THE FIRST DECADE OF ACCESSION TO THE EU – A POLITICAL ECONOMY PERSPECTIVE OF CEE COUNTRIES

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***Abstract**:*
Countries in Central and Eastern Europe (CEE) are related, in large part, to a common political and economic history that has regularly been conditioned by their membership in various multinational political communities in which they usually had a subordinate role. After the collapse of the socialist system in which they were submerged by the end of the Second World War until the last decade of the twentieth century, CEE countries have stepped in the way of not only economic but also of societal transition to market economy and democracy, as shown in the first part of this paper. This was reflected in their approach to regional economic, political and military associations, especially the EU and NATO, where they saw the possibility of realizing its security and development aspirations. At the same time the older member states of the EU and NATO, each in their own way, recognized those future partners with which it is opportune to develop mutually advantageous political, military and economic relations, as shown in the central part of this paper. After 25 years of transition and 10 years of membership in the EU, in conclusion, the authors point out certain benefits, from higher levels of military security and a better negotiating position with third countries, through higher standards of living, to the political stability and the stability of the institutions which have been developed in the process of accession and later participation of 8 CEE countries in the EU.

***Key words:** EU integration, CEE Countries, regional economic integrations, transition*

PRVO DESETLETJE ČLANSTVA V EVROPSKI UNIJI – POLITIČNO EKONOMSKA ANALIZA DRŽAV VZHODNE IN SREDNJE EVROPE

***Povzetek*:**
Države srednje in vhodne Evrope imajo v veliki meri skupno politično in gospodarsko zgodovino, ki jo je v veliki meri določalo njihovo članstvo v različnih večnacionalnih političnih skupnostih, v katerih so običajno imele podrejeno vlogo. Po padcu socialističnega bloka, v katerega so bile vključene po drugi svetovni vojni, so države srednje in vzhodne Evrope stopile na pot ekonomske in socialne tranzicije k tržnemu gospodarstvu in demokraciji. To se je kazalo v njihovem približevanju regionalnim ekonomskim, političnim in vojaškim povezavam, zlasti EU in NATU, v katerih so videle možnosti za uresničitev svojih varnostnih in razvojnih teženj. Istočasno so članice EU in NATA, vsaka na svoj način, priznale bodoče partnerice, v katerih so videle potencial za krepitev političnih, ekonomskih in vojaških odnosov, ki bi bili v korist obema stranema. Po petindvajsetih letih tranzicije in desetih letih članstva v EU je mogoče razbrati nekatere koristi, ki jih zaradi članstva uživajo države srednje in vzhodne Evrope. Med njimi so zlasti višja raven vojaške varnosti, boljši pogajalski položaj v razmerju do tretjih držav, višji standard življenja, politična stabilnost in stabilnost institucij, ki jih je osmerica razvila tekom približevanja in kasneje članstva v Evropski uniji.

Ključne besede: *Evropska unija, države srednje in vzhodne Evrope, regionalne ekonomske povezave, tranzicija*

1. Political economy of CEE since 1991

After the overthrow of Communism in 1991 the political and economic landscape in CEE countries changed dramatically. The return of democracy and of capitalism was a lot easier to imagine then to implement. Every one of the 8 CEE had its own unique agenda in its goals to pursue at its domestic and international front. From the stand point of international political economy, we can broadly identify two goals in foreign polices of these 8 countries:
1. Join the EEC (later EU).
2. Join the NATO.

In years 1989-1991 the communist regimes of Central and Eastern Europe fell. All of them were toppled by their disillusioned citizens who no longer believed that these regimes could deliver on their promises of "better life and fairer society". All of these states started to look for inspiration westwards and they aimed to become a normal European state. That was an idea whose time had come. Elites and citizens of Central and Eastern European states generally thought of impending economic and political transitions as conditions which had to be met in order to "return to Europe". Even those who argued that one could not "return" to a place (Europe) that one had never left still acknowledged the need for radical changes.[1] Somehow a consensus between elites and citizens came into being that their states should join the European Union (EU) and the North Atlantic Treaty Organization (NATO). Those two goals had a great impact on economic, political and social transitions in these countries.

Yet, the real question raised here is why the political elites of these 8 countries after centuries of foreign rule be it by Habsburgs, Hohenzollern, Romanovs or Soviets, decided to trade their newly acquired political independence in order to join EU and NATO? We presume that the incentives for these kinds of behaviour came from two sources. The EU as we will see has learned its lesson well from the demise of Yugoslavia and offered a vague promise of a distant membership to CEE countries as a way to lock in transitional reforms, but crucially it also provided some material assistance to these countries. The second incentive for these countries to join EU came from their citizens. Television is a powerful media and the pictures of material abundance in the West, actually created a want in the heads of the citizens of these countries to live as well as the citizens in the West.

Some of the political and economic goals of the EU membership were:
- Return to the Western cultural and political space to which these countries belonged for majority of their history;
- Locking in desired political and economic reforms;
- The possibility to attract fresh stock of capital, especially FDI, since the loans from governments, due to newly implemented policy of *hard budget constrains* were no longer an option in the 1990s;
- Building stronger trade links with the developed countries in Western Europe, which were needed to substitute for the loss of trade links with the former USSR;
- Defensive reasons.

The standard of living in the EEC and Western Europe obviously played the most important attraction for the citizens of CEE countries for their countries to join EEC/EU. Simply having better standard of living and being able to consume more goods was the most important reason for the support the EU enjoyed in CEE countries. To put it bluntly after consumption needs and wants were realized the ideas of human rights, democracy etc played the second most important part in the thinking of the average CEE citizen.

NATO on the other hand was the logical expression of the will of these countries to escape the Russian political, economic and military sphere of influence[2]. Russia had been dramatically weakened by the demise of the USSR. The New time of troubles began in Russia in 1991 after the country became independent again. Russian political and economic transitions have been so badly mismanaged that they became almost proverbial. The fall in the GDP and the redistribution of national wealth which took place from 1991-1997 became almost legendary examples of crony and predatory capitalistic systems. Under the leadership of president Yeltsin Russia became a laughing stock of Europe and the World, a dangerous thing for a country, which has nuclear weapons. The Russian inability to deal with the ethnic and religious problems in the Caucus region from 1994 onwards weakened Russia even further in the eyes of the international community. The politicians and the elite in CEE states were actually quite aware that the Russian weakness is probably only a temporarily condition at best of times. With their experience of centuries of Russian rule and danger they were able to establish that this happy state of affairs (for CEE Europe) will not last forever and that Russia with its abundant mineral wealth is sooner or later going to reposition itself as, at least, a regional player. Indeed the history of Russia is one of rise and falls. If some of the elder politicians in CEE country during the early 1990s lived their youth in the inter-war years where USSR has been treated as almost a second rate power which managed to lose its one international war to much smaller Polish state in 1921, they spent their mature and some of their twilight years living in countries which were little more than satellites of USSR. The new weakness of Russia was to be exploited and used as an opportunity to leave Russian sphere of influence for quite some time. This reasoning of the CEE elites proved to be more than rational since resurgent Russia under the President and later Prime Minister Putin managed to impose its will on its near abroad (Chechnya, parts of Georgia, now Ukraine seems to be on the menu with Crimean peninsula already being made part of Russia).

2. Transition in Central and Eastern Europe: Some general features

The transition from the socialist economic system to the capitalistic economic system was going to be a hard time for any country in Central Europe (well perhaps not for all, East Germans had the advantage of being reunited with their Western brethren, which had the functioning capitalistic economy and thus it was excepted from them to know what to do, but even this transition went harder than anybody expected).
What was to be done? Central Eastern Europe seemed to be buzzing with different ideas

in those magical years from 1989-1992, who had only two things in common. One; the communist system had to be reformed and done with, and two; it had to be replaced with capitalistic economic system with democratic political system. Everything else was left for imagination and implementation to domestic political and economic elites.

If elections are indicators of political and economic ideologies changing with the change of the political elites then we can identify two distinctive groups of CEE countries. The first one would be the Baltic states plus Slovenia and the second group would be the original Vyshegrad member states of Poland, Czech Republic, Slovakia and Hungary. In the words of Bohle and Gerskovits[3]:

> ‘Over the whole period following the collapse of state socialism, centre-right parties and governments enjoyed broad support and uninterrupted hegemony in Estonia and Latvia. Slovenian politics exhibited no less continuity. However, in that country it was the centre-left that remained in power for a long period. In turn, politics in the Vyshegrad countries has been marked by the regular alternation of right-wing and left-wing parties in power with incumbents usually voted out by the electorate. In Poland (and Hungary until 2006), no incumbent was able to govern for more than one term. In the Czech and Slovak Republics the left–right alternation occurred in two-term long intervals with the second term usually bringing about a weakened minority government of the left or the right’

Polish economist Kowliak sums up the agreed guidelines for transformation of the Polish economy and society reached by the round table negotiations in 1989 like this:

> ‘They declared: abandonment of administrative planning in favour of steering the economy by mainly economic levers, a far reaching liberalization of prices, a possibility of privatization of state firms, constitutionally guaranteed, equal treatment of different forms of ownership and even creation within two years the Warsaw Stock Exchange.’[4]

The Hungarian experience[5] was almost the same. The main objects of economic transitions, according to Balcerowicz[6], were:
(1) *Liberalization*
- Microeconomic liberalization of prices (elimination of price controls)
- Currency convertibility and removal of all major quantitative restrictions on foreign trade; removal of external barriers to entry
- Removal of internal barriers to entry (i.e. to developing and setting up new private enterprises)

(2) Macroeconomic stabilization policies
(3) *Institutional reform* (changes in existing institutions; privatization of state enterprises, reorganizing the state administration, reform of the tax system, financial system reform. (Balcerowicz, 1995, p. 239).

Balcarowicz`s objects of economic transition should not be neglected since in his capacity as the Polish minister of finances he was faced with all the problems of the transitional process. There were certain core questions[7] the reformers in transitional economies have been faced with:

- *Internal price liberalization* - It focused entirely on the removal of administrative prices and price controls and the phasing out of state procurement at non-market prices, and excludes utility tariffs;
- *External liberalization* – abolishing multiple exchange rate policy, as well as majority of administrative restrictions (tariffs and quotas), with agriculture being a typical exception and applying for the membership in the World Trade Organization (WTO);
- *Competition policy* - Unrestricted entry to most markets; competition and anti-trust institutions and legislation; break-up of monopolies;
- *Large-scale privatization* - The progress was measured by the percentage of large-scale enterprise assets being transferred to private owners, with 25 per cent, 50 per cent and 75 per cent being used as threshold levels for assessment; the subsequent criterion is the quality of governance of these enterprises;
- S*mall-scale privatization and freedom of market entry* Complete privatization of small companies resulting in ownership rights that can be transferred with no restriction, effective tradability of ownership rights for land, freedom of market entry for new enterprises;
- *Governance and enterprise restructuring* - 'Hard' budget constrains: tight credit and subsidies policies, enforcement of bankruptcy legislation; effective corporate governance provided by capital markets and banks; active owners and investors, well-functioning markets for corporate control; evidence of efficient restructuring and investment;
- *Bank reform and interest rate liberalization* Full interest rate liberalization, no preferential access to cheap refinancing; banking laws and regulations consistent with Bank for International Settlements (BIS) standards related to capital requirements, supervision and market discipline, availability of a full set of banking services; significant provision of lending to private enterprises, privatization of banks;
- *Securities markets and non-bank financial institutions (NBFls)* -
Fully developed NBFls (collective investment schemes, private insurance and pension funds, leasing companies), substantial market liquidity and capitalization of the stock exchange, substantial issue of securities by private enterprises, convergence of securities laws, regulations and practice with international standards set by the International Organization of Securities Commissions, protection of minority shareholders and, generally, all other customers of financial services; fair, efficient and transparent organization of financial markets, minimizing systemic risk, secure clearance and settlement procedures.

The real question in transitional economies was: Should they opt for a slower transition from socialism to capitalism (the so called gradual approach) or for a quicker transition (the so called big bang or the shock therapy approach)? Both of these approaches had their good and bad sides. Balcerowicz was the champion of the big bang or the shock therapy approach. Poland favoured the big bang approach to economic transition, while Slovenia favoured gradualist approach to economic transition, all the other countries fall somewhere in between these two examples (though there were elements of the gradualist transition present in Poland especially in reference to the shipyards in Gdansk and Gdyna, while some elements of the big bang approach were certainly favoured by some Slovenian economists). Mencinger, on the other hand, offers this critique of the classification of the transition models of big bang therapy and gradualism. In his words:

> 'The dichotomization of transition patterns into "shock therapy" and "gradualist" models is inadequate for the classification of transition economies for two reasons. First, the observed patterns of transition were rather chaotic mixtures of systemic changes and changes in economic policies, some of which could be considered elements of a gradualist approach whereas others could be viewed as elements of shock therapy. Second, what was a shock for one country, for example, price and trade liberalization, was an element of a gradualist approach or even of initial conditions in another. What really mattered for the choice of tools and for the outcomes of transition were initial conditions.'[8]

The moral dilemma of privatization

The first question Central European countries had to answer was how they were going to treat the nationalized property of their present day citizens, as well as those who held certain property in the recent past and have lost their citizenship, not to mention the Catholic Church property (Latvia and Estonia had no such problems with the Catholic church property since these two countries are predominantly Protestant)? The Czechs, for example, decided to return the property to Jewish minority, but refused to return the property to German minority. They also slowly returned the nationalized property to Catholic Church. Hungarians also decided to return property to Catholic Church, but in order to be eligible for restitution of property the Jews had to have residence in Hungary. In Poland Jeffreis[9] writes that:

> 'Only a limited amount of partial compensation was to be available to certain former owners. A draft law was to be submitted to the Sejm in May 1995. Only property confiscated between 1944 and 1962 in violation of the law at the time would be covered. Compensation would be in the form of 'privatization coupons', with no restitution in kind: *Transition*, 1995, vol. 6, no. 3, p. 18. Restitution may only be enforced if the original nationalization law provided for compensation and none was paid...'

In Slovenia, for example, the Restitution and Denationalization Law of 1991 was passed in order to curry favour from the Catholic Church. By this law the claimants for restitutions had to be Yugoslav citizens as of 9th May 1945. But there was a general hostility to this law and these measures. The foreign press viewed the initial Slovenian hesitation to hand over the nationalized property to Germans, Austrian and Italians as signs of nationalism. Over the past years a number of Italian, Austrian and German families whose estates had been expropriated in the 1940s have lodged claims for restitution. Worried at the prospect of the return to private hands of another 15 per cent or so of the country's woodlands, prime minister Janez Drnovšek's ruling Liberal Democracy of Slovenia 'has encouraged popular fears that the old landed aristocracy would get back their lands for nothing … Generally there is public hostility to the idea that the landed grandees might turn the budding bourgeois state back into a plutocracy.'[10] Slovakia for example had problems with the Hungarian minority and the Slovak government was reluctant to return the nationalized property to the Hungarians. The same could be said of the Baltic countries, which decided not to return the nationalized property to the Russian minority (luckily for them the majority of this minority population was settled to the Baltic countries after the 1945 so there was relative little to confiscate and later to return to their owners). These were the so called "moral" restitution dilemmas faced by the transition countries governments. As we have seen there were some favoured recipients of the restituted property (Catholic church e.g.), while on the other hand historical animosity prevented certain, primarily foreign, citizens to receive their property back (usually Germans, but also Jews, Hungarians, Austrians, Russians etc).

Privatization was the earliest sources of the FDI for these countries. The objectives of privatization in Central European countries were many such as increasing efficiency and productivity of privatized firms and of the economy as whole, improving the quality of goods and services, reducing the role of the state in the economy and managing and reducing the governments fiscals deficit, raising more revenue, creating a critical mass of private firms which would eventually put the economy on the healthy bases, promoting foreign direct investment and increasing the level of overall private investment, creating and deepening domestic equity markets and boosting public participation and confidence in a market economy.

Two dominant strategies of privatization came into being in the Central Europe. The first was the gradual privatization, where government first restructured the enterprise and later sold it, and the privatization went case by case. In the second model, the mass privatization, everything was sold almost at the same time. Slovenia and Hungary favoured the gradual approach to privatization, while Czech Republic was seen as the champion of the mass privatization. The other countries fall somewhere between these two examples. Poland followed no less than five privatization strategies and other countries changed between different types of privatization strategies.

The major form that the FDI took was the "brown field investment" that is the foreign companies bought existing industrial facilities. The governments wanted to attract the green field investments so they offered variety of incentives in order to lure the FDI to their respective countries. How successful were they? According to Neuhaus: 'In absolute values, the net inward stock of FDI in the transition countries increased almost eightfold -

from 20 billion US dollars in 1994 to 155 billion US dollars in 2002. Measured as a share of GDP, it rose from 6.9% to 31.8% over the same period'.[11] Besides our eight countries Neuahus used data for Bulgaria, Macedonia, Romania and Albania, nonetheless the data, taken from the World Bank survey of these countries is impressive. A five times increase in the FDI stock in Central Europe could mean only one thing, these countries did not have their own capital needed for transition, so they had to finance the transitional development form the external sources.

Regional economic arrangements in CEE prior to EU

Also, trade liberalization had to be accomplished, but this meant that domestic firms faced strong foreign competition from the more developed "western" firms, while at the same time losing their traditional export markets of the former COMECON countries. In order to safeguard their economic interests and making themselves more appealing for the FDI the Central European countries, having in mind the obvious benefits enjoyed by EU member states, formed their own free trade areas.

The smaller of these free trade areas was the Baltic free trade area established between the Lithuania, Estonia and Latvia in order to prepare them for the eventual membership of the EU. It has been argued that this free trade area has been made more at the insistence of EU, than of its member countries, which were more interested in gaining foothold at the EU market than trading with each other. BAFTA agreement was signed on 13th September 1993, and came into effect on 1st of April 1994. In 1997 the agreement was expanded to cover the free trade in agricultural products as well. BAFTA ceased to exist in 2004 when its member states became members of the EU. The cooperation between Lithuania, Latvia and Estonia went on at several levels: regular meetings of the Heads of the States, Ministers of Foreign Affairs (The Baltic States Council), parliamentary delegations (The Baltic Assembly), meeting of the three Baltic Prime Ministers (The Baltic Council of Ministers).[12] In this they were wholeheartedly helped by the Nordic states which granted visa free access to Baltic States citizens in 1994. This political and economic cooperation was followed by the military cooperation from 1995. They established multilateral security projects such as BALTBAT (Baltic Peacekeeping Battalion), BALTRON (Baltic Naval Squadron), BALTNET (Baltic Airspace Surveillance Network), and BDC (Baltic Defence College). There were a couple of factors which forced the Baltic States to cooperate as they did in BAFTA and in other regional integration projects. The number one factor was the fear of Russia. All of the Baltic countries have a sizeable Russian minority (30% of the Estonian population is made of ethnic Russian who still do not have basic citizen's rights). The other factor is that they were living together in some form of the Empire ever since the Middle Ages. Indeed Lithuania was the strongest of these countries and was the only one to achieve domination over the other two (15-17th century). The third factor which enabled cooperation between these states was the prospective membership in the EU, and EU was keen to prepare its potential members for its membership by promoting cooperation among the applicant countries. Zajedova rightly identified a big factor which prevented a closer integration between these countries. In her words:

> 'The main factors which hinder Baltic co-operation is the factor of sovereignty. For a long time the Baltic states have struggled for their identity and independence. Therefore, all questions related to these matters are still very sensitive. This explains the reluctance of the Baltic States to delegate even a part of their sovereignty to a joint power of supranational nature.'[13]

But no such objections were raised when the Baltic states joined EU in 2004. CEFTA, on the other hand, was a far more ambitious undertaking. The three largest transitional countries Poland, Hungary and Czechoslovakia signed a Krakow declaration forming CEFTA on 21st December, 1992. The agreement entered force in July 1994. After the break-up of Czechoslovakia in 1993, CEFTA membership "increased" to four member countries. In 1996 Slovenia joined CEFTA, followed by Romania in 1997, Bulgaria in 1998, and Croatia in 2003 (membership of CEFTA today is made by all the states formed after the break-up of the former Yugoslavia, minus Slovenia and Croatia, and plus Moldova and Albania). In order to become the member of original CEFTA the country according to Poznan declaration had to fulfil the following criteria:
1). WTO membership;
2). EU Association agreement with provisions for future full membership;
3). Free Trade agreements with all the current CEFTA member states.

The objectives of the CEFTA agreement were[14]:
a. to promote through the expansion of trade the harmonious development of the economic relations between the Parties and thus to foster in the Parties the advance of economic activity, the improvement of living and employment conditions, and increased productivity and financial stability.
b. to provide fair conditions of competition for trade between the Parties,
c. to contribute in this way, by the removal of barriers to trade, to the harmonious development and expansion of world trade.

CEE countries hoped to distance themselves from the lingering shadow of former USSR and make decisive step towards regional co-operation based on shared history and aspirations, as well as their combined population of approximately 65 million that would give them a stronger voice in Brussels and create a respectable common economic area with almost 65 million consumers.

Unfortunately, during the first phase of the agreements' existence, in the mid 1990s, the particular interest of some state`s hampered the development potential of CEFTA. Slovakia under the prime minister Vladimir Meciar steered the country in the form of anti-Western isolationism, while his Czech counterpart Vaclav Klaus, feared that the other members of CEFTA were a burden to Czech aspirations to join EU as a first the Eastern bloc country. Luckily the cooler heads prevailed in the late 1990s and all the four original member states plus Slovenia entered EU in 2004. The value of CEFTA in the terms of economic development for its member countries is significant, but more importantly CEFTA was and still is a sort of "prep school" for the full membership of EU, because it puts great emphasis on cooperation in many fields between the member countries and thus prepares them for the membership in EU.

Certainly no two transitional countries started from the same position, each of them faced their own problems, which were similar in many of these countries, but not the same. Slovenia and Czech Republic had the best starting positions, and are accordingly placed as the two economically most developed countries of central Europe, which joined EU in 2004. They are closely followed by Slovakia, Poland and Hungary, while Estonia, Lithuania and Latvia lag somewhat behind. The reasons for the Slovenian and Czech successful economic transformation (in Slovenia a gradualist approach was the norm, while in Czech Republic a somewhat of a big bang/shock therapy took place) are many. The institutional heritage of these two countries is strikingly similar. First of all Slovenia was part of Yugoslavia, which had a rigid communist economic system only for a short period of time (1945-1950). Czech Republic on the other hand was the only Central European country to vote communists to power in free elections of 1948, and therefore Czech communists were a bit more liberal than the rest of them. Both of these countries were parts of the Habsburg hereditary lands, and were left with the inheritance of the good civil service, and good and harmonized legal codification in the past, not to mention excellent educational system (after all Prague university was one of the top three universities in Austro-Hungarian monarchy, the other two being Vienna and Lvov). Czechs and Slovenians were the two Slavic nations which had the greatest experience of the Reformation in the 16th century, and thus protestant virtues and protestant world view was made part of the national identity (thanks to the efforts of Jan Hus in the 15th century Bohemia, and Primož Trubar in the 16th century Slovenia, Bible was translated into Czech and Slovenian which helped the literacy to spread). Both Czechs and Slovenians had a similar experience in the fight for the national freedom, and both did it in the most of the peaceful ways with the enlightenment of the masses. Not to mention that the Czech Republic was the industrial heartland of the Habsburg Empire, while Slovenia was more backward in this respect. But the greatest benefit to Slovenia came when it joined the Kingdom of Serbs, Croats and Slovenians in 1918, because from one of the industrially most underdeveloped parts of the Austrian Empire, it became industrially the most advanced part of the newly formed state. Baltic countries were on the other hand an important part of the Russian and then Soviet empires as their windows to the West, and thus were able to profit from the commercial and manufacturing activity there, not to mention that their agricultural production was advanced compared to the other Russian regions, but they were never the manufacturing heartland of the Russian empire and thus were forced to implement economic strategies for drawing FDI early on. Yet they were left with the worst possible legacies in the economic institutions of the Soviet regime. They had to rebuild their nations and their political elites decided it was time for them to rejoin the European family[15]. Building national identity by political means produced exclusionary democracies in the Baltics. Latvia and Estonia introduced extremely restrictive citizenship laws in the early 1990s. Both countries limited citizenship granting to pre-1940 citizens and their descendants. This measure excluded all those Russians who had arrived under the Soviet era[16] 28 per cent of the Estonian and 32 per cent of the Latvian population. Moreover, both laws made it very difficult for minorities to acquire citizenship (a similar thing happened in Slovenia with "*Izbrisani*"). Under the pressures from EU these countries had to liberalise their citizenship laws, but still a significant portion of Estonian residents has Russian citizenship, due to the fact it is not allowed to take Estonian one, a fact well publicized by Kremlin during the Russian-Estonian tensions in 2007. Not to mention that Russian minority suffered the worsted during the transition years, since its members were mainly employed in the old Soviet industries.

A number of factors contributed to the different paths of transition chosen by these respective countries. Drahokoupil[17] as well as Bohle and Gerskovitsc[18] make the following three distinction of capitalism emerging in the CEE countries: a neoliberal type in the Baltic states, an embedded neoliberal type in the Vyshegrad states, and a neo-corporatist type in Slovenia. During the whole of period from 1991 to present moment in the Baltic countries a reincarnation of economic liberalism as neoliberalism has been pursued in a rather radical and uncompromising fashion. The Vyshegrad countries Poland, Slovakia and Czech Republic are distinguished by their search for compromises between market and a kind of social protection.[19] They arrived too late to the globalising European economy to implement the dominant post-World War II Western regime of protective industrial policies and generous welfare states.[20] But even in Vyshegrad countries social protection and social security are losing ground to the market forces which aim for competitiveness in attracting FDI and making them desirable location for investment in general. Slovenia's neo-corporatist regime is characterised by a firmly institutionalised balance between marketisation and both kinds of social protection, whereby business, labour, and other social groups are accepted as partners in shaping that balance.[21] But even in Slovenia from financial crisis onwards the political economic model of neo-corporatist regime is being slowly but surely dismantled and Slovenia will soon resemble the Vyshegrad countries group.

3. EU and Eastern enlargement

EC (later EU) was faced with a great dilemma in the early 1990s. While Western Europe was in fact integrating, the former Soviet bloc and the former Yugoslavia were actually disintegrating. The question was what to do with the Central and Eastern Europe? Should the countries there be admitted to EU? If so how it should be done, since these states were economically and politically backward regarding the EU member countries? These countries have just started the transition from the communist (one party) political system to parliamentary democracy, and the transition from the planned economy to the market economy. The issue of readiness of CEE counties for the EU membership was strongly debated. Before and during previous enlargements, the accession of Greece (1981), and later Spain and Portugal (1986) were also faced with similar troubles, since all of these countries were ruled as dictatorships, at least for some time, before the accession to the EC. Actually it was the accession to the EC which locked in the political and economic reforms in these countries. It was also hoped that the same thing could occur in the Central and Eastern Europe, just at a slower pace. What to do with the Central Europe remained the main question, which had to be answered by the institutions of EC, and by the member states governments of the EC. As O`Brennan[22] puts it nicely:

> 'Even at this early stage, however, a division between EC/EU 'drivers' (advocates) and 'brakemen' (obstructionists) was in evidence. On one side British Prime Minister Margaret Thatcher unashamedly made the case for an EC commitment to enlarge. French President Francois Mitterrand, for example, declared in Prague that it would be several decades before the CEE states could become members of the Community. The Commission for its part took a middle path at this time, urging closer links but seeking to deflect the question of membership.'

The striking differences between the French and the British policy towards the enlargement were amazing. British were always keen supporters of the EC/EU enlargement since this would make the functioning of the Community a bit more difficult, and more space would be given for the manoeuvres of the national governments, whether in the area of the international economic or political relations. To put it simply the British were championing the "Europe of nations" rather than the federalist concept of Europe so dear to France and Germany (although the ideal of "L'Europe des patries" was actually French idea, or to be more precise the idea of De Gaulle). British were right to hope that they would be given support for this idea by the potential members from the Central Europe, which having so recently regained their freedom, most of them seemed to favour a Union of sovereign states rather than a highly centralized Europe (Federalist view). President of Poland, Alexander Kwasniewski probably expressed the views of many eastern European leaders when he said: 'Polish experience speaks in favour of respect for the national factor, for building a Europe of fatherlands'.[23] France, on the other hand, was starting to champion a federalist view of Europe, which was so dear to their Western German counterparts, which in this way found an identity worth emulating. France wanted to sort things out in Europe by ordering its institutional framework, before embarking on another round of enlargement. The position of Germany is more difficult to comprehend here. On one hand, the first part of central Europe to be integrated in the EC was the East Germany, following the reunification of Germany in 1990. This was viewed as an internal question of Germany by the EC members[24]. Germany has also been a dominant political and economic force in the Central Europe, since its unification in 1871, and considered Central Europe to be its own political and economic backyard. Not to mention that there were many possible areas of conflict between the now reunified Germany and its Eastern neighbours, which no longer could count on the Soviet help in their dealings with the Western Germany, while East Germany was actually member of their club and was not perceived as a potential threat. Germany had some disputes over border with Poland and the Czechoslovakia. With Poland it was the "Nysaa-Oder" border which was forced on Germany by the victorious USSR as means of compensating Poland for the territorial losses in the East[25]. Also with the Czechoslovakia and Poland there was a dispute over the expelled German minority following the end of the WW II.

For majority of the Central European countries, the dramatic events of 1989 were seen in the light of their departure from the Soviet "captivity" (Brezhnev doctrine was still valid until the party leader of the USSSR Mikhail Gorbachev decided to abandon it in the face of the reforms in the Soviet "allied" countries"), and rejoining the European family, which they have been forced apart from by the events of the WW II and some of the events prior to it. Their citizens wanted prosperity and human rights and they saw EU membership as providing both. The question that was asked in EU at that time was: 'How should the Community respond to the CEE states' stated desire for membership of the club. For the first time, Article 237 of the Treaty of Rome, which simply stated that 'any European State can apply' for membership of the Community, began to be scrutinized'.[26]

The European Commission, on the other hand, took some practical steps in order to help the Central European countries. The Community removed long-standing import quotas on a number of products and extended the General System of Preferences (GSP) to the CEE countries. Then the Commission began a major assessment of the progress of economic and political reform in the Region to see what could be the potential help given to these countries. The resulting Trade and Cooperation Agreements (TCAs) would, by October 1990, be signed by all of the former Warsaw Pact states in Central and Eastern Europe.[27] But the financial help to Central Europe was not yet forthcoming. EU had its own problems with its own peripheral countries.[28]

Of all financial aid and technical support schemes offered to the CE countries PHARE programme was the most successful one. The prime missions of PHARE, as seen by the then EC Commission, were the support for the process of economic transformation, with a focus on core areas such as industry, agriculture and energy, and to provide the financial support for CE efforts to reform and rebuild their economies and political systems. The programme also included food and humanitarian aid, balance of payments help and access to European Investment Bank (EIB) loans. PHARE soon became the biggest assistance programme in CEE with funding increasing from an initial amount of €500 million in 1990 to €1600 million in 1995. In total, the PHARE programme allocated €4.2 billion for the period 1990–94; this increased to €6.693 billion for the period 1995–99, with another €4.7 billion provided between 1999 and 2002. The focus of PHARE would change in time from demand-driven support for transition-related restructuring, developing in parallel with the pre-accession strategy, into an entirely accession-driven instrument.[29]

The European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) were used to provide finance and advice to governments in Central and Eastern Europe. The EIB received guarantees by the EU and it made project-based loans in production and infrastructural projects, given at the competitive interest rates. EIB loans were almost crucial for the transitioning countries in the early 1990s, because at the time their access to investment capital was negligible and many of them were faced with the debt crisis, and were thus prevented from taking loan at the capital markets. Investment would later be directed on trans-European infrastructure projects like building the motorways, which many of the member countries from CE still lack. The EBRD was founded at the initiative of the French government and its aim was to help with the balance of payments problems, currency convertibility, and aid in instituting programmes in technology, training and development (it was launched in 1991).

The Association Agreements (or Europe Agreements as they were popularly known) were described as 'second-generation' agreements, and were the symbol of the second stage of relations between the EC and CEE countries. The first such Agreements were signed on 18 December 1991 with Poland, Hungary and Czechoslovakia[30], and came into being 1 March 1992. The European Commission defined the Agreements as 'a legal, political and economic framework for the relationship of the signatory CEE countries with the EU'[31]. These agreements provided the framework for bilateral relations between the EC (later the EU) and its member states with the partner countries. The Agreements were viewed by the EC as a positive contribution to the CE countries efforts to reduce the economic disparities with the EU member state, because they covered trade, political dialogue, legal approximation and other areas of cooperation, including industry, environment, transport and customs. The aim was to progressively establish a free trade area between the EU and the associated countries over a period of time, on the basis of reciprocity, but applied in an asymmetrical manner. According to the Commission, the Agreements were 'based on shared understanding and values' and prepared the way for economic and political convergence.[32] These agreements were viewed by the political leaders of the CEE countries as being quite one sided, not to mention protectionist towards less competitive sectors of the EC countries economies such as agriculture, textiles and coal and steel production. The reasoning of the EU was not unfounded since it was perceived that Poland and Hungary with their strong agricultural sector which was to be reconstructed in the economic transition were to pose serious threat to EU agriculture. Not to mention the fact that all of these countries had quite strong "heavy industry" sectors (even if these were kept alive on government subsidies) and their textile industry was quite developed because it was labour intensive and thus provided employment for the emerging urban proletariat. The Commission was aware of this, and in a 1992 paper, it advised the member states that their eastern neighbours had needs that went beyond the Europe agreements. They wanted to be treated as 'equal partners in the dialogue concerning Europe's future'.[33] As Delors then a president of European Commission pointed out: 'You cannot shed tears of joy for the people of Eastern Europe one day and the next tell them that you will not buy their products'.[34]

The European Council made a very important and central statement after the Copenhagen summit in June 1993 which said that associated countries in Central and Eastern Europe that so desire shall become members of the European Union. Accession will take place as soon as an associated country is able to assume the obligations of membership by satisfying the economic and political conditions required. This statement was actually preceded by the joint memorandum of the governments of Poland, Hungary and Czechoslovakia, which was presented to European Commission in October 1992. The memorandum stated:

> ‘Our three countries are convinced that stable democracy, respect for human rights and continued policy of economic reforms will make accession possible. We call upon the Communities and the member states to respond to our efforts by clearly stating the integration of our economies and societies, leading to membership of the Communities is the aim of the Communities themselves. This simple, but historic statement would provide the anchor which we need.’[35]

The conditions that an applicant country must fulfil were as follows:

1) Stability of institutions (= political criteria) consisting of democracy, rule of law, human rights, and respect for and protection of minorities.
2) Functioning market economy and capacity to cope with competitive pressure and market forces within the European Union (= economic criterion).
3) Adoption of the *acquis communautaire* (= acquis criterion). As Community law is not only to be adopted, but also applied and enforced, the Madrid European Council in December 1995 added another criterion: Expansion of administrative structures for effective adoption of the *acquis*. Besides the applicants, the European Union itself must fulfil one criterion[36].

The next phase in the relations between the EU and the CE countries started in July 1997. At this time European Commission gave the evaluation of the potential candidate chances of joining the EU in 2002. It was a departure from the usual practice of evaluating the candidate countries based on their up to date performance. The Commission recommended beginning accession negotiations with Poland, Hungary, the Czech Republic, Estonia, Slovenia, and Cyprus. This was a major step forward for those countries. The Commission also recommended beginning negotiations with Slovakia, Latvia, Lithuania, Romania, Bulgaria, and Malta, “as soon as they have made sufficient progress” in meeting the Copenhagen criteria for membership, thus encouraging them in their reform efforts by offering them the carrot of the EU accession talks. The Commission found that six of the candidate countries namely: Poland, Hungary, the Czech Republic, Slovenia, Estonia, and Slovakia qualified as market economies or came close to doing so. Poland and Hungary were praised as top reformers, and were seen as being able to compete successfully in the EU in 2002. The Czech Republic, Slovakia, and Slovenia could compete successfully in the EU according to the commission’s opinion if they increased their reform efforts, and Estonia was regarded as close to meeting this standard.

In November 1998 foreign ministers of CEE countries started formal negotiation about the entry of their countries in the EU with the negotiations on a few of the least controversial issues. The main activity for the first year of negotiations consisted of screening each of the thirty chapters of Accession treaty that had to be negotiated in order for prospective members to join the club. These chapters represented the main components of the body of EU laws and policies, known as the *acquis communautaire*. From 1997, the Commission assessed the process of harmonisation in its annual Progress Reports. EU developed a set of pre-accession instruments, the so-called conditionality documents, which included the White Paper and the Accession Partnerships. These instruments were developed in order to assist the candidate countries in their adaptations to the *acquis*, providing at the same time a basis for the Commission's supervision over the meeting of the obligations.[37] Albi points out: 'It is interesting to note that the pre-accession strategies were specifically designed for the eastward enlargement. According to the Commission, these are unnecessary should, for instance, Switzerland or Norway want to become EU members, since they 'already meet all of the membership criteria'.[38] The negotiation process was carried out by senior representatives of the candidate countries and members of the Commission's Task Force for the Accession Negotiations. The Commission made it clear that the candidates had to acquire all of *acquis* as in their national legislation. Theoretically speaking a candidate country could request a transition period in which to bring its system into compliance with EU rules, but this would require negotiation and prolonged the Accession of that country to the EU, and even then EU was unlikely to agree to a transition period of more than a few years. On the other hand, EU members could also request a transition period before certain rights or privileges (such as the free movement of labour) would apply to the candidates.

The French and German elections in 2002 were the key element that allowed EU heads of government (led by France and Germany of course) to adopt common negotiating positions on farm subsidies and structural (regional) aid at a special summit in October 2002. The terms EU leaders decided to offer the applicants were in general in accordance with the guidelines set by the Commission. The agricultural aid provisions were especially hard. The EU leaders decided that when candidates joined in 2004, they would receive 25 percent as much farm aid as the other fifteen members were receiving. The support payments would then increase annually until 2013, at which time the new members would receive the same amount of aid as the older member states. This was a harsh treatment of the new members many of which were left out in the cold in their efforts to reform their agricultural sector. Structural and cohesion funds in the amount of 23 billion Euros would be divided among the candidate countries.

Finally the 1st of May 2004 arrived and the 8 CEE countries joined the EU club.

4. Conclusion: Political Economy of CEE countries 10 years later

All of CEE countries have better living standards now than at the beginning of the of their EU membership, not to mention at the beginning of the political and economic transition. To quote Nič and Swieboda:

> ”Central Europe has never in its history been more free, secure and prosperous. Czechs, Hungarians, Poles and Slovaks have benefited hugely from the events and transformation of the past 25 years, as have their direct neighbours including Austrians. The enlargement of the European Union in May 2004 has been an unquestionable success. Our region has embraced democracy, the rule of law and market economics. It has flourished thanks to the dramatic increase in trade with and investment from the rest of Europe“[39].

Slovenia, Slovakia, Estonia and Latvia joined the eurozone during this period; Lithuania follows in 2015, while Poland, Czech Republic and Hungary might follow their lead. If we can talk about one country that has had it real good during these 10 years it would be Poland. The following table shows GDP per capita in terms of purchasing power parity for the selected countries from 2001 to 2012. We can see that all of them are much better off than at the moment of EU accession with the exception of Slovenia which remained almost the same but which conventional wisdom blames on the lack of structural reforms.

Table 1
Levels of Economic Development

GDP/capita	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Slovenia	80	83	84	87	87	88	89	91	86	84	84	84
Hungary	58	61	63	63	63	63	62	64	65	66	67	67
Slovakia	53	54	56	57	60	63	68	73	73	74	75	76
Czech Republic	73	74	77	78	79	80	83	81	83	81	81	81
Poland	48	48	49	51	51	52	55	56	61	63	65	67
Lithuania	42	45	50	52	55	58	62	64	58	62	68	72
Latvia	39	41	44	47	50	53	57	59	54	55	60	64
Estonia	47	50	55	58	62	66	70	69	64	64	69	71

Source: Eurostat, in PPPs 2001, EU 28 =100

Vysegrad countries have also changed profoundly. In Poland, prime minister Tusk was the first prime minister who managed to secure the reelection in 2012. That was something that has not happened in Poland since communist times. Poland has also become more hawkish in creating the EU`s Eastern policy together with Sweden. It is no wonder that one of the EU representatives, at 2014’s talks between Yanukovich and the opposition in Ukraine, was polish foreign minister Radek Sikorski. Poland wants EU to give more perspective to Eastern European and Caucasus countries like Ukraine and Georgia who would eventually be admitted to EU membership. On the home front the human rights and minority rights enjoy a high level of protection and the economic boom helps safeguard the relative peace and calm in Poland (after all Poland was the only EU economy that has managed to grow in 2009). At EU level Poland lobbies hard and tries to protect its own interests.

Table 2
GDP Dynamics

GDP growth %	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Slovenia	3,8	2,9	4,4	4	5,8	7	3,4	-7,9	1,3	0,7	-2,4	-1,1
Hungary	4,5	3,9	4,8	4	3,9	0,1	0,9	-6,8	1,1	1,6	-1,7	1,1
Slovakia	4,6	4,8	5,1	6,7	8,3	10,5	5,8	-4,9	4,4	3	1,8	0,9
Czech Republic	2,1	3,8	4,7	6,8	7	5,7	3,1	-4,5	2,5	1,8	-1	-0,9
Poland	1,4	3,9	5,3	3,6	6,2	6,8	5,1	1,6	3,9	4,5	2	1,6
Lithuania	6,8	10,3	7,4	7,8	7,8	9,8	2,9	-14,8	1,6	6	3,7	3,3
Latvia	7,1	7,7	8	10,1	11	10	-2,8	-17,7	-1,3	5,3	5,2	4,1
Estonia	6,6	7,8	6,3	8,9	10,1	7,5	-4,2	-14,1	2,6	9,6	3,9	0,8

Source: Eurostat

Hungarian story is a bit different. In 2010, after the disastrous left wing government who stayed in power due to increase in government spending in form of higher public sector salaries which Hungary could ill afford, right wing populist Viktor Orban was elected as the Hungarian prime minister. Orban who was already in power from 1998-2002 became a sort of *l'enfant terrible* of the EU. Under Orban freedom of information has been dramatically lowered since a lot of Hungarian media have become government owned. Also there happened a great turn to the right in Hungarian politics with Orban`s Fidesz going ever more right and the right wing Jobbik party which is openly anti-Semitic and made of hardcore Hungarian nationalists become a solid third party in the 2014 elections[40]. Orban also restricted the independence of Hungarian Central Bank, in spite of ECB's protests[41]. All of this, coupled with the excessive budgetary deficit and nationalistic economic policy did not endear Hungary to EU. At one point even economic sanctions against Hungary have been considered due to lowering the central bank independence.

Slovenia during the last decade experienced slow economic growth and was the hardest hit by the financial crisis. Still prevalent crony capitalism and lack of transparent large scale privatization process coupled with hostility towards FDI, as well as inadequate and inefficient public sector management are popularly considered as the main reasons for recent poor performance. Additionally Slovenia experienced political instability with changes of the governing party at every election with the interchange of central right and central left parties.

Slovakia experienced stable and substantial economic growth based primarily on FDI attraction in manufacturing industry. Slovakia now produces the most automobiles per capita in the World[42]. Its political scene remands divided with central left and right parties wining and loosing elections. Also, there are some problems with the status of the Roma minority and sporadically nationalistic clashes with Hungary over the treatment of Hungarian minority in Slovakia.

Baltic countries of Lithuania, Estonia and Latvia can be viewed together, since there political economy is one of liberal reforms no matter which party is in the office there. There biggest problem, except the economic growth rates which should deliver more prosperity to everyone, remains the relationship with Russia. This is particularly true of Estonia and Latvia which have a big Russian minority living there.

How did EU profit from its greatest enlargement in 2004? First of all, it gained around 60 million citizens and consumers. Only three countries in EU opened up their labour market to workers from new member states unconditionally in 2004, namely Sweden, UK and Ireland. Other countries feared large immigration of workers from new member states and closed their labour markets to CEE workers for a transition periods of couple of years. This emigration may have even benefited new member states, at least in the short run, since it eased the pressure on their labour markets and worker remittances helped to improve their balance of payments and standard of living in general.

Regarding FDI, the EU accession did help FDI attraction to CEE countries and opened up new investment possibilities for companies from old EU member states who could outsource part of their production to CEE countries[43].

By accepting CEE countries EU took not only their hopes but also their fears. EU-Russia relationship has changed profoundly from 2004 onwards with EU member states from CEE (especially the Baltic states and Poland) advocating a far stronger EU position towards Russia. With recent Russian expansion in Ukraine these fears were reawaken.

Accession of CEE countries to EU had a great converging effect on political economy of CEE. Without their efforts to implement all necessary political and economic reforms and to work on the harmonisation with their more developed partners in EU, today CEE countries would perhaps be even more divergent. Some of them, such as the Baltic states are probably even more market-radical and politically and socially more exclusive; the Vyshegrad states less macroeconomically stable, and Slovenia even more xenophobic and protectionist.[44] We can conclude this article with a question: Can we really divide Europe into Old Member States (members prior 2004) and New Europe (member states since 2004)? Or is the division into North and South more subtle? Perhaps it is too soon to answer this question since only ten years have passed since accession of CEE countries to the EU.

Notes

1 Wade Jacoby, The Enlargement of the European Union and NATO: Ordering from the Menu in Central Europe. (Cambridge University Press, Cambridge 2004) p. 1.

2 Slovenia being the exception of course, since former Yugoslavia said its own farewell to USSR in 1948.

3 Dorothee Bohle and Bela Gerskovits, 'Neoliberalism, Embedded Neoliberalism, and Neocorporatism: Towards Transnational Capitalism in Central-Eastern Europe' [2007] 30, West European Politics, pp. 449-450.

4 Paul Dragos Aligica and Anthony John Evans, The Neoliberal Revolution in Eastern Europe: Economic Ideas in Transition from Communism (Edward Elgar, Cheltenham 2009) p. 51.

5 See Aligica and Evans (n 13) p. 52.

6 Leszek Balcerowicz, Post-Communist Transition: Some Lessons (Thirty-First Wincott Lecture), (Institute of Economic Affairs, London 1995)

7 See Mickiewicz (n 2) pp. 27-28.

8 Mojmir Mrak, Matija Rojec and Carlos Silva Jarugei, Slovenia (World Bank Publications, New York 2009) p. 80.

9 Ian Jeffries, Eastern Europe at the Turn of the Twenty-First Century: A Guide to Economies in Transition (Routledge, London – New York 2002) pp. 278-279.

10 Ian Jeffries, Former Yugoslavia at the Turn of the Twenty-First Century: A Guide to Economies in Transition (Routledge, London 2002) p. 379.

11 Marco Neuhaus, The Impact of FDI on Economic Growth: An Analysis for Transitional Countries of Central and Eastern Europe. (Physica Verlag, Heidelberg 2006) p 1.

12 Iivi Zajedova, 'Baltic regional co-operation' [2008] 8 (1) Slovenská politologická revue, pp. 51-62.

13 Zajedova (n 21) p. 60.

14 Central European Free Trade Agreement, (Krakow, 21.12.1992) article 1.

15 Although the Baltic political elites did surprisingly well under the rule of the Russian tsars, where the so called "Baltic Germans" dominated the political life of the Russian state in the 18th and 19th centuries.

16 The Russians were encouraged to settle in Latvia and Estonia to make them more reliable. Two important naval bases of the Soviet Baltic fleet were located in these two countries, namley Talin and Riga.

17 Jan Drahokoupil, Globalization and the State in Central and Eastern Europe – The Politics of Foreign Direct Investments (Routledge, London 2009)

18 See Bohle and Gerskovitsc (n 12)

19 See Drahokoupil (n 26)

20 See Bohle and Gerskovitsc (n 12)

21 Bohle and Gerskovitsc (n 12) p. 446.

22 John O` Brennan, The Eastern Enlargement of the European Union (Routledge, London 2006) p. 14.

23 Peter A. Poole, Europe unites: The EU`s Eastern Enlargement (Praeger, Westport 2003) p. 13.

24 Poole, for example, claims that: 'In many ways, however, East Germany's transition to democracy and a free market economy has been just as difficult as that of the other candidates, and the heavy costs have been borne mainly by taxpayers in western Germany, making them less willing to pay such a disproportionate share of the EU's expenses.' Poole (n 32), p. 7.
But the real problem of Germany`s unification for EU was the extension of the Common Agricultural Policy (CAP) to farmers in eastern Germany which proved to be such a drain on the EU budget that it caused the first major reform in CAP. Poole (n 32).

25 Poland lost most of its Eastern provinces to USSR, while it gained Silesia with Wroclaw, and Pomerania, which as parts of Germany were economically more advanced than any of its lost eastern territories.

26 O'Brennan (n 31) p. 14.

27 O'Brennan (n 31).

28 In 2002 Poland would receive €67 per capita, Hungary €49, Slovenia €41, and the Czech Republic €29 *in the period up to the end of the 2006 financial framework. By contrast, in 2000, Greece received €437 per capita, while Ireland got €418, Spain €216 and Portugal €211. Further, it was stipulated that aid to individual CEE states was not to exceed the imposed 'absorption capacity' figure of 4 per cent of GDP. This threshold was set much lower than had been the case in previous enlargement rounds. The point is further put in perspective when one considers that Ireland, although already by 2000 one of the richest states in the Union, was still in receipt of almost six times more aid than was envisaged for Poland. Germany has spent far more money on the help for former DDR. In 1993 the amount of transfers to East amounted to $5900 per capita. O`Brenan, (n 31) p. 17.*

29 *O'Brennan (n 31) pp. 17-18.*

30 *It should be noticed that these were the three early reformers of the former Soviet bloc, whose economies were in the best shape and best prepared for the economic transition. Although quite advanced by the standards of the soviet bloc, at that time they were lagging behind the economy of the former Yugoslavia.*

31 *O'Brennan (n 31) p. 19.*

32 *O'Brennan (n 31) p. 19.*

33 *Poole (n 32) p. 37.*

34 *O'Brennan (n 31) p. 23.*

35 *O'Brennan (n 31) p. 13.*

36 *In their joint declaration the European leaders stated: "Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressures and market forces within the Union. Membership presupposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union" Poole (n 32) p. 38.*

37 *Anneli Albi, EU Enlargement and the Constitutions of Central and Eastern Europe (Cambridge University Press, Cambridge 2005)*

38 *Albi (n 46) p. 39.*

39 *Milan Nič and Pawel Swieboda eds.: Central Europe fit for the future: 10 years after EU accession (Report) <http://www.cepolicy.org/publications/central-europe-fit-future-10-years-after-eu-accession> accessed 30.5.2014.*

40 *Kester Eddy, 'Critics question Hungarian PM Viktor Orban's economics claims' Financial Times (Ft.com, April 2, 2014) <http://www.ft.com/cms/s/0/9b9aa140-b59d-11e3-a1bd-00144feabdc0.html#axzz33SRS2Zgb> accessed 2.6.2014*

41 *Sakari Suoninen, 'ECB warns Hungary yet again to honor its central bank's independence' Reuters (Frankfurt, February 6, 2014) <http://www.reuters.com/article/2014/02/06/us-ecb-hungary-centralbank-idUSBREA151KE20140206> accessed 2.6.2014*

42 *Slovak Investment and Trade Development Agency, 'Automotive industry' <http://www.sario.sk/sites/default/files/content/files/automotive_industry_0.pdf > accessed 6.6.2014.*

43 *On FDI flows between EU15 and CEE countries see more in O Pilipović, 'Politička ekonomija regionalnih ekonomskih integracija' (PhD thesis, University of Zagreb, Faculty of Law, Zagreb, 2011)*

44 *See also Bohle and Gerskowits (n 12) p. 456.*