completely omits the work of his own office. A counter-argument may be that the author takes the role of an uncommitted observer. As the Slovak ambassador, Mojžita can, however, hardly claim to be uncommitted.

In short, Mojžita writes ‘about today’s Bosnia and Herzegovina’ in a way that blurs not only his personal engagement and opinions, but also some important facts. Consequently, the book neither confirms, nor does it challenge conventional wisdom. It stops half the way. This is not particularly rewarding and deserves a comprehensive response.

Waiting for swallows begins only now.

Pavol Szalai
Free-lance journalist and
student at the Paris-based Institut
d’études politiques

Guidelines for Contributors

- The length of contributions should be between 3,000 and 7,000 words. Please submit articles in electronic form.
- Citations should be clearly gathered as footnotes following the format:
 - for books:** R. Scase (ed)
The State in Western Europe. (London: Croom Helm, 1980), p. 87.
 - for articles:** F. Attina, "The Voting Behaviour of the European Parliament Members and the Problem of the Europarties", *European Journal of Political Research* Vol. 18, No. 9 (1990), p. 557.
- Articles should also include references.
- Articles should be in English or Slovak language. We assume that authors, who are not native speakers, will accept language editing.
- Articles will be reviewed by the editorial board. Broader changes to the text will be consulted with the author.
- Editor reserves the right to structure the text by adding sub-headings, unless this is already done by the author.
- We also welcome reviews of new books (1200-1500 words).
- For submission or correspondence, please contact:
 - I**nternational **I**ssues
& **S**lovak **F**oreign **P**olicy **A**ffairs
Hviezdoslavovo nám. 14
811 02 Bratislava 1
Slovak Republic
Tel: +421 2 5443 31 57
Fax: +421 2 5443 31 61
E-mail: brezani@sfpa.sk
strazay@sfpa.sk