

**ANALYSIS OF WHEN AND HOW DOES EU CONDITIONALITY WORK
WITH REFERENCE TO CENTRAL AND EASTERN EUROPE BASED ON
THEORETICAL APPROACH**

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Summary

*This paper intends to analyse the application process of EU conditionality and its impact to the Central and Eastern European candidate countries. It gives an insight into the different views of the EU conditionality's definition based on different opinions and summarizes all the elements of the conditionality - including the economic, political and *acquis communautaire*- and highlights their advantages and disadvantages through the example of some countries. Furthermore, it highlights that Europeanization is not just brought by the EU accession process, but also the collapse of the Soviet Union influenced the reorganisation of these countries.*

Keywords: *EU conditionality, economic conditionality, political conditionality, *acquis communautaire*, Central Europe, Eastern Europe, Europeanization, accession process*

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Introduction

The process of EU conditionality application and its impact to the candidate countries is a very complex topic which is examined by this paper, and it also discusses the effects of conditionality related to Europeanization. The first part of the essay provides a short general picture of the conditionality. The second part presents how EU conditionality works through examples of the Central and Eastern European cases, while the third part examines the relationship between conditionality and Europeanization.

EU conditionality

The EU conditionality is important part of the accession process, as the completion of it is fundamental to start the negotiation of the EU accession. There is no universal definition about conditionality as authors see differently the implication of it. In some cases conditionality is defined as an instrument which aim is to transform institutions and governance systems in the candidate countries to be compliant with EU's expectations (Grabbe, 2006). It is also considered to provide a route for a more democratic acting (Smith, 1998). A more punctual characterization of conditionality is Hughes, Sasse and Gordon's (2004) version which states that it is a sanctioning mechanism in order to reach compliance with the Copenhagen criteria and *acquis communautaire*.

The EU conditionality consists of mainly three significant parts: economic conditions, political conditions and implementation of the *acquis*. The former two are defined in the Copenhagen criteria. The next part of the essay is going to present how the previously mentioned three elements are implemented in order to eligible the negotiation about EU accession.

How EU conditionality work?

The economic conditionality's aim is to transform the economic performance of a candidate country to a certain level which is compatible with the EU's norms (Schimmelfennig, Sedelmeier, 2005). This is mainly made through general economic reforms which are different in each of the candidate countries. The different conditions are helpful as all of the countries have different aspects, and their economic level is also dissimilar, which can be considered the legacy of the communist times in the case of Central and Eastern Europe. However this is not all the time an advantage, as the judgement of the situation might be subjective, therefore candidate countries can have an impression that their conditions are not fair, compared to other countries.

Economic Conditionality

The economic reforms also have advantages and disadvantages which effect the candidates differently, because in some cases the compliance with the EU requirements holds almost as much costs or even more than the benefits of them. In many Central and Eastern European Countries it was among the short term economic reforms

to accelerate privatization (Grabbe, 2006). As an instance in Hungary since 1990 privatization was an important aspect of economy due to the reforms implemented by the MDF-FKGP-KDNP coalition. The EU Regular Report (2000) states that the privatization process was almost completed in Hungary. On one hand it seems beneficial as the non-competitive firms are sold to private companies which can operate them effectively, thus overall the market is going to have a more effective structure and in the same time loses of the government's budget can be eliminated which can result in better performance. On the other hand in the case of Hungary a shock therapy was used which mean a very rapid privatization, including that state-owned companies were frequently sold under their real value, which effected that the nation's interest injured both in economic and social area (Canning and Hare, 1996).

Political Conditionality

The second core strategy of the EU is the political conditionality which aim is to support fundamental regulations related to human rights, rule of law and liberal democracy (Schimmelfening and Sedelmeier, 2005). Regarding to the political conditionality it can be also considered as a significant aspect that candidate countries start with different levels of development, thus the speed and types of outcomes presumably are not going to be the same. The main problem with this element of conditionality is that it is not straightforward to measure the changes in the policy implementation. The EU uses as a measurement the number of laws and regulations made (Grabbe, 2003). However, this is not a clear indicator of the real change and the effectiveness of the laws because it does not consider the quantitative level of them. In other words, massive number of regulations does not mean all the time that the country's political background become more democratic because to make a conclusion overall changes have to be considered. An additional problem with political conditionality is that it is not exactly defined in terms of what governments have to implement, and also the timing of it is not punctually specified. Therefore, candidate governments tend to consider the size of the domestic adoption costs and decide about the implemented changes based on this. This can be influenced by the elections as well, as governments are not elected by the EU, instead they are elected by their nation members, and therefore if an election is close they are not likely to implement policies which are not in the favour of the population. Thus, this can reduce the speed of convergence.

The case of Slovakia represents the benefits and weaknesses of the political conditionality. In 1994 the party of Mečiar was elected which was very hostile in the view of the autonomous rights of the Hungarian minority which is approximately 12% of

the total Slovakian population (Schimmelfennig and Sedelmeier, 2005). As a result of that the Mečiar party ignored to implement the required laws, Slovakia was not invited for the accession negotiations in 1997. The change came when new government was formed by Dzurinda in 1998, as a minority language law was accepted and slightly improvements were visibly in the minority issue (Schimmelfennig and Sedelmeier, 2005). These changes were welcomed by the EU and they were categorized as compliant, thus Slovakia become eligible to continue the accession process. However, Slovakia joined the EU in 2004, the laws implemented in favour of the Hungarian minority during conditionality process did not stay eternal after the accession; instead they were altered back to the previously level with different tricks. As an instance minority language law stated that in the counties where the Hungarian minority's size is at least 20%, the Hungarian language is also official. Therefore, the government reshaped all of the counties and finally they achieved that in none of the counties was the number of Hungarian minority higher than the required percentage (Járások.hu, 2011). An additional issue that the 'Benes decree' is still part of the Slovakian constitution which states that Germans and Hungarians who are living in the territory of Slovakia have to relinquish their Slovakian citizenship and their property without compensation, and this is an issue in the Czech Republic as well (Felvidéki Magyarok, 2012). In reality it is not only part of the Slovakian law, but sometimes it is also used in practise (MNO, 2013; Keisz, 2013). The Orban government implemented that all people who have Hungarian relatives can receive Hungarian nationality, and due to this regulation many people with Hungarian roots, but living in Slovakia had took the Hungarian nationality (Hungarian Government, 2013). The reaction for this from the Slovakian government was that people who took Hungarian nationality were relinquished from all of their Slovakian rights and competences. Hence this law is fundamentally contradictory with the values of EU.

Acquis Communautaire

The third significant part of the EU conditionality is the *acquis communautaire* which is the basic concept of the Community law. It consists of approximately 3000 directives and it is almost 100 000 pages. The significant problem is it does not clearly define which directives have priority in order to reach compliance, thus there is an uncertainty about the hierarchy of tasks. The timing and the standards of the *acquis* are also defective. These issues make the situation very uncertain on both sides, because for the candidate country difficult to understand what is exactly required, while for the EU is hard to determine that the candidate compliant or non-compliant with the *acquis*. (Grabbe, 2002)

Considering the case of Poland and Hungary regarding the implementation of the social *acquis*, it becomes clear that application of the *acquis* is not smooth (Schimmelfennig and Sedelmeier, 2005). In the examined two countries a formal rule adaptation has happened, but the implementation of them remained questionable, because there was lack of knowledge about legal requirements. Fragmented labour and employer organisations could not reach agreement which would be beneficial for them, because they were not able to work on a cohesive base. Furthermore, communication among employer, employee and the EU was not working effectively, thus social *acquis* implementation was not able to shape the state-society relationship and the bargaining position of the labour remained weak. Therefore, all of the previously mentioned issues from the EU's perspective prevented the success. However it started to highlight the real weaknesses of the candidate countries.

Relationship between conditionality and Europeanization

It should not be assumed that conditionality is the only main element which brings Europeanization, especially in the case of the Central and Eastern European countries. It has to be kept in mind that these countries started to implement their conditionality almost immediately after the collapse of the communist regime. The process of stepping out of the communist regime inherently carries features which can effect Europeanization; therefore it might be assumed that even without EU conditionality, countries would reach a more European profile. At the same time it should not forget the positive aspects of conditionality which might be regarded as an essential element for Europeanization.

The effects of conditionality can be categorized as intentional and unintentional. The changes in political issues have intentional effects, as changes in the laws and in the institutional structures directly form a more Europeanized profile. However it also has unintentional effects as it helps to establish a more democratic state in which people have more rights, thus their life standards improve. The economic conditionality opens international trading and stimulates foreign direct investment which provides fundamental basis for economic development. Even if there are costs of this, the revenues on it tend to be higher. Thus, this unintentionally brings Europeanization due to the development reached through these economic actions (e.g. developments due to foreign direct investment). Thirdly the implementation of *acquis* is also important part of the Europeanization, as it provides a guideline for that what has to be reached. This help both intentionally, because implemented directives establish a more European atmosphere (if they are successful), and unintentionally as the effectively implemented parts have indirect impact on the country.

Therefore conditionality can be categorized as an effective mechanism for Europeanization, but with backlashes.

Conclusion

EU conditionality has advantages and disadvantages, but it is difficult to decide which puts more weight on the balance. Firstly, conditionality provides a framework which is good as it gives directions to candidates, but do not limit them by exactly dictating the rules. On the other hand, as it is not straightforward the candidate countries can perceive the standards differently, thus implementations have diverse outcomes and it is hard to determine that the conditions were compliant or non-compliant. In addition there is no clear measurement, thus there is a lack of accountability. A solution for this might be if the conditions were defined more in-depth.

Secondly, conditionality is shaped to the countries profile, which is an advantage as they are required to fulfil needs which are reachable. The issue in this case is that other candidate countries might see that their conditions are more difficult, so they might have a feeling that EU was unfair with them. Consequently, more objective fitting of the conditions might be helpful.

Thirdly the timing of the conditions is not specified, therefore governments can introduce them when they want. This is a positive point as national governments can see better when it is appropriate to install a new rule. The negative aspect is that nothing forces them to implement the conditions in a rational time which could be supported by a schedule. Especially if an election is coming governments do not favour to make 'costly' acts. A carrot and stick approach, with other words a sanction and reward system can offer solution for this, as candidates would feel more risk in the case of non-compliance, but if they comply they can receive extra benefits.

This links back to measurement and accountability again, thus it shows the need for more clearly defined conditions. At the moment it seems that there are more arguments in the "conditionality does not work" side of the balance, then in the "conditionality does work" side. Ergo it is an urgent issue for the EU to resolve this position. If it is not solved than European Union can lose its credibility and that might undermine the whole system.

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