

# **The Leverage of the European Union on Reform in Postcommunist Europe**

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Paper presented at Workshop 4

“Enlargement and European Governance”

ECPR Joint Session Workshops, Turin, 22-27 March 2002

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The democratization and marketization of East European states following the collapse of communism was launched in 1989 on the borders of the world's most highly institutionalized and rule-constrained project of regional cooperation, the European Union (EU). The first ten years of transition therefore offer a unique laboratory for studying the impact of international actors on the democratization process. The enormous benefits and demanding requirements of EU membership created conditions for the substantial influence of an international institution on the domestic policy choices of aspiring member states. The scope for the EU's "external governance" in Eastern Europe has been unprecedented. Yet the prospect of EU membership has not exerted equal traction on the domestic politics of all credible candidate states in Eastern Europe.<sup>1</sup> If membership signifies such substantial benefits, why do we find so much variation in the quality of the efforts of credible EU candidates to meet the EU's entry requirements?

The empirical record shows that variation in how candidates respond to the incentives of EU membership cannot be explained by political weakness in the face of regional hegemony, or indeed solely by economic prowess in the face of tough requirements. I show in this article that domestic politics determine how ruling elites respond to the incentives of EU membership. Ruling elites vary significantly in how well they translate the preferences of society for EU membership into appropriate domestic and foreign policies. The initial explanatory variable is the presence or absence of a strong opposition to communism, which determines whether democratizing states fall into what I term a "liberal" or a "nationalist" pattern of political change. Six states are considered here: Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania. While all six governments declared EU membership as a foreign policy goal, nationalist pattern governments distinguished themselves from liberal pattern ones by jeopardizing their state's progress toward EU membership. They did so by adopting domestic political strategies characterized by ethnic nationalism and economic corruption that were incompatible with the EU's requirements of liberal democracy and comprehensive economic reform.

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<sup>1</sup> I use the blunt label "East European states" to designate those states of the former Soviet bloc that are plausible candidates for EU membership. Alternative labels are geopolitically more progressive, but cumbersome and unnecessary in this article.

I introduce the concepts of “passive” and “active” leverage to unpack the kinds of influence that the EU can have on credible future members. By passive leverage I mean the attraction of EU membership, and by active leverage I mean the deliberate conditionality exercised in the EU’s pre-accession process. I also identify two distinct periods of EU leverage on East European states: the first is from 1989 to 1994, and the second from 1995 to 1999. The first period ends when the EU begins to project active as well as passive leverage on East European states.

During the first period (1989-94), even as the incentives of EU membership became clear, I argue that the EU’s role in determining whether a state embarked on a “liberal” or a “nationalist” pattern of political change was marginal. The EU’s passive leverage only reinforced existing domestic strategies of reform in liberal pattern states, while in nationalist pattern states it failed to avert rent-seeking behavior. Pressure from the EU and other international institutions had virtually no success in changing the domestic policy choices of ruling nationalists, for example in improving government policy on ethnic minority rights. This is surprising given the expectation that Europe’s international institutions would be intimately involved in building Europe’s new democracies.<sup>2</sup> But much of the democratization and international political economy literature similarly finds little evidence that external actors ever “tip the political scales in favor of reform” by using conditionality to change elite behavior.<sup>3</sup> In Southern Europe, for example, Philippe Schmitter observed that “the immediate prospects for political democracy were largely to be explained in terms of national forces and calculations.”<sup>4</sup>

Given the growing magnetism of a really enlarging EU, do domestic responses to the incentives of EU membership remain static even as the costs of exclusion become clear? I show that during the second period (1995-1999), the incentives of EU membership (passive leverage) combined with the increasingly explicit conditionality of the EU accession process (active leverage) become causally important in shaping domestic political change in nationalist pattern states. How does EU leverage make a difference? In other words, how does the EU succeed in generating compliance with its

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<sup>2</sup> It is also in contrast to the influence of the Soviet Union, an external actor, on its east European satellites and on the timing of their democratic revolutions. See Linz and Stepan 1996, 235-244.

<sup>3</sup> Haggard and Webb 1994, 5. See also Kahler 1992 and Bunce 1999.

<sup>4</sup> Schmitter 1986, 5.

emerging agenda of political and economic reform? The EU still fails to change the domestic policies of rent-seeking nationalists. But it succeeds in helping to remove them from office by tarnishing their Westernizing image, and by supplying EU membership (or simply “Europe”) as a convincing electoral platform for emerging moderate parties. The prospect of EU membership makes the pro-Western center of the political spectrum more attractive to voters, while Western actors coach opposition elites on how to alter the domestic debate about reform. As a result, nationalist pattern governments are replaced by pro-Western reformers in elections in Romania in 1996, in Bulgaria in 1997, and in Slovakia in 1998. Later, in Croatia and in Serbia in 2000, nationalist pattern governments lose power in much the same way. In all five instances, the conduits for international influence on domestic politics are the electorate and the opposition, not the government.

Many studies in comparative politics find that once initial political and institutional choices have been made, the realities created by these choices make it difficult to change course. Analyzing domestic politics in the six East European states, I examine political behavior in the first months of the institutional (re)birth of democracy to help explain the subsequent quality of democracy. But I go one step back to argue that whether the opposition to communism was strong enough to take power in 1989 all but determined the character of political change and the response to EU membership incentives in the subsequent five years. I also go one step forward to demonstrate that domestic actors do not just react differently to the incentives of EU membership: eventually they are also shaped by them. The traction of the EU is so great that it can play a crucial role in pushing states away from one path of political change toward another.

How can we account for the EU’s influence on the course of democratization in Eastern Europe? For any institution, I hypothesize that the greater the benefits of membership, the greater the potential political will to satisfy intrusive membership requirements on the part of plausible future member states. In the case of the EU, I show that the tremendous benefits combined with the extensive requirements of membership set the stage for the EU’s substantial leverage. The merit-based character of the EU’s pre-accession process is also important: Any European state that can fulfill the EU’s clearly specified entry requirements is promised membership. While the scope for political interference by

existing EU members is great, the rules of the pre-accession process constrain this interference while encouraging all East European states to make a bid for membership.

This article proceeds in three parts. The first explains the character of the EU's leverage upon aspiring member states. The second examines the responses of democratizing states in Eastern Europe to the EU's membership incentives in the first period from 1989 to 1994, when international factors played a negligible role in determining the course of democratic politics. The third shows how the EU's active and passive leverage influenced these responses and materially affected the course of domestic political change in the second period from 1995 to 1999.

## **1. THE SOURCES OF EU LEVERAGE**

By 1999 the EU had assembled an impressive list of thirteen officially recognized candidates and five proto-candidates for membership. Negotiations began in 1998 with Hungary, Estonia, Poland, Slovenia, the Czech Republic and Cyprus, and in 2000 with Slovakia, Latvia, Lithuania, Bulgaria, Romania and Malta. Turkey also became an official candidate in 1999, although the start of the negotiations was postponed due to insufficient domestic reform. Meanwhile, the EU-led Stability Pact of 1999 promised Croatia, Macedonia, Albania, the Federal Republic of Yugoslavia (FRY) and Bosnia-Herzegovina candidate status as soon as democratic standards and economic requirements are met.

The debate has only just begun about how well existing theories of international relations and European integration account for the decision of the EU-15 to proceed with such a vast and ambitious enlargement. Enlargement on such a scale cannot easily be explained in terms of economic interest.<sup>5</sup> For EU member states, the economic benefits of enlargement are diffuse, long-term and, for voters, politically unremarkable. The costs are concentrated, immediate and politically sensitive. For EU

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<sup>5</sup> Schimmelfennig 2001; and Vachudova 2001(b).

leaders, meanwhile, the institutional and budgetary reforms necessary to pave the way for enlargement are evidently a wrenching task.<sup>6</sup>

The focus of this article, however, is elsewhere: it is on how the EU accession process has influenced political and economic change in Eastern Europe. At no time in history have sovereign states voluntarily agreed to meet such vast domestic requirements and then subjected themselves to such intrusive verification procedures to enter an international institution. Since international actors have generally been found to influence democratization only on the margins, it is worth exploring what characteristics make the EU's leverage on aspiring member states so substantial. As Edward Mansfield and Helen Milner observe, "we lack a sufficient theoretical understanding of the conditions under which membership [in a preferential trade agreement] is used to prompt liberalizing reforms and the factors affecting the success of such efforts."<sup>7</sup>

I show that the leverage on credible candidates that membership incentives afford an institution varies according to two factors specific to the institution itself: the significance of the benefits of membership and the magnitude of the entry requirements. The greater the benefits of membership, the greater the *potential* political will in applicant countries to satisfy intrusive political and economic requirements. It is the substantial benefits combined with the enormous requirements of membership that set the stage for the EU's leverage on the domestic politics of aspiring member states. Lets now look, in turn, at these benefits and requirements.

## **The Benefits of Membership**

The EU is attractive as a welfare-enhancing common market and a security-enhancing political community. For states, the political reasons for *joining* the EU – centered on the reduction of uncertainty in order to increase prosperity – are much the same as the reasons long put forward by international relations scholars for *creating* institutions.<sup>8</sup> For states emerging from communism in 1989,

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<sup>6</sup> Sedelmeier and Wallace 2000.

<sup>7</sup> Mansfield and Milner 1999, 607. See also Cameron 2001.

<sup>8</sup> Pierson 1996, 129.

the EU was closely associated with the democratic stability and prosperity of Western Europe. Opposition elites who had spent years battling communism and planning an exit from the Soviet bloc hailed EU membership as the final marker of their country's escape from Moscow's control and its "return to Europe." Questions of cultural and civilizational affinity however soon formed only a backdrop to the questions of trade and economic adjustment that dominated relations between East European states and the EU in the 1990s. Access to the EU market was essential to the success of the transition from state socialism to market capitalism. But EU negotiators of the so-called "Europe Agreements" with East European states acted decisively to protect the interests of powerful producer groups within the member states.<sup>9</sup>

The negotiation and implementation of the Europe Agreements highlighted the power discrepancy between the EU and its eastern neighbors, and impressed upon East European political leaders the imperative of full membership. The practical matter of market access was important in its own right. But the process of seeking market access instructed East European elites on both the weakness of their overall position and the only possibility of a remedy: a place at the EU table.<sup>10</sup> East European leaders quickly realized that since they depended on trade with the EU, without membership they would have to adjust to rules governing access to the EU market but could have no hand in writing these rules nor any voice in other EU affairs.<sup>11</sup>

Most important, joining the EU would regulate relations with powerful neighbors by way of a desirable set of clear and well-established rules. Stanley Hoffmann and Robert Keohane describe a new institutional form that enables "rich and strong states to act more effectively on a collective basis, and [permits] poor and weak countries to gain acceptance into a club of prosperous states, governed by rules that apply to all members."<sup>12</sup> International relations scholars disagree about whether and how multilateral institutions influence state strategies, but most recognize the importance of rules for weak

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<sup>9</sup> Rollo and Smith 1993, 165; and Faini and Portes 1995, 16-17.

<sup>10</sup> A similar case was the EU-imposed embargo on the FRY. Bulgaria and Romania bore a great deal of the economic cost of the embargo, but not being EU members they had no bargaining power and received virtually no compensation for their part in enforcing it. See Mansfield 1994, 129.

<sup>11</sup> On "unilateral adjustment" to EU trade rules, Nicolaidis 1993, 196-245.

<sup>12</sup> Hoffmann and Keohane 1993, 388.

states. The rules of institutions "may create a presumption in favor of the norm that principles of conduct must be generalized to all members of the institution, imparting greater consistency of behavior and favoring weaker states."<sup>13</sup> Similarly, weaker states may favor institutionalized relations with their stronger partners if the rules "provide sufficient opportunities for them to voice their concerns and interests and thereby prevent or at least ameliorate their domination by stronger partners."<sup>14</sup> The behavior of the candidate states supports Andrew Hurrell's argument that it is the EU's institutional form that has made "incorporation" an acceptable strategy for its much weaker neighbors.<sup>15</sup>

### **The Costs of Exclusion**

For East European economies, EU membership will be "enormously beneficial."<sup>16</sup> For those that fail to enter an enlarging EU along with their neighbors, however, the consequences of exclusion will be grave. A steady flow of money, expertise, and foreign direct investment will be diverted away from states that do not join towards those that do.<sup>17</sup> The terms of trade will also bear the costs of exclusion as exports to the EU will run the risk of incurring various forms of contingent protection, while market access for agricultural goods will remain restricted. This takes on unusual importance given the sheer size of the EU market and the striking poverty of the proximate alternatives. As a result, the wholesale redirection of East European trade from the post-Soviet market to the EU after 1989 occurred with amazing speed.<sup>18</sup> Meanwhile, the prosperity of Portugal, Ireland and Greece bears witness to the overall economic benefits of EU accession for relatively poor countries. For these countries, EU membership brought economic modernization, access to new export markets and improvements in the regulatory environment as well as transfer payments that were macro-economically significant. For East European entrants, these payments will be substantial even if, as now seems likely, they receive lower

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<sup>13</sup> Keohane 1993, 296. See also Ruggie 1992, 570-71.

<sup>14</sup> Grieco 1995, 34; and Keohane 1993, 293-294.

<sup>15</sup> Hurrell 1995, 343. See also Kupchan 1998.

<sup>16</sup> Baldwin, Francois and Portes 1997, 169.

<sup>17</sup> World Bank 2000; and Grabbe 2001, 30-32.

<sup>18</sup> European Bank for Reconstruction and Development 1999; and Senior Nello 2001, 5-6.

subsidies from the Common Agricultural Policy (CAP) and from the Structural and Cohesion Funds than did the previous economic laggards to join the EU.

There are few persuasive economic arguments against EU membership for East European states. A possible advantage of staying outside is the ability to protect national industries and small-scale farming from outside competition. But the imperative of exporting to the EU prompted most East European states to sign trade agreements which, as described above, have already supplied domestic markets with Western industrial and agricultural goods in response to high consumer demand.<sup>19</sup> The absence of these agreements would cause economic disruptions far more substantial than the benefits of aggressive protectionism as it would restrict access to the critical EU market while delaying structural reform and frustrating consumer demand for Western products. More broadly, the majority of the economic reforms demanded by the EU, including the withdrawal of the state from many areas of the economy, are also advised by the World Bank and the International Monetary Fund (IMF) as part of the transition to market capitalism.<sup>20</sup> The drive to EU membership, by forcing economic restructuring, also improves the performance of postcommunist states in the world economy.

Overall, we can estimate that some three quarters of the requirements of EU membership are consistent with reforms that most observers would consider necessary to build a stable liberal democracy and a functioning market economy. What is often overlooked is that the conditionality of EU membership also motivates reform of the judiciary, the civil service and other arms of the state administration where political inertia might otherwise block reform.<sup>21</sup> Pressure from Brussels acts as a temporary surrogate for pressure from private groups by promoting political reforms that are in the interest of the public and the state, but not in the interest of bureaucracies or governing elites.<sup>22</sup> At the same time, the imperative of meeting EU requirements provides politicians with a powerful rationale for pushing through economic reforms that, at least in the short-term, have negative repercussions for

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<sup>19</sup> Kaminski 1999.

<sup>20</sup> World Bank 2000.

<sup>21</sup> See Dimitrova 2001; and Vachudova 2001(a).

<sup>22</sup> The EU, however, will function badly in the long term as a substitute for domestic interest groups. Reforms that determine the character and scope of government need to be worked out indigenously so that a polity “owns” and therefore complies with its rules. Also, states that develop specialized and powerful interest groups will perform better as members of the EU and as players in the transnational economy.

substantial portions of the electorate. More generally, the EU accession process empowers domestic actors who support EU membership and constrains the power of anti-Western actors in society, the state administration and the parliament.<sup>23</sup>

Alongside the economic rewards of membership and the political benefits of conditionality, there are vague but important security incentives also at play. As the Warsaw Pact dissolved, NATO emerged as the most effective purveyor of security in Europe, and a state's prospects for NATO membership became linked to its standing with the EU. Conversely, for states excluded from the 1997 expansion of NATO, EU membership became an alternative source of security, especially for the Baltic states whose previous inclusion in the Soviet bloc made future NATO membership less likely.

### **The Requirements of Membership**

Together with the economic and political incentives of membership, it is the extensive requirements of membership that afford the EU unprecedented leverage over the domestic politics of aspiring member states. The power asymmetry exposed by trade relations between the EU and neighboring states becomes even more stark when these states choose to take part in the “pre-accession process”: the requirements for accession are massive, they are non-negotiable, they are uniformly applied, and they are closely enforced. All of the candidates are subject to the same requirements and are evaluated in a manner that has so far proved to be more or less based on merit. That the Commission created this “meritocratic” process for enlargement has had far reaching consequences for existing EU members. Any state that can prove itself “European” and that can meet the requirements must be considered a credible future member, or else the process will have to be scrapped. In 1996, few could imagine an official membership queue of more than 8 states. In 2001, the number is 18 and rising.<sup>24</sup>

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<sup>23</sup> For a similar argument, Goldstein 1996.

<sup>24</sup> This raises the question whether the Commission's de facto control of the accession process has created gaps in member state control of the course of integration, on the argument of Pierson 1996. See also Schimmelfennig 2001.

The requirements that animate the EU's pre-accession process reflect a broad consensus among EU member states in favor of liberal democracy, market capitalism and the peaceful resolution of disputes.<sup>25</sup> Adopted at the Copenhagen summit in June 1993, the Copenhagen criteria for aspiring members call for the stability of institutions guaranteeing democracy, the rule of law, human rights and the protection of minority rights. This is remarkable, because it allows the EU to judge the quality of democracy, the treatment of ethnic minorities and, in practice, the sagacity of foreign policy in aspiring members -- even though existing members have adopted only superficial measures to regulate and harmonize their own behavior in these areas.<sup>26</sup> The Copenhagen criteria also call for a functioning market economy able to cope with competitive pressures and market forces within the EU, and for the ability to take on the obligations of membership (the "acquis communautaire"). The clearest case of an enduring double-standard is in the protection of ethnic minority rights: while EU institutions play no role in how ethnic minorities are treated in the fifteen member states, the EU evaluates how they are treated in the candidate states.<sup>27</sup>

The requirements also reflect the high degree of integration among existing member states, which is expressed in some 80,000 pages of the *acquis*. The substance of the *acquis* cannot be modified by the candidates in any way. Negotiations between the EU member states and the candidate states are structured around the transposition of the *acquis*, divided into 29 substantive chapters. The EU's negotiating position is that the entire *acquis* must be adopted and implemented at the moment of accession. In a process called "screening," the Commission scrutinizes to what extent the legislative norms and standards have already been adopted. As reforms are completed or at least promised, chapters are provisionally closed and the negotiations advance. The only matters open to bargaining are whether, and on what terms, transition periods will be accepted for new members in adopting difficult

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<sup>25</sup> On the pre-accession process, Grabbe 1999; Smith 1999; and Mayhew 1999. For the Opinions, Regular Reports, Accession Partnerships and other Commission documents related to the pre-accession process, [europa.eu.int/comm/enlargement/](http://europa.eu.int/comm/enlargement/).

<sup>26</sup> For many years, the Copenhagen criteria had no legal grounding in the EU treaties. This was ameliorated somewhat by the 1997 Amsterdam Treaty, of which Article 6 requires members to meet certain democratic standards and Article 7 provides for the exclusion from voting in the Council of those who fall short.

<sup>27</sup> The double standard on the provision of ethnic minority rights was also ameliorated somewhat by the Amsterdam treaty: Article 13 calls on the EU to combat discrimination based on racial and ethnic origin. De Witte 2000, 19-20.

parts of the *acquis* (and for old members in paying out monies from the EU's agricultural and regional development funds).<sup>28</sup>

The requirements are not just extensive, bearing on virtually every aspect of the work of a national government, they are also well enforced. The EU does not coerce candidates into meeting the requirements. Indeed, some EU member states would be indifferent to, if not pleased by, the defection of some or all of the candidates from the accession process -- a fact that makes the conditionality of accession all the more powerful (as long as the process itself is not put in question).<sup>29</sup> But if states insist on pursuing membership, they are voluntarily subjecting their domestic policy process to the examination and evaluation of the EU. The member states task the European Commission to monitor the adoption and implementation of policies as diverse as those to reform the public administration, safeguard the independence of the central bank, modernize the judiciary, improve the environment, harmonize transport policy, reinforce borders, bolster civil society and fight racism.<sup>30</sup>

Earlier applicants for EU membership had less to do: They already had functioning market economies, and the *acquis* was far less substantial, especially before the completion of the internal market. East European applicants have to rebuild completely the economy and the state administration, while attempting to adopt the whole of the *acquis*, which is itself growing day by day. Their economic backwardness gives the EU a powerful reason to delay accession until requirements are met, because as members they will become a substantial drain on the EU budget while sending workers and exports westward.<sup>31</sup> And while the geopolitical context of the Cold War militated against setting rigorous membership requirements for prospective EU members, the geopolitical context of post-Cold War Europe -- with fears of ethnic conflict realized by wars in the Balkans and with a potentially

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<sup>28</sup> See Vachudova 2001(b).

<sup>29</sup> For the argument that the EU has become a reluctantly expanding regional core at the demand of its periphery, Kupchan 1998.

<sup>30</sup> Whether candidates are meeting their commitments to the human rights and international financial institutions has become an important component of the Commission's overall evaluation of economic and political reform. Since 1997, it has adopted the evaluations and prescriptions of the OSCE and the Council of Europe with little modification. It has also listened to the assessments of the World Bank and the IMF. In this way, the EU accession process has boosted the leverage of all four institutions. See Kelley 2001, 10-11; and also Checkel 2000.

<sup>31</sup> The Statistical Office of the European Communities keeps close tabs on how poor the candidate countries are in comparison to the existing members of the EU. For analysis by region, Eurostat 2001.

overwhelming EU membership queue of 18 or more candidates -- gives EU leaders another powerful reason to insist that requirements be met.

## **2. DOMESTIC RESPONSES TO INTERNATIONAL INCENTIVES**

Having considered the sources of EU leverage, we now turn to how the incentives and the requirements of EU membership were treated by the ruling elites of six credible future EU member states -- Poland, Hungary, the Czech Republic, Slovakia, Bulgaria and Romania -- over the course of the 1990s. Since the EU offered the important benefits sketched above, all six held full membership as a prominent foreign policy goal throughout the decade. But by the time the EU (and NATO) extended invitations to begin negotiations to Poland, Hungary and the Czech Republic in 1997, it had become clear that these three states were far closer to meeting the domestic requirements of EU membership than Slovakia, Romania and Bulgaria. Why were the incentives of EU membership measured differently in different East European capitals? Can we explain this variation without considering the tenor of domestic political change in each country after 1989? Let us consider briefly three alternatives to domestic politics: a state's position in the international system, geography, and economic prosperity.

The first competing explanation is coercion: Realists treat regional integration as a way for hegemonic states to impose cooperation on weaker states.<sup>32</sup> Realists may therefore consider that the EU is asserting its economic and political might, taking advantage of the feeble position of postcommunist states in order to impose rules and regulations and dominate domestic politics against the will of local elites too weak to protect their sovereignty. If this were the case, we would expect to see the weakest states succumbing to this coercion more readily than the strongest. Instead, some of the politically and economically stronger states have made the most progress in satisfying accession requirements and unilaterally adapting 80,000 pages of EU norms and standards. In fact, the EU does not impose cooperation on the candidates: many EU member states are indifferent to enlargement, and some are openly opposed to the accession of postcommunist states in the next decade. Realists also

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<sup>32</sup> Mearsheimer 1990; Hurrell 1995.

treat regional integration as an alliance created to counter the rising power of a threatening state. But on this logic we would expect to see all East European states doing their utmost to join the EU and NATO in order to counter the threat of a resurgent Russia.<sup>33</sup>

The second competing explanation is geography: The success of reform aimed at entering the EU has been explained as a function of a postcommunist country's geographical distance from the border of the EU. This can be dismissed because of Slovakia's (as well as Croatia's) proximity to the EU. Nevertheless, there is clearly a strong correlation between geography and liberal democracy. Jeffrey Kopstein and David Reilly develop a more subtle analysis where the strict geographic proximity of a postcommunist state to the West is combined with openness to create a new measure called "accessibility." They find that "states that are near the West but have established barriers to interaction are less likely to be influenced by Western ideals and practices than a state that is near and receptive."<sup>34</sup> But this raises the question that this article seeks to answer: what domestic factors determine the level of "openness" to outside influences?

The third competing explanation is economic prosperity: Many observers of the EU accession process consider that the relative progress of postcommunist candidates toward EU membership is a function of their economic starting point at the moment of democratization in 1989. Since all six states confront similar strategic environments and economic incentives, systemic theories of international relations, be they realist or institutionalist, might also predict that all six states endeavor with equal commitment -- but varying ability -- to join the EU. On this logic, the variation in how states respond to the incentives of EU membership can be explained by relative levels of per capita income, because these determine a state's ability to meet the EU's accession requirements. The evidence, however, does not bear this out: per capita income in 1989 does not correlate with progress toward EU membership in the subsequent five years. The most prosperous states did not make the greatest progress toward meeting

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<sup>33</sup> Walt allows that under unusual conditions two domestic variables -- ideological orientation and the domestic costs of compliance with a patron -- may affect alliance decisions. But what determines how governing elites evaluate the costs and benefits of accommodating alternative patrons? Walt 1987, 39, 45. See also Christensen and Snyder 1991, 138; Rose 1998; and Legro and Moravcsik 1999.

<sup>34</sup> Kopstein and Reilly 2000, 17.

EU requirements.<sup>35</sup> Moreover, economic ability did not bear on the strictly political requirements for EU membership that were the cornerstone of EU conditionality in the mid-1990s. Meeting at least these political requirements could have brought substantial economic rewards which all of the less prosperous countries ought to have been most keen to earn.

It is however more compelling to define modernization broadly, and to argue that the progress of industrialization and urbanization in the 19<sup>th</sup> and early 20<sup>th</sup> centuries determines a country's "transition scorecard" after the collapse of communism. This scorecard would include such measures as the skill level of the population, the development of infrastructure, and the capability of the public administration, but need not be reflected in per capita income in 1989. This would help account for Poland's success despite its impoverished economy in 1989. More interesting, it could help build a theory of why strong oppositions to communism developed in some states but not in others. But rich Czechoslovakia as well as rich Yugoslavia would be the outliers: while they spawned liberal pattern states (the Czech Republic and Slovenia), they also spawned nationalist pattern ones (Slovakia and Croatia) where little or no opposition to communism existed before 1989. In both cases, as discussed below, politics trumped economics as a political vacuum allowed questions of nation -- the struggle for independence and the presence of a large ethnic minority -- to shape domestic political change.

## **Two Types of Political Change in Eastern Europe**

The answer to the puzzle of why we see so much variation in the responses of governments to the incentives of EU membership is found on the stage of domestic politics. The cost to governing elites of fulfilling the EU's domestic requirements varies after 1989 according to their dependence on ethnic nationalism and economic corruption to win and keep political power. What I call a liberal and a nationalist pattern of political change are discernible among the states of Eastern Europe after 1989, and the essential feature dividing them is how governing elites represent the interests of society in their

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<sup>35</sup> From richest to poorest, the GDP per capita in 1989 at Purchasing Power Parity Rate (1995 Dollars) was: Czech Republic 9861, Slovakia 8222, Hungary 7862, Bulgaria 5114, Poland 4821 and Romania 3858. PlaneEcon, Inc. 2001. See also World Bank 2001.

execution of political and economic reform. Whether the regime change brings to power individuals and groups that previously formed a strong opposition to communism is decisive.

In the liberal pattern of political change, former dissidents seize the state and set the terms of political debate; they pursue relatively successful marketizing reforms and marginalize extreme nationalists and communists. In the nationalist pattern, no strong group of former oppositionists exists to take power after 1989: Nationalists, usually unreformed communists, win power in democratic elections by appealing to the fear of economic reform and the mistrust of ethnic minorities. Once in power, they harness domestic institutions to corrupt marketizing reforms and scapegoat ethnic minorities. The concentration of power in the hands of these elites, unchecked by other political forces, allows them to mislead electorates about the long-term costs of ethnic nationalism and of halting economic reform.<sup>36</sup>

A liberal theory of international relations offers an overarching theory about how the representation of societal interests by governing elites shapes the foreign ambitions of the state. The core liberal argument as presented by Andrew Moravcsik is that the greater the mutual gains from social cooperation, the greater the incentives for political accommodation; however the greater the concentrations of political, economic or social power, the greater the temptation for concentrated groups to provoke conflict in order to accumulate rents at the expense of others in society: “Where power asymmetries permit groups to evade the costs of redistributing goods, incentives arise for exploitative, rent-seeking behavior, even if the result is inefficient for society as a whole.”<sup>37</sup>

If we assume that membership in the EU is unquestionably in the interest of society, and if we accept that state capture in a democratizing state depends on whether former oppositionists succeed communists in power in 1989, then my six case studies support liberal theory. In the Czech Republic, Hungary and Poland, oppositionists create more representative governments after 1989; consequently, their respective foreign policies reflect societal interest in increased international cooperation. In Slovakia, Bulgaria and Romania, however, power is concentrated in the hands of communist elites who

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<sup>36</sup> Vachudova and Snyder 1997. For a similar argument emphasizing the importance of rapid electoral replacement of the communist elites in 1990 over 26 postcommunist cases, Fish 1998. For the impact of different types of communist regimes on post-1989 politics, Kitschelt 1995.

<sup>37</sup> Moravcsik 1997, 517; Van Evera 1990, Snyder 1991, Snyder and Mansfield 1995.

distort and suppress individual preferences by using ethnic nationalism and economic corruption. Consequently, the governments' *de facto* foreign policy (defined because of EU membership requirements as including domestic policy) contravenes societal interest and results in decreased international cooperation.

The three strands of liberal theory discussed below -- Republican, Commercial and Ideational Liberalism – help us understand the three variables that determine the level of international conflict or cooperation sought by governing elites: (1) the representativeness of domestic institutions, (2) the extent of transnational economic interaction, and (3) the level of social equality and cohesion.<sup>38</sup> For Eastern Europe's democratizing states, the three variables are congruent with the three factors that mark the success or failure of liberal democracy after 1989: (1) the presence or absence of a strong opposition to communism; (2) the quality of marketizing reforms; and (3) the use of ethnically divisive political strategies.

The aim here is to describe the state of the polity in 1989: these three variables subsume and simplify many historical and institutional factors that are beyond the scope of this article. The presence or absence of a strong opposition to communism speaks to whether the state had a usable democratic past, how dissent was treated by the regime and how the communist party developed internally over previous decades.<sup>39</sup> The success or failure of a political strategy of delaying and contorting economic reform depends on the population's attitudes toward market capitalism and by the fitness and structure of the economy inherited from communism. Likewise, the susceptibility of the electorate to strategies of ethnic scapegoating depends on the use of nationalism by the communist regime and by the history of the nation's interactions with neighboring ethnic groups.<sup>40</sup> Still, comparing postcommunist states through these three strands of liberalism helps uncover what causes ruling elites to respond differently to the EU's membership incentives after 1989.

### **Presence or Absence of Opposition to Communism Determines State Capture**

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<sup>38</sup> Moravcsik 1997, 516-521.

<sup>39</sup> See Ekiert 1996, 305-330.

<sup>40</sup> Kolakowski 1992, 52.

Republican liberalism predicts that “when political representation is biased in favor of particularistic groups, they tend to “capture” government institutions and employ them for their ends alone, systematically passing on the costs and risks to others.”<sup>41</sup> In postcommunist states, the presence or absence of a strong opposition to communism determines the extent of state capture. Revolution had to precede democracy, and the character of the elites on hand for revolution determined in large measure who would be elected to the first government and whether that government would attempt comprehensive political and economic reform.

In liberal pattern states, the elites who came to power in 1989-90 drew legitimacy from their support of the norms of liberal democracy.<sup>42</sup> The Western model was so deeply internalized as to become a truly domestic factor. In Poland, Hungary and the Czech lands, the two most compelling political platforms of postcommunism -- the protection of the average voter from economic reform and the defense of the nation from its "enemies" -- were usually handled in a way which was consistent with marketizing reforms and liberal democracy.<sup>43</sup> Post-opposition governing elites set the parameters of mainstream political debate, dislodging the communists and marginalizing extreme nationalists. The appeals of nationalists, meanwhile, were muted by the absence of a large, cohesive ethnic minority.

On crucial issues such as national reconciliation and economic reform, former oppositionists exploited the revolutionary moment to begin policies far more "European" than their societies had expected. They faced the challenge of decisively representing the future interests of society.<sup>44</sup> Their more or less immediate embrace of liberal democracy promoted decision-making that was in the public interest, and helped prevent decision-making that would cripple the polity over the long term. For

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<sup>41</sup> Moravcsik 1997, 530.

<sup>42</sup> I do not contend that these former oppositionists had a perfect knowledge of their societies' interests and preferences when they came to power. But they were able to persuade their societies that the national future was in a liberal democratic Europe, and create a consensus about reform and foreign policy that, in the Hungarian and Polish cases, was only strengthened by subsequent electoral defeat to reformed former communists. See Moravcsik 1997, 531; and Keohane and Milner 1996, 252-53.

<sup>43</sup> Holmes 1995, 267-274.

<sup>44</sup> As Claus Offe explained, "reforming elites, by taking responsibility for and helping to start a capitalist economic mechanism represent the interests of society, without, however, being able in the process to rely upon and comply with the demands of an already existing class of capitalist owners and their interests, power, and ideological propositions." Offe 1991, 877. See also Jacoby 1999, 471; Bozoki 1999; and Rose 2001.

example, knowing it would consequently lose power, Poland's first democratic government implemented a "shock therapy" reform program which led to a sharp drop in living standards but eventually propelled Poland into the economic vanguard of Eastern Europe.<sup>45</sup>

While post-opposition governing elites convinced electorates to accept difficult economic reform as part of the democratic revolution, social democrats (reformed communists as in Poland and Hungary, or a historical party as in the Czech Republic) provided voters disaffected with reform with a non-nationalist and pro-EU left-wing alternative. The election of communist successor parties in Poland (1993) and Hungary (1994) only reinforced the liberal equation as these parties continued or even intensified comprehensive economic reform. They had been forced to reform themselves by the weight of opposition before 1989 and by the need to compete with strong post-opposition parties since 1989. Moreover, they campaigned as the less nationalistic, pro-reform alternative to post-opposition parties on the right. Indeed, the presence of a liberalizing communist party before 1989 and its subsequent victory as a Western-oriented, social democratic party in elections after 1989 seems to be the best recipe for a successful transition in postcommunist Europe.<sup>46</sup>

In nationalist pattern states the absence of a strong opposition to communism created a political vacuum in 1989. This allowed unreformed communists (in Romania and Bulgaria) and nationalist opportunists (in Slovakia) to win power by using ethnic nationalism and the fear of economic reform to forge a new political identity and maintain their political viability.<sup>47</sup> Despite their democratic, pro-Western rhetoric, they undermined democracy, sabotaged economic reform and fostered intolerance in their efforts to concentrate and prolong their power.<sup>48</sup> The domestic requirements of EU membership

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<sup>45</sup> Polish society did not resist the radical reform measures because they were closely associated with the democratic revolution, although it did subsequently vote Solidarity out of power. For the contrasting resistance to reform at the hands of communist governments, Evangelista 1997, 212-217. On a government's decision to implement institutional change that will be costly in the short run, Garrett and Lange 1995; and Haggard and Webb 1994.

<sup>46</sup> Vachudova and Snyder 1997; and Grzymala-Busse 2002.

<sup>47</sup> See Mansfield and Snyder 1995, 31; Linz and Stepan 1996, 254.

<sup>48</sup> The Romanian communist party renamed itself the Party of Social Democracy in Romania (PSDR), while the Bulgarian communist party renamed itself the Bulgarian Socialist Party (BSP). Unlike those in Romania and Bulgaria, the Slovak communist party moved toward genuine social democracy. However, it was sidelined by Vladimir Meciar's Movement for a Democratic Slovakia (HZDS) which built its political support by way of ethnic nationalism and fear of economic reform.

proscribed the very mechanisms by which they consolidated political power: ethnic nationalism and economic corruption.<sup>49</sup>

Democratic participation, especially in conditions of democratization, is itself no guarantee of unbiased representation. As Andrew Moravcsik observes, “even where government institutions are formally fair and open, a relatively inegalitarian distribution of property, risk, information or organizational capabilities may create social or economic monopolies able to dominate policy.”<sup>50</sup> Where the communists were never forced from power, they naturally had few difficulties in capitalizing on social and economic assets retained from the *ancien regime*, most importantly control of the state-run television. Political change in Croatia and Serbia after 1989 followed much the same pattern, but in both cases ethnic nationalism was exacerbated by the uncoordinated break-up of a multi-ethnic state, by ethnic cleansing, and by war.

Political elites governing Slovakia, Bulgaria and Romania did articulate *foreign* policies that called for rapprochement to the EU and NATO. The interests of society and the state were sacrificed, however, in the economically corrupt and nationalist *domestic* strategies they adopted in order to hold power in the period of democratization. By promoting ethnic nationalism and corrupting economic reform, they diminished wealth and security by compromising their state’s application for EU membership and curtailing relations with foreign economic actors. The prospect of EU membership multiplied the international effects of domestic policy choices, making the opportunity costs of “illiberal” politics at home unusually high.

### **Commercial Ties Shape Demand for International Cooperation**

A comparison of the two groups of states confirms the link made by commercial liberalism between complex international commercial ties and the demand for international cooperation. All of the

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<sup>49</sup> Ethnic nationalism and economic corruption were used in the three states in different measures. For example, to consolidate power Bulgaria’s BSP employed corruption and fear of economic reform; its use of ethnic scapegoating was much more muted than that of Romania’s PSDR or Slovakia’s HZDS.

<sup>50</sup> Moravcsik 1997, 518.

liberal pattern states reoriented their trade as rapidly as possible from East to West. They consequently became much more dependent on the West for trade and, as a result of their successful economic reform programs, they attracted much more foreign direct investment (FDI) than the nationalist pattern states.<sup>51</sup> The countries that attracted significant FDI inflows between 1990 and 1997 were in turn among the best performers in EU markets.<sup>52</sup> Economic progress increased the material interest of individuals and groups in trade with Western Europe, reducing their willingness to upset relations with the EU and to scare off foreign investors by supporting nationalistic politicians. Economic links with Western Europe, meanwhile, amplified the preferences of domestic actors for marketizing reform, while also “pluralizing” communist-era distributions of income and power.<sup>53</sup>

In the nationalist pattern states, governing elites promised voters slow economic reform as a way to prevent widespread unemployment. Rather than easing the transition for workers or improving aggregate economic welfare, slow reform protected and enriched communist-era managers whose inefficient firms should have been restructured or forced into bankruptcy. The political device of raising fears of economic reform obscured the rising opportunity costs of blocking comprehensive institutional change. Often, money poured from the state budget through these enterprises straight into the managers’ pockets. Privatization also became remarkably corrupt, with governing elites handing out state property to economic cronies for a fraction of its actual worth. For these intertwined circles of political and economic elites, comprehensive and transparent economic reforms, as demanded by the EU accession process, proved much too costly: Why forego the ongoing benefits from partial reform? As Joel Hellman explains, “winners from an earlier stage of reform have incentives to block further advances in reform that would correct the very distortions on which their initial gains were based. In effect, they seek to prolong the period of partial reforms to preserve their initial flow of rents, though at a considerable social cost.”<sup>54</sup>

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<sup>51</sup> Kaminski 2001, 19-20 and 30-33.

<sup>52</sup> Kaminski 2001, 40.

<sup>53</sup> Doyle 1997, 476; and Gourevitch 1978.

<sup>54</sup> Hellman 1998, 233. See also Haggard and Kaufman 1995, 374; and Hellman and Schankerman 2000, 13.

At the same time as reform was stalled, corruption suppressed the interest groups that would normally develop in a functioning market economy with strong links to the global economy.<sup>55</sup> Foreign investors were also absent; they were scared away by uncertain reform and uncertain access to EU markets.<sup>56</sup> Their absence was significant, since elsewhere foreign investors played a key role in integrating firms into global networks of production and marketing, and in shifting exports towards more advanced stages of production.<sup>57</sup> For Romania and Bulgaria, which in 1989 had (along with Poland) the most impoverished economies of the region, halting reform brought great hardship without accomplishing the transition to the market. For Slovakia, corrupt reform brought recession and drove foreign investors away from an economy that had otherwise shown considerable promise.<sup>58</sup>

### **Ethnic Geography Determines the Level of Social Cohesion**

Ethnic nationalism provides another powerful tool for the capture of domestic institutions by rent-seeking elites in a democratizing state. Ethnic nationalism warps the individual and group preferences that would develop in a liberal democracy by creating a stark division along ideational lines on all politically salient issues. Here ideational liberalism is concerned with the level of social equality and cohesion: deep divisions in interest or identity can undermine the representativeness of domestic institutions. In particular, the existence of ethnic minorities may create fundamental conflicts of interest within (and among) states.<sup>59</sup>

Ethnic geography -- a matter of historically conditioned perceptions rather than 'pure' demography -- determines the salience of ethnic nationalism as a political strategy. While Poland, the Czech Republic and Hungary are relatively homogenous, in Slovakia, Bulgaria and Romania one cohesive ethnic minority forms about ten percent of the population. There are some 600,000 ethnic

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<sup>55</sup> A World Bank/EBRD study measuring the extent of "state capture" by corrupt firms rated Bulgaria, Romania and Slovakia as "high," and Poland, Hungary and the Czech Republic as "medium." See Hellman, Jones and Kaufmann 2000, 10.

<sup>56</sup> Competitiveness Indicators database, World Bank 1996.

<sup>57</sup> Kaminski 2001, 40.

<sup>58</sup> For data showing that "aggressive liberalizers" have come out ahead, World Bank 1996, 30.

<sup>59</sup> Moravcsik 1997, 525-26.

Hungarians in Slovakia (11% of the total population), 2 million ethnic Hungarians in Romania (8%), and 800,000 ethnic Turks in Bulgaria (10%). The success of Slovak, Bulgarian and Romanian political elites in exploiting feelings of threat on the part of the national majority can be attributed to three facts: minorities form a significant portion of the population; history lends credibility to assertions that the minority harbors a separatist agenda; and minorities have formed cohesive political organizations. Moreover, the political activism of ethnic Hungarian minority groups combined with the forceful advocacy of the Hungarian government provided “external validity” to the accusations of the Romanian and Slovak governments that Hungarian minorities posed a threat to the nation.<sup>60</sup> Ethnic nationalism came to permeate domestic politics in all three states, and the basic rights of ethnic minorities were endangered and, at times, seriously curtailed.

Liberal theory implies that private individuals and groups calculate the opportunity costs and benefits, material and non-material, of alternative domestic policies in terms of foreign policy goals. Ethnic nationalism helped win elections in Slovakia, Bulgaria and Romania (and elsewhere in postcommunist Europe) because voters did not understand that ethnic nationalism at home delays or prevents substantial gains in wealth and security by the special means of EU membership.<sup>61</sup> Governing elites in nationalist pattern states pushed the electorate towards shortsighted identity politics and an identification of the state with the ethnos. In so doing, they sacrificed the long-term interests of the state in European integration to the pursuit of their own political power. As discussed below, however, EU membership remained popular and democratic oppositions used the imperative of reversing their country’s poor standing in the eyes of the EU as a cornerstone of their electoral campaigns.

### **3. THE PASSIVE AND ACTIVE LEVERAGE OF THE EU**

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<sup>60</sup> See Bates, de Figueiredo and Weingast, 246.

<sup>61</sup> Opinion polls in Slovakia, Bulgaria and Romania showed that an important segment of voters strongly supported membership in the EU while voting for opportunistic nationalists. These polls also showed that voters had a very feeble understanding of the criteria of EU membership, and that ruling elites were able to manipulate this understanding through their control of the mainstream media, especially of state-run television. See for example the findings in the report “Public Awareness Campaign,” GFK Slovakia, April-July 1998.

## **1989-1994: Domestic Factors Only Shape Democratization**

I have argued that the character of political change in East European states immediately after 1989 depended on domestic factors, primarily on the quality of the opposition to communism. During this period (1989-1994), international factors played a marginal role in the composition and the policy choices of the first post-communist governments. However, the strategies adopted by these first governments in response to international incentives -- to the “passive leverage” of the EU -- distinguished liberal and nationalist pattern states from one another well before the EU had even committed itself to enlargement.

By the force of the attraction of its markets and institutions, the EU exercised “passive leverage” on the domestic policy choices of the governments of democratizing states of Eastern Europe after 1989. The EU provided not only a goal for foreign policy, but its prevailing rules and practices provided clues as to the domestic policies necessary to achieve this goal.<sup>62</sup> In this sense the EU supplied "normative targets" for East European states well before it had set out any membership requirements or even agreed to an expansion. These targets gave political leaders a reason to push through difficult economic reforms, and gave electorates a reason to accept the attendant sacrifices, usually in the form of economic hardship. The long-term goal of EU membership "constrained state behavior primarily by creating a normative focal point for domestic adjustment efforts, often in advance of participation in existing organizations or western demands."<sup>63</sup>

The EU exerted this “passive leverage” primarily on liberal pattern governments. Although governing elites in Prague, Budapest and Warsaw desired more explicit and active guidance from Brussels, the EU needed to do little -- except hold out the credible promise of membership -- to inspire these states to make policy choices consistent with future membership.<sup>64</sup> One litmus test of the sincerity

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<sup>62</sup> Snyder 2001.

<sup>63</sup> Haggard, Levy, Moravcsik and Nicolaidis 1993, 185.

<sup>64</sup> This passive leverage was not, however, self-sustaining: As EU leaders continued to avoid committing to an eastern enlargement in 1990, 1991 and 1992, this discredited moderate parties who had all thrown their lot in with “Europe.” For this reason, the EU’s passive leverage declined over time and an EU that had remained passive could have undermined the transition.

of a government's EU strategy was whether or not it pressed for specific accession criteria: Liberal pattern governments pleaded for a list, while nationalist pattern governments could already be heard complaining of unwarranted attention to internal affairs. Since the future requirements of membership were not specified and surveillance of domestic politics was only sporadic from 1989 to 1994, governing elites in Sofia, Bucharest and Bratislava demanded EU membership while pursuing rent-seeking domestic strategies with impunity. Still, they kept up a rhetoric of working earnestly to join the EU, because a certain level of Western acceptance strengthened their domestic credentials as reformers, while Western loans and trade agreements provided much-needed economic resources. Indeed, there is substantial evidence that it is counterproductive for international actors to provide these kinds of resources to governments disposed against reform as they help them "postpone, rather than pursue, adjustment."<sup>65</sup>

When the EU did commit itself to an eastern enlargement at the Copenhagen summit in June 1993, it began the process of developing the tools to interact purposefully with the eastern candidates. It finally set out the general political and economic conditions of membership in the so-called Copenhagen criteria, but it did not evaluate the candidates in terms of these requirements. For the nationalist pattern governments, the only ramification of manifestly failing to meet the Copenhagen criteria -- even in the prominent area of ethnic minority rights -- was the threat of exclusion from a first wave of EU expansion. Such an exclusion seemed very distant in 1993 -- and in fact it would take the EU four more years to separate the "ins" from the "outs." For the liberal pattern governments, the Copenhagen requirements were too general to have much of an impact. By any account, they were making progress toward them in the mid-1990s. The general expectations of the EU in many areas coincided with the political and economic agenda of the liberal pattern governments. When they did not, as in reform of the state administration or privatization, this remained largely hidden for want of a systematic, first-hand evaluation by any external actor.

### **1995-1999: International Factors Help Shape Democratization**

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<sup>65</sup> Haggard and Webb 1994, 27.

International factors, especially the incentives of EU membership, began to have a fundamental impact on domestic politics in the mid-1990s by making rent-seeking strategies less tenable. During this period (1995-1999), the character of the elites who won power in postcommunist states no longer depended on domestic factors. “Active leverage” eventually helped remove nationalist pattern governments from office by tarnishing them in the eyes of the electorate, by coaching the opposition, and by providing a convincing electoral platform based on economic prosperity by way of EU acceptance. In other words, international actors influenced domestic politics not by pressuring nationalist pattern governments into moderating their policies (this failed), but by changing the behavior of the opposition and the outcome of subsequent elections.

In nationalist pattern states in the early 1990s, the West confronted the mistreatment of ethnic minorities, the contravention of democratic standards, and the unsteadiness of progress towards a market economy as well as tense relations between neighboring states.<sup>66</sup> As war ravaged Croatia and Bosnia, ethnic scapegoating elsewhere in postcommunist Europe got the EU’s attention. But the EU's passive leverage on nationalist pattern states was significantly weaker than on liberal pattern states, as governing elites calculated that meeting explicit and implicit standards would require sacrifices that would risk their political futures.<sup>67</sup> The oft-heard call to defend the nation's sovereignty signaled the boundary between Western endorsements -- to be solicited -- and Western demands on ethnic minority rights and economic reform -- to be opposed.

Active leverage -- the deliberate attempt to influence domestic politics -- was applied in two ways. First, the EU and other international institutions tried through diplomatic channels to pressure governments to change particular policies, especially to improve the provision of ethnic minority rights. But this pressure was largely unsuccessful in the nationalist pattern states.<sup>68</sup> Second, the EU publicly

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<sup>66</sup> For the first treatment of the power of Western leverage to pacify postcommunist Europe, Van Evera 1992.

<sup>67</sup> Offe 1997, 60-61.

<sup>68</sup> The liberal pattern states, in contrast, did react to Western criticism of their treatment of the Roma, and Hungary changed tack due to Western censure of its aggressive advocacy of the rights of ethnic Hungarians abroad. For the first postcommunist government of Hungary, the goal of improving the situation of ethnic Hungarian minorities in neighboring states clashed at times with its goal of attaining rapid EU and NATO membership. This was chiefly because it worried the West by refusing to normalize relations with Slovakia and Romania until the treatment of the

expressed its approval and disapproval of government policies, and linked its judgments to a state's eligibility for EU membership. Even when the threat of exclusion made the costs of not complying with the Copenhagen criteria clear, Western pressure to change particular policies had surprisingly little effect on nationalist pattern states except at moments when there were clear and immediate pay-offs to cooperation: when a state's eligibility for the Council of Europe was being evaluated, or when a loan from the IMF or the World Bank was at stake. Even then, ruling elites changed their domestic policies only in superficial, short-term ways.

Of greatest concern to Western actors were governments whose use of nationalism threatened the rights of ethnic minorities and peaceful relations with neighboring states. One of the first examples of the use of active leverage, the Balladur Plan of 1993, was designed to use the carrot of future EU membership to encourage East European states to settle national disputes: to pledge their acceptance of existing boundaries and their protection of the rights of national minorities. The prospect of a March 1995 conference did cause Hungary and Slovakia to sign a long-delayed treaty on good relations in which the Slovak government agreed to ambitious provisions for the protection of minority rights. It also caused Hungary and Romania to make advances in their troubled negotiation of a similar treaty. But the Balladur Plan exhibited the powerlessness of the EU to sway nationalist pattern governments with the threat of exclusion from a distant first wave of EU expansion. The nationalist governments of Slovakia and Romania, though they signed exemplary treaties with Hungary abroad, failed to abide by their provisions at home.<sup>69</sup>

In the case of Slovakia, the EU resorted to the "démarche" as a tool of active leverage. Slovakia merited special attention because it sits on the EU's borders, and because its nationalist government outlived those in Romania and Bulgaria. EU démarches in 1995, 1996 and 1997 served as a signal to the electorates and to economic elites that government policies were risking Slovakia's place

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Hungarian minorities in those states improved. The West's pressure came to bear on Hungary particularly when it sought to veto Slovakia's admittance to the Council of Europe: the West Europeans and Americans strongly preferred inclusion (and there ended the Council's leverage on Slovakia). Author's interviews with Geza Jeszenszky, Foreign Minister of Hungary 1990-1994, Budapest, June 1998; and Rudolf Joo, State Secretary, Ministry of Foreign Affairs, June 1998.

<sup>69</sup> For the argument that repressive governments move from denial to tactical concessions before either changing policy or losing power in the face of domestic and international pressure, see Risse 1999.

in the EU membership queue. The démarches were unsuccessful in compelling the Meciar government to end chauvinist and corrupt practices. However, they did frighten it away from a few anti-democratic excesses, such as the expulsion of a democratically elected party from parliament. As the démarches sent to Slovakia became increasingly specific, it became more difficult for the Meciar government to recast them as general approbation or to reject them as blanket condemnation of Slovakia. The increased institutional capacity of the Commission to follow domestic politics in applicant states enabled it to provide detailed criticisms of the Meciar government's policies, which meant that they packed more of a domestic political punch. Moreover, as the enlargement project became more concrete, the governments of member states -- who must approve a démarche -- became more willing to take a decisive stand on issues of domestic politics.<sup>70</sup>

The limit of the EU's political will to exercise a more deliberate or "active" leverage was demonstrated by its failure to suspend Europe Agreements with nationalist pattern states. Such a suspension, which would have amounted to a serious economic sanction, was never considered -- even though the Europe Agreements included provisions stipulating that democracy and ethnic minority rights must be upheld in order for the Agreement to be valid.<sup>71</sup> In 1995 and 1996, the suspension of the Europe Agreement with Slovakia might have proved a particularly effective sanction: Slovak ruling elites relied heavily on revenues from enterprises whose exports were enabled by the Agreement. EU officials explained publicly that the Europe Agreements were viewed as the groundwork for integrating -- not isolating -- eastern candidates. More important, Western producers would have suffered losses from the suspension of free trade with Slovakia.<sup>72</sup> The economic character of the Europe Agreements -- and of the EU itself -- was underscored by the fact that throughout the 1990s the EU promptly and decisively sanctioned the violation of their trade provisions, but never their political provisions.

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<sup>70</sup> Author's interviews with Eduard Kukan, Chairman of the Democratic Union and (future) Foreign Minister of Slovakia, Bratislava, July 1998; Michael Rupp, European Commission, Brussels, July 1998; Petr Javorcik, Slovak Delegation to the European Union, Brussels, November 1998; and Miroslav Wlachowsky, Director of Policy Planning, Slovak Ministry of Foreign Affairs, July 1999.

<sup>71</sup> Author's interviews with officials of DGIA, European Commission, Brussels, July 1998 and May 1999.

<sup>72</sup> On the impact of international capture on economic sanctions, Mansfield 1994, 134-37.

## **Oppositions and Electorates Influenced by the Prospect of EU Membership**

Once the EU began to judge the quality of reform in aspiring member states and link its assessments publicly to a candidate's prospect for EU membership, it influenced the outcome of elections by helping to change the preferences of domestic actors. It undermined the political strategies of ethnic nationalism and economic corruption by providing compelling alternatives to political and economic elites. Electorates were overwhelmingly in favor of a Westward orientation for their countries and for rapid membership in the EU, which they considered the only path to increased economic prosperity.<sup>73</sup> The EU's vocal criticisms -- echoed by a growing number of local civil society groups and opposition parties -- gradually revealed that nationalist pattern governments were not, despite their claims, leading their countries into the EU. This invites further research on how the rush to join Europe -- linked as it is with the quality of government and the course of economic reform -- has impacted voting patterns in postcommunist states.

Oppositions in Slovakia, Romania and Bulgaria used clear signals from the EU and NATO -- along with Western money and advice -- to position themselves as credible challengers to the hegemony of postcommunist nationalists. The most successful electoral platform included attacking the ruling elites for forsaking the country's prospects of a "return to Europe." Parties of the center-right and center-left had been neither strong nor unified in these countries after 1989, nor had they necessarily been "moderate" or "liberal." Western representatives of international institutions and non-governmental organizations were on hand to coach opposition politicians and local civil society leaders on the substance of a liberal democratic agenda.<sup>74</sup> Over the course of the 1990s, many opposition politicians shifted substantially their position on ethnic minority rights and on economic reform to make their parties fit the increasingly attractive "pro-EU space" on the political spectrum.<sup>75</sup>

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<sup>73</sup> On public opinion and enlargement, Leigh 2000; Eurobarometer 1990-1997; New Democracies Barometer 1994 and 1998.

<sup>74</sup> See Schmitter and Brouwer 1999.

<sup>75</sup> Author's interviews with dozens of opposition politicians and civil society leaders in Slovakia, Bulgaria and Romania in 1998 and 1999.

Meanwhile, economic elites also rallied behind an EU orientation as economic prosperity became increasingly linked to the West. Some had benefited from corrupt privatization, but now found it in their interest to break clientalistic ties to the ruling parties and to protect their ill-begotten gains through the rule of the law. Access to the EU market and other Western commercial opportunities could only be guaranteed by ending their country's outcast status and putting it on track for EU membership (though these incentives would have been much stronger if the Europe Agreements had been suspended). In this manner, the economic interest groups in favor of international cooperation eventually became stronger in the nationalist pattern states.

Slovakia most clearly defied the argument that geography alone would predict the course of democratization, and that only states once removed from the EU's borders would fall into the hands of nationalist politicians. Slovakia's rent-seeking elites were the most extreme, in the sense that they sacrificed Slovakia's inclusion in NATO and Slovakia's place in the first group to begin negotiations with the EU. Both were virtually guaranteed to Slovakia given good political behavior. Romania and Bulgaria's inclusion -- whatever the tenor of their governments after 1989 -- was less certain because of geography and of economic backwardness. It is worth remembering, however, that Slovak voters elected opportunistic nationalists in the crucial 1994 elections partly because Slovakia was a brand new state, where appeals to identity held particular sway and where an elite shortage created a substantial political vacuum.

That voters learn to identify the losses in economic welfare and state security incurred by the rule of nationalists, and that oppositions learn to organize themselves around a pro-EU political platform, helps account for the electoral victories of reformers in Romania in 1996, Bulgaria in 1997 and Slovakia in 1998. In the cases of Romania and Bulgaria, a severe deterioration of the economy is a competing explanation for the change in government. But the economic crisis was exacerbated if not caused by the same inefficiencies of corrupt economic reform and the same disregard for international constraints that retarded accession to the EU and NATO.<sup>76</sup>

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<sup>76</sup> The economic crisis in Bulgaria in the winter of 1996-97 led to the fall of the BSP government and to early elections that brought reformers to government. In contrast, Romania did not experience a full scale economic crisis. The absence of crisis had two negative consequences: the unreformed former communists retained some credit, and the

On the pattern of Romania, Bulgaria and Slovakia, the electorate in Croatia ousted Franco Tudjman's nationalist government in early 2000 and brought to power a broad coalition of Western-oriented parties who had run on a platform of earning EU membership as rapidly as possible.<sup>77</sup> That ethnic nationalism failed to win elections after the "threatening" Serbian minority had been brutally expelled from Croatia was not remarkable. It will be remarkable, however, if the incentives of joining the EU's pre-accession process convince the Croats to encourage the Serbian minority to return.

In the most deliberate instance of "active leverage" to date, the EU worked in 1999 and 2000 to remove Slobodan Milosevic's government from power in the FRY by spelling out that ethnic nationalists in power preclude prosperity by way of eventual EU membership. To this end, it sought to raise esteem for the discredited and disunited opposition parties of Serbia by providing them with tangible economic support and international recognition in a high-profile diplomatic relationship nicknamed "Contract with Serbia." Much like elsewhere, the Milosevic government lost elections in late 2000 to a broad, pro-reform coalition whose existence and political strategies are strongly conditioned by Western support.

### **Globalization, Europeanization or Effective Conditionality?**

Was the EU's active leverage really a key factor in the defeat of nationalist pattern governments to moderate oppositionists in elections in Romania, Bulgaria and Slovakia after 1995? We could argue instead that these countries sooner or later would elect political leaders that embarked on pro-Western reforms. They would do so because of the inescapable pressure of the world economy: globalization, not EU leverage, provides the impetus for reform. Or, they would do so because even in good economic conditions, let alone in bad ones, voters like to throw out the incumbent government. Thus

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reformers were not forced to implement immediate and sweeping reforms. Similarly, economic crisis in Poland in 1989 and in Hungary in 1994 forced decisive economic reform and the absence of such a crisis in the Czech Republic allowed for dithering which proved costly in the long-run. That economic crisis may strengthen democracy is counter to the findings of Przeworski and Limongi 1997, 167-169, and points to the unique political condition of credible candidates for EU membership.

<sup>77</sup> Fisher 2001. Also author's interviews with Goran Pitic, Economic Institute, Belgrade in Liechtenstein, June 1999; and Miljenko Dereta, Civic Initiatives, Belgrade in Bratislava, July 1999.

the impact of short-term economic dissatisfaction on the electoral cycle, not the promise of long-term prosperity by way of EU membership, provides the trigger for electoral change. On these accounts, the EU is largely irrelevant. We could also argue that the rewards of EU membership (passive leverage) are so substantial that eventually all plausible candidates in the region will come around to electing a pro-EU government and get to work on fulfilling the membership requirements. On this account, the EU's deliberate policies (active leverage) are irrelevant. At most, they serve to speed the process up on the margins.

If these competing explanations were accurate, we would not expect to see the opposition parties using rehabilitation in the eyes of the EU as such a prominent campaign slogan. The fact that they did so prepared the electorate to expect the new government to get the country elevated to the next "stage" in the accession process (signing an association agreement or opening negotiations). This required implementing tough reforms that, in the short-run, only worsened the economic situation for the bulk of the electorate. Once elected, all three new, post-opposition governments treated EU accession requirements as an overriding priority and used them to justify reform. Meanwhile, if moderation of the opposition did not depend on the EU's active leverage, we would expect to see effective mobilization around these issues in the early 1990s instead of only after 7-8 years of nationalist pattern rule. The benefits of membership were obvious enough, certainly to elites, as early as 1990. But back then, on their own account, the opposition forces were weak, divided and none too moderate.

### **Active Leverage on Nationalist Pattern States after Electoral Change**

For EU member states, the strategy of using conditionality to change the behavior of postcommunist neighbors can be considered a success, as by the close of the 1990s it had worked in many postcommunist states at little cost.<sup>78</sup> The underlying force remained the attractiveness of the EU

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<sup>78</sup> See Baldwin 1999; and Schmitter and Brouwer 1999.

as an organization, and the chief cost was a commitment regarding future benefits.<sup>79</sup> But after the exit of rent-seeking governments in nationalist pattern states, a significant challenge for the pre-accession process is how to keep governments and publics committed to reform when the confluence of geography, economic backwardness, incompetence and years of counterproductive government means that EU accession is still a long way off. Once in power, moderate, Westernizing governments are faced with the task of implementing the difficult economic reform and ethnic reconciliation that were purposefully thwarted by the previous government. EU requirements include economic reforms that lead to short-term economic hardship for the population. Ethnic reconciliation is also divisive in countries where the population has been conditioned to feel threatened by the minority, and where domestic political discourse has been heavily ethnicized. Meanwhile, the rewards short of EU membership that would be the most effective in shoring up popular support for Westernizing governments – what I call “intermediary rewards” – are also the most difficult for the EU to deliver on account of domestic politics in EU members states.<sup>80</sup> However, the EU has substantially increased its provision of intermediary rewards – including political association, financial assistance, market access and visa-free travel – to Balkan states in its efforts to foster stability and reform in the wake of the Kosovo crisis.

Does the election of reformers make nationalist pattern states into liberal pattern ones? Some political differences between the two groups are likely to be abiding ones. In liberal pattern states, it makes little difference for EU accession and for economic reform which constellation of mainstream parties wins in national elections. However, in nationalist pattern states the cyclical exchange of governments makes it possible that nationalist parties, now in the opposition, will be returned to power. In what measure will they still rely on their previous political strategies of ethnic nationalism and economic corruption? Where this return to power takes place, it will provide a test for whether the changes in preferences brought about by pro-Western economic policies and by participation in the

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<sup>79</sup> If a spirited EU policy towards the Balkans, however, could have prevented the impoverishment and devastation of the Yugoslav wars, then the absence of such a policy may have been extraordinarily costly. See Garton Ash 1999, 208-222, 316-331.

<sup>80</sup> Vachudova 2000(a); and Emerson and Gros 1999.

EU's pre-accession process are enduring. It will show how much ground the groups in society that benefit from opening to the West -- from increased economic cooperation and improving prospects for EU membership -- will have gained during government by reformers. Romania, where the old ruling nationalists returned to power in late 2000, will provide the first such test.

### **The Merit of Meritocracy**

So far the EU has adopted a roughly merit-based approach to enlargement: an applicant's place in the membership queue corresponds more or less to the progress it has made toward fulfilling the requirements. Governments would cease to devote so much political capital to meeting the requirements of membership if it was obvious that the quality of preparations could be trumped by domestic politics in EU member states. While strict requirements mean a great deal of work for applicant states now, in principle they protect those applicants who, for structural reasons, are difficult for EU member states to absorb. For EU politicians facing re-election, for example, it would be more comfortable to admit a state with a low potential to export workers -- irrespective of how well large swaths of the *acquis* have been adopted. In this sense, at least in principle, a merit-based accession process creates rules which tie the hands of politicians not just in aspiring member states, but also in existing ones.

I have argued that (1) if EU membership is the best strategy for increasing welfare in a postcommunist European state, and (2) if EU membership can be obtained by meeting clear domestic requirements, then it is possible to demonstrate how well the international cause of EU membership is served by the domestic policy choices of different types of ruling elites. For some South East European states, however, the second assumption may be called into question. Political elites in distant, poor and populous states may legitimately doubt that the EU will ever let them in, even if they fulfill the requirements. Given their economic backwardness and the weakness of their state administration, it will take years to meet the requirements. Given their distance from the EU's borders, their political and economic success may be of less importance to West European leaders (and here geography

unquestionably plays a role). It is very difficult to predict whether, in so many years, the commitment to ongoing enlargement will be kept. Indeed, the very fact that such a candidate is drawing closer to qualifying for membership may change preferences regarding enlargement among existing EU member states as workers and agricultural goods are poised to enter the EU market: Existing EU member states may well violate the “meritocracy” rule and prevent accession.

Does the high uncertainty about the payoff of EU membership and the fact that it is so far in the future lower the value of membership so much that South East European states are ultimately unwilling to make real efforts to meet EU requirements? I find that this is not the case. The potential pay-offs of membership are so great that it makes sense for a reform-oriented government to behave “as if” it is certain that the second assumption does hold: that enlargement will continue on the basis of merit. This makes sense in the context of the popularity of EU accession among the electorate: If the Commission charges a government with little progress, this will have repercussions -- especially if a country is clearly falling behind neighboring states. This makes even more sense in the context of the intermediary rewards offered by the EU: financial assistance and foreign investment increase as membership draws closer. Most important, commitment to the accession process lends credibility to liberal economic reform and locks in access to the EU market, thus factoring heavily into the decisions of foreign investors.<sup>81</sup> There are immediate sanctions to falling behind on work to achieve a long-term goal, even if its ultimate attainability is uncertain.<sup>82</sup> This is itself a powerful indication of the importance of EU leverage on the domestic and international behavior of East European states.

## **CONCLUSION**

The democratization of East European states on the borders of the EU after 1989 has created a unique opportunity for studying the domestic sources of foreign policy. This is so because EU

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<sup>81</sup> Kaminski 2001, 40. See also World Bank 2001.

<sup>82</sup> Author’s interviews with Steffan Skovmand, First Counselor, Delegation of the European Commission in Romania, Bucharest; Sergiu Celac, Foreign Minister of Romania 1989-1990, Bucharest; Antonette Primatarova, Deputy Minister of Foreign Affairs of Bulgaria, Sofia; and Ognyan Minchev, Executive Director, Institute for Regional and International Studies, Sofia, November 1998.

membership is a foreign policy goal that, if taken seriously, must be reflected in almost every aspect of domestic policymaking in an applicant state. As a result, the possibility of attaining EU membership provides a ready test of the argument of liberal theory that the relationship between state and society determines the tenor of a state's foreign policy – as opposed to a state's prowess and position in the international system.

In this article, I identified a liberal and a nationalist pattern of political change among East European states. I then showed how the cost to governing elites of fulfilling the EU's domestic requirements varied between the two groups of states according to the political elites' dependence on ethnic nationalism and economic corruption to win and keep political power. While the incentives of EU membership were uniform and enormous for both groups, in nationalist pattern states power was concentrated in the hands of a small circle of elites whose political and economic strategies violated EU membership requirements. The way that these elites governed thus violated the logic of any systemic theory of foreign policy. It also came at the expense of virtually all other groups in society, for whom moving towards EU membership would have been more beneficial.

The EU had a causally important influence on the course of political change in East European states, but not right away. During the first period (1989 to 1994), the EU's "passive leverage" – the attraction of membership – only reinforced domestic strategies of reform in liberal pattern states. It failed to avert rent-seeking strategies of ethnic scapegoating and partial economic reform in nationalist pattern states. During the second period (1995 to 1999), the EU's "active leverage" -- centered on the extensive and well-enforced requirements of membership -- shaped almost every area of domestic policymaking in some 15 candidates and proto-candidates. For nationalist pattern states, the EU's "active leverage" meant exclusion from the benefits of drawing closer to EU membership. But even active leverage failed to change the domestic policies of nationalist pattern governments. In the context of periodic elections, however, exclusion made rent-seeking strategies of ethnic scapegoating and economic corruption less tenable, and contributed to the victory of opposition political parties that organized themselves around a pro-EU platform.

The most highly developed international institution in the world, the EU, also offers the greatest benefits of membership, insists on the most extensive requirements, and therefore exercises the greatest potential leverage on the domestic politics of credible future member states. This explains why democratization and economic reform in East European states has been materially affected by an external actor, the EU. This is in contrast to other states in the world where scholars have generally found that external actors have a negligible impact on the course of democratization and sustained economic reform. A key to the EU's leverage is the meritocratic nature of the enlargement process. The EU's form, an international institution open to all European states, combined with the Commission's merit-based rules for a state's promotion toward membership, created a dynamic process that has allowed EU leverage to influence domestic politics in a growing number of plausible candidate countries.

The leverage of the EU represents a new field in the study of European integration and of international relations, and raises many fascinating questions for empirical study. More important, the incentive of joining attractive international institutions increasingly compels potential members in other parts of the world to take steps toward consolidating economic reform, improving democracy and respecting minority rights. In the case of the EU, I have demonstrated that the substantial benefits combined with the extensive requirements of membership create the potential for states to embark on fundamental domestic transformations in order to qualify for membership. Changes in the world economy are raising the salience of international institutions to economic prosperity and present other cases for testing this hypothesis: Witness the difficult reforms that China is implementing in order to gain admittance to the World Trade Organization. The growing importance of international institutions and their insistence on ever more strenuous accession requirements may prove to be one of the most important international causes of domestic political and economic change in the coming decades.

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### **Acknowledgements**

For comments on earlier drafts, I thank Michael Doyle, Thomas Ertman, Matthew Evangelista, Karen Ferree, Peter Hall, Stephen Holmes, Elena Jileva, Judith Kelley, Michael Leigh, Andrew Moravcsik, Martin Rhodes, Thomas Risse, Richard Rose, Philippe Schmitter and Timothy Snyder. Earlier versions of this article were presented at the 2001 ECSA conference and the 1998 Annual Meeting of the APSA. I thank as well participants in seminars of the European Forum at the European University Institute, the Department of Political Science at Yale University, the Center for European Studies at Harvard University and the Center for International Studies at Princeton University.