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MARMARA UNIVERSITY
EUROPEAN UNION INSTITUTE

TWO CASES OF EU EASTERN ENLARGEMENT
POLICY : CZECH REPUBLIC AND HUNGARY

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İSTANBUL
MARCH 2001

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BOP	Balance of Payment
CAP	Common Agricultural Policy
CEE	Central and Eastern Europe
CEEC	Central and Eastern European Countries
CIS	Commonwealth of Independent States
CMEA	Council on Mutual Economic Assistance
CNB	Czech National Bank
COMECON	Council on Mutual Economic Assistance
CZSFR	Czechoslovak Federation
EC	The European Community
ECSC	European Coal and Steel Community
ECU	European Currency Unit
EDC	European Defence Community
EEC	European Economic Community
EFTA	European Free Trade Association
EMU	European Monetary Union
EP	The European Parliament
ÈTA	Èeská Tisková Agentstvo
ÈTK	Èeská Tisková Agentstvo
EU	European Union
EURATOM	European Atomic Energy Community
GDP	Gross Domestic Product
HSP	Hungarian Socialist Party
NATO	North Atlantic Treaty Organisation
OECD	Organisation for Economic Co-operation and Development
WEU	Western European Union
USA	United States of America
USSR	Union of Soviet Socialist Republics

Preface

In the early Seventeenth century, the Czech's and Hungarians were among the strongest members of the European family. This participation caused an amazing increase in the development levels of the Czech's and Hungarians. Thus, both states took their remarkable place in European history.

They have also very deep geopolitical and cultural ties that they bounded them to Western Europe. In geopolitical terms, the Czech land was like a bridge between eastern and western parts of Europe, on which both parties' economic and cultural relations were founded. The Hungarian land was the last outpost of Western Europe, where the natural eastern borders of Western Europe ended. In other words, the Hungarian land has been attracting Western Europe's interests about the east.

However, the communist period caused an interruption in relations with the West, and it has continued approximately for forty-five years. After the collapse of communism, both parties' relations with Western Europe revived again. The Central and Eastern European countries' integration has become an issue regarding a new process of enlargement. The European Union must reach its natural borders as soon as possible.

This thesis aimed to explain these discussion topics under the umbrella of the historical developments of the European Union and its current enlargement process. This thesis covers the post-war developments the enlargement periods of EU, the effects of enlargement on EU policies, and the accession process of Hungary and Czech Republic. The expected EU integrations of the Czech Republic and Hungary, and the future of the Union after the EU accessions of all candidates were handled in the final part of this thesis.

In preparing my thesis I am particularly indebted the research assistants Miss Esra Hatipođlu and Miss iđdem Nas for their remarkable help.

My warm thanks to Mr. Mithat Baydur, associate professor at EC Institute of Marmara University for sharing his professional expertise with me in all phases of this thesis. All remaining errors belong to me, which I am responsible for.

BAYBARS ALPARTUN



Abstract

The post-cold war era brought the European Union face to face with new challenges. Freed from the bondage of Soviet hegemony, Central and Eastern European countries chose the liberal democratic path. They adopted membership of west European institutions including the EU as a main policy aim. The EU, in turn, expressed its intention of integrating these countries into Europe. Thus first trade and cooperation agreements and then association agreements, called the 'European Agreements' have been signed with 10 Central and East European countries.

The thesis first elaborates on the history of the EU and its previous enlargements. It then addresses the current enlargement process with its effects on the EU and related common policies. Two Central and East European countries, the Czech Republic and Hungary, are chosen to study the effects of enlargement on two prospective members. These countries are chosen since they are among the most likely candidates to become EU members in the first wave of enlargement. The thesis attempts at analyzing the possible repercussions of EU membership on the political and economic situation in these countries and the effect of their accession on the EU's internal structure.

The thesis analyzes the economic and political situation in the Czech Republic and Hungary, and the effects of integration with the EU on the economic and political system in these countries. It also elaborates on the effects of enlargement on related EU policies such as agricultural, structural, social, industrial, transport and other policies. Looking at the issue from two different angles, the thesis concludes that enlargement is a vital policy choice for both the EU and Central and East European Countries represented by the Czech Republic and Hungary. The viability of European integration process and political and economic stability in Central and East European countries depend on enlargement to the East.

Özet

Soğuk savaş dönemi sonrasında Avrupa Birliği yeni sorun alanları ile karşı karşıya kalmıştır. Sovyet hegemonyasından kurtulan Orta ve Doğu Avrupa ülkeleri liberal demokratik sisteme geçmiştir. AB dahil olmak üzere Batı Avrupa kurumlarına üye olmayı ana hedefleri olarak belirlemiştir. Buna karşılık AB bu ülkeleri Avrupa'ya entegre etme niyetini açıklamıştır. Böylece, 10 Orta ve Doğu Avrupa ülkesi önce ticaret ve işbirliği anlaşmaları, sonra da 'Avrupa Anlaşmaları' adı altında ortaklık anlaşmaları imzalanmıştır.

Bu tezde önce AB'nin tarihsel gelişimi ve daha önce yaşanan genişleme çalışmaları ele alınmaktadır. Daha sonra mevcut genişleme süreci, AB ve ilgili ortak politikaları üzerindeki etkileri ile birlikte incelenmektedir. Bu çalışmada, iki Orta ve Doğu Avrupa ülkesi, Çek Cumhuriyeti ve Macaristan genişlemenin iki müstakbel üye üzerindeki etkilerini incelemek üzere seçilmiştir. Bu iki ülkenin seçilme nedeni, ilk genişleme safhasında üyeliğe kabul edilme olasılığı en yüksek ülkeler olmalarıdır. Tezde AB üyeliğinin bu ülkelerde politik ve ekonomik durum üzerinde yapacağı olası tepkileri ve AB'nin iç yapısına dahil olmanın yaratacağı etkiler analiz edilmektedir.

Tezde Çek Cumhuriyeti ve Macaristan'daki ekonomik ve siyasal durum ve AB ile entegrasyonun bu ülkelerdeki ekonomik siyasal sistem üzerindeki etkileri analiz edilmektedir. Ayrıca genişlemenin tarım, yapısal, sosyal politikalar ile sanayi ve ulaştırma gibi alanlar üzerindeki etkileride ele alınacaktır. Konuya iki farklı açıdan yaklaşılacak tezde, genişlemenin hem AB hem de Çek Cumhuriyeti ve Macaristan tarafından temsil edilen Orta ve Doğu Avrupa ülkeleri için hayati bir seçim olduğu sonucuna varılmaktadır. Avrupa entegrasyon sürecinin sürekliliği ve Orta ve Doğu Avrupa ülkelerinde siyasal ve ekonomik istikrar Doğu'ya genişlemeye bağlıdır.

Introduction

The main idea for the thesis stems from a consideration of the situation of Central and Eastern European countries after the collapse of the Soviet Union. These countries, sharing similar fates as in previous periods, sought to have increased relations with Western Europe and Western European organisations, the most poignant of which is the European Union. Relations with the European Union proceeded within the framework of trade and cooperation agreements, Europe agreements, and candidacy for membership.

The possible accession of Central and Eastern European countries will change the internal structure in these countries as well as the European Union. Central and East European countries are to benefit to a large extent from inclusion into the EU. Membership of Central and East European countries will have effects on the institutional balance in the EU and the implementation of common policies.

The thesis aims to analyze the process of integration of two foremost Central and East European countries, the Czech Republic and Hungary. These countries have been included among the countries that show the possibility of acceding to the EU in the near future.

The first and second chapters lay the background to the current phase of enlargement by placing the issue in a historical perspective. In the third part, the

meaning of enlargement emphasized firstly. Policies related to enlargement are analyzed in turn, consisting of the structural, agricultural, social, environment, transport, energy, industrial policies, the Justice and Home Affairs and other policies. The reasons of enlargement and the EU members' approaches to enlargement were analyzed in consecutive parts.

In the next chapter, the Czech Republic and Hungary are explained. The introductory survey both countries provide the required information about the states. The foundation of VISEGRAD countries explains the unification needs of the four CEEC and it emphasizes the Czech Republic and Hungary's position among the VISEGRAD countries. Both countries' governments and public's economic and political approaches to the EU are explained in the following part. In the light of these, the meaning of Copenhagen Criteria for these states would be emphasized more effectively. Finally, the impacts of both states' accessions on the main EU policies and the future of both states as European Union members are explained.

TWO CASES OF EU EASTERN ENLARGEMENT POLICY; THE CZECH REPUBLIC AND HUNGARY

1. INTRODUCTION TO ENLARGEMENT

1.1. POSTWAR PERIOD IN EUROPEAN CONTINENT

The integration and cooperation process in Western Europe is undoubtedly one of the most striking developments in the postwar history of international relations. At the end of the Second World War, Europe's role in the world seemed to lose its significance. Former aggressor Germany had been forced into unconditional surrender, and France and Britain appeared to be unable to regain their prewar prominence. The demolished and demoralized continent was soon to be divided and encapsulated in the spheres of influence of the two superpowers, the United States of America (US) and the Soviet Union (USSR). Although weakened politically, the countries on the western rim of the European continent reconstructed their economies rapidly and vigorously. Simultaneously, several of these countries decided to join forces and intensify mutual collaboration. A policy of concerted action took shape primarily within the European Communities, which experienced both success and failure. Sometimes, in moments of severe crisis, often accompanied by a revival of nationalist sentiments, the Communities were threatened with collapse. Nevertheless, in the course of time, the number of countries involved in the process grew from six to fifteen. Moreover, the end of the Cold War in 1989 and upheavals in Central and Eastern Europe have recently added a new dimension to the pursuit of a united Europe.

The process of European integration, crystallized in the midst of the Cold War, became for some analysts a phenomenon susceptible to conceptualization drawn from the analytical categories of the conventional theory of international relations, the realist whereby issues of peace and security, pursued through diplomatic-strategic means, are thought to dominate the actions of the personified national states as they compete

among themselves for the enhancement of the “national interest” defined in terms of the power of the power elites¹. Seen from this analytical angle, because the nation is an institution of decision, of action, of ambition, which expresses and serves only the national interest, there is no European reality other than European nations and the states, which are their expression, implying that to build Europe, there is no solution other than cooperation between nations. However, this very cooperation, reinforced further by a common perception of an external threat, could lead to the formation of a “pluralist security-community” (a military alliance) which, under conditions of compatible sociopolitical values, similar socioeconomic systems, and high interdependence, might be upgraded to an “amalgamated security-community,” implying a “community” which possesses one supreme decision-making center. Once this stage is reached, then the analyst of integration automatically enters the realm of the conventional theories on federal political system, theories which, in their legalistic-institutional currents, make pronouncements about the division of formal powers between the supranational institutions and the institutions of the participating national states. In their sociological-functional currents, on the other hand, these theories make pronouncements and conceptualizations about the background conditions supposedly conducive to the initiation of the process of federalizing a political community and the maintenance of the established institutional arrangement. History is perceived here as an “assembly-line process” which allegedly advances through a multiplicity of causal factors properly manipulated by the political elites, be they in the form of Deutsch’s “core areas” or Etzioni’s “elite-units,” up to the take off point: then development-integration becomes a self-reinforcing process².

The study of European unification features certain key notions, which are presented here in the form of dichotomies.

First, we mention the dichotomy “supranational” versus “inter-governmental”. We speak of inter-governmental cooperation in the case of an organized linkage between sovereign states, which, while retaining their independence, have agreed to a

¹ G.A. Kourvetaris and A.Moschonas , **The Impact of European Integration : Political , Sociological and Economic changes** , UCL Press Ltd ,London, 1996 , P.16 .

² Ibid., P.16.

certain level of joint policy-making regarding a well-defined internal and/or external policy area. In the common institution they create for this purpose, representatives of the associated states all possess the right of veto. This means that each member state has the right to unilaterally block proposals put forward by other member states³.

In the case of supranationalism, the countries involved decide to create an institution capable of independent and coercive action. To this end, the countries make themselves subservient to this body by means of a (partial) transfer of sovereignty from the national to the supranational level. Within a supranational institution the power of veto is ruled out: all the participating countries have to reconcile themselves to the decisions taken by majority vote⁴.

In general, inter-governmentalism is characterized by “cooperation” and supranationalism by “integration” or “unification”. Within the institutional framework of the EC the European Commission is considered supranational and the Council of Ministers inter-governmental.

The second dichotomy concerns the concepts of economic and political (cooperation and) integration. Although the two concepts are generally pursued as common objectives, their implementations often diverge in time span and intensity. Within the EC, we speak of a contrast between the two objectives because of their uneven development. The history of European unification demonstrates that the results of economic integration -in the areas of liberalization of trade, the establishment of a common market and coordination of economic and monetary policies- have greatly exceeded the achievements in the political domain. Harmonization of “high politics”, foreign and defense policies in particular, generally encounters skepticism and distrust in EC member states, due to the strong and unremitting presence of national pride and sensitivity in these areas. Consequently, in such “high” political matters, cooperation between sovereign states is often seen as the highest achievable policy⁵.

³ A.G.Harryvan and J.Harst , **Documents on European Union** , Harst & Mc Millan Press Ltd., London, 1997, P.1.

⁴ Ibid., P.2.

⁵ Ibid., P.2.

Thirdly, there is the dichotomy of “Atlantic cooperation” versus “European integration”. European regional integration was, at least initially, far from self-evident. The dominant American role in Western European postwar economic recovery and, primarily, the mutual feeling of political and military solidarity following the creation of the North Atlantic Treaty Organization (NATO) in 1949 adversely affected the willingness of the European countries to join forces independently of the United States. Even the outspoken American support of the idea of European unity could not take away the initial European reluctance towards integration. Although in the 1950s six countries aspired to a certain level of economic integration, they were at the same time eager to place their political and military fate in the hands of the United States. This strategy proved rewarding; during most of the postwar period the foreign policy aims of Atlantic cooperation and European integration appeared to be well reconcilable. This changed in the 1960s, when France opted for a more European-oriented security policy and headed for a clash with the Atlantic community. Simultaneously, increased European economic self-confidence led to trade conflicts with the United States, and the previously undisputed American leadership of the international monetary system was increasingly criticized in Western Europe. However, paradoxically, the alienation within the financial-economic sphere failed to undermine the political-military foundation of the Atlantic alliance. Even in times of “trade wars” and anti-Vietnam War demonstrations in European capitals, NATO proved to be strong and consistent enough to neutralize attempts at creating an independent and competing European defense (and/or foreign political) organization. During the entire Cold War period, neither the Western European Union (WEU) nor the European Political Cooperation (EPC) procedure or similar regional frameworks have ever seriously challenged NATO’s primacy⁶.

The dichotomies described above function as leitmotiv in Western Europe’s postwar history of unification. Developments since 1945 demonstrate that the three concepts are less antagonistic than they appear at first glance. Within the EC, supranationalism and inter-governmentalism co-existed pragmatically, political and

⁶ Ibid., P.3.

economic harmonizations were pursued as coordinate aims (even though the latter was by far the most successful) and Atlantic cooperation was often the ally of European integration.

The subsequent survey concentrates on postwar cooperation and integration in Western Europe, particularly within the EC. Periods of harmonization and alienation, of integration and disintegration alternate through time. The above dichotomies and contrasts serve as a guide through the historical expose.

1.2. PROCESS OF EUROPEAN INTEGRATION

1.2.1. Federalists and Neo-Functionalists

At the Hague Congress held in 1948, the European federalists, for their part, requested reconciliation and reconstruction, and called for the creation of an economic and political union in order to assure security and social progress. The creation of the Council of Europe in 1949 and its organization along inter-governmental lines once again made visible the split between the British, who favored inter-governmentalism, and the Europe of the continent, who were seeking some kind of supranational authority. As a result, the latter became convinced that the political union of Europe had to be pursued outside the Council of Europe, though they disagreed themselves as to the appropriate method to be followed: should European union be the result of a deliberate political action of institutional engineering (federalist) or could that union be the result of a gradual and incremental change (functionalists)?⁷ In either case, the feasibility of realizing the union was not questioned, and the climate seemed to be ripe for some decisive action, which could lead to what came to be called the “European Community.” The term “European Community” describes collectively: (i) the European Coal and Steel Community (ECSC), established by the Treaty of Paris, signed on April 19, 1951 and put into effect on July 25 1952; (ii) the European Atomic Energy Community (EURATOM); and (iii) the European Economic Community

⁷ G.A. Kourvetaris and A.Moschonas , *The Impact of European Integration : Political , Sociological and Economic changes* , UCL Press Ltd. ,London , 1996 , P.15 .

(EEC), established (as was EURATOM) by the Treaty of Rome, signed on March 25, 1957 and put into effect on January 1, 1958.

The EEC, on the other hand, was thriving on the world economic boom of the late 1950s and 1960s. Energetically the Six abolished barriers to trade among their economies raised a common external tariff for their trade with third countries and laid the groundwork for a Common Agricultural Policy (CAP). Surprisingly, the turbulent end of the French Fourth Republic, and Charles de Gaulle's return to power as the first president of the new Fifth Republic, left the EEC Treaty unscathed. Optimism about Europe's integrated future attained such levels that at the end of the 1950s American political scientists (led by Ernst Haas) postulated an "expansive logic of integration". In the reasoning of this neo-functionalist school, functional as well as political "spill-over" mechanisms determined communitarian developments in Europe. Functional spill-over, a term coined by the functionalists, referred to the "technical" (i.e. non-political) pressure resulting from integrative efforts in one sector, to continue integration in adjacent areas. In modern industrial nations consisting of mutually dependent sectors, it was argued, structural developments in one part of the economy could not fail to influence others. The new concept of political slipover referred to mobilization of political pressure aimed at furthering integration between states. Once an economic sector had been integrated, it was thought, its political interest groups (employers, trade unions, consumer organizations etc.) would gradually move their attention and activities from the national to the communitarian European level. The experiences of the coal and steel sector after the establishment of the ECSC served as an example. Once the economic and political advantages of integration for the integrated sector were apparent, interest groups in non-integrated sectors would exert pressure on their national governments demanding representation and promotion of their interests at the communitarian level.⁸

1.2.2. Formation of the European Communities (1945-1954)

The disruptions of national-socialist and fascist dictatorships period caused a big crisis in divided Europe. Most of the states wanted to hinder excessive nationalism,

and supported the rebirth of federalist government. It has contained the transfer of national powers and loyalties from a national authority to a supranational authority, especially in the political area. This strategy has focused on the immediate establishment of federal political institutions, and these institutions have been above all a supranational government directly responsible to the European citizens. In a word the federal political institutions have replaced the national governments. The establishment of the organs was the first step of this idea, and the following step was the further transfers of authority from the nation-state to the federal state. On this structure the transfers of authority would occur automatically.

In practice, this idea was the real solution of rebuilding period but by application it didn't have any support among the leading politicians. It was failure at the national level and melted against dominance of nation-state. During the restoration period two points have been supported by the leading politicians, first of all the governments able-presidency over postwar reconstructions and second the polity of social-welfare society. Both of these were the bases of nation-state.

Until the year 1947 the resurgent nationalism has confronted with no obstacle. At this year, in exchange for loans the US required some form of European cooperation to forestall resurgent nationalism. In April 1948, the Organization for European Economic Cooperation was created, and it contained 16 sovereign states of Western Europe. After 1960 it has been renamed as OECD. This was the first example of Inter-governmental organization at postwar period in Western Europe.

The foundation of the Council of Europe has inverted the hegemony of nation-state against supranationalism. This refusal has given the pre-eminent position to the nation-state. The rise of supranationalism idea has faced again with a serious setback during the formation of European Defense Community. The collective defense by an integrated Western European army would also stimulate cooperation in other matters.

⁸ A.G.Harryvan and J.Harst , **Documents on European Union** , Harst & Mc Millan Press Ltd., London, 1997, P.11.

At the end of the 1940's, the strong position of communist parties in certain Western European Countries and the conventional preponderance of the Soviets and their satellites inspired fear in the West. Both reasons have caused the birth of Western European Union in March 1948. In 1949 twelve countries including US signed the North Atlantic Treaty and it had more practical military level than WEU. NATO's organizational structure was Inter-governmental.

In May 1950, French foreign minister Schumann put forward a proposal, and this proposal has originated with the French planning commissioner Jean Monnet. This plan aimed at the rationalization of production and distribution in two crucial economic sectors; these were coal and steel. This plan's proposal was the establishment of a supranational High Authority, capable of intervening independently in the production process of the member countries. This idea was to create an intricate web of interconnected cooperation schemes from national to international-functional bodies. Citizens, expecting an increase in welfare, would be prepared to transfer their loyalties from national to international bodies⁹.

As a result of this plan the ECSC created in Paris in 1951, and consisted of six member states (France, Germany, Italy, and Benelux). The ECSC was laid the foundation of the European integration process¹⁰.

1.2.3. Transition Period to the Unification (1954 – 1957)

From 1952 to 1954 many things have changed in France. The French government's plan has been impeded from the Gaullist. During the rise of Gaullist period, the French government has started devoting itself for the technical realization and construction of an atomic weapon. Finally, the French parliament refused to submit the treaty for approval; French disowned his own brainchild.

⁹ A.G.Harryvan and J.Harst , **Documents on European Union** , Harst & Mc Millan Press Ltd., London, 1997, P.6.

¹⁰ **Meydan Larousse** , Librairie Larousse , Istanbul, 1960, Vol.1 , P.900.

In 1955, Germany was after all accepted into NATO, under the NATO's umbrella the German rearmament has been controlled. Also in the same year, two proposals were drafted simultaneously, after the EDC crisis. They were a plan by Jean Monnet for a European Atomic Energy Agency and a plan by Dutch foreign minister Jan Willem Beyen for a common market in Western Europe¹¹.

At the beginning the French were not attracted by the idea of a Western European Common Market because of their industry's lack of competitiveness. They feared that domestic production would collapse against drastic expansion of German exports. This reason created a great disapproval over the French government and on the other hand, the French was greatly interested in the speedy development of its atomic energy program. In short the French government endorsed the Monnet Plan, but Beyen plan was not endorsed¹².

The Federal Republic and the Benelux countries were not much interested in the proposed atomic energy community, but the Benelux countries endorsed the Beyen plan. In the following days their opinion was changed, and they have been ready for meeting both plans.

In June 1955, the foreign ministers have decided in Messina to embark upon multilateral negotiations on the economic and atomic integration. In 1957, this decision has caused the signing of the Treaties of Rome, and the creation of the European Economic Community and EURATOM followed the signing. The founders of both establishments were the same and they were the Benelux Countries, Germany, France and Italy¹³.

¹¹ **Büyük Larousse Sözlük ve Ansiklopedisi** , Milliyet Gazetecilik Yayınları , İstanbul, 1986 , Vol. 1 , P.430.

¹² R.S. Karlık , **Avrupa Birliği ve Türkiye** , İstanbul Menkul Kıymetler Borsası , İstanbul, 1996 , P.46.

¹³ **Description of the archival series** , www.unesco.org/archives/guide/uk/haec/fonds.html

This transition period caused very important developments over Europe's future. The base of the Union was ready, now the important thing was the building of other floors.

The war over economic interests and independent economies were over. The internal trade barriers were collapsed and the external common tariffs were raised. The war-aggrieved states' economies would be rebuilt and would rise together.

2. THE ENLARGEMENT PERIODS OF EU

2.1. PRE – ENLARGEMENT PERIOD (1957 – 1973)

The Treaties of Rome came into force by 1-1-1958. After that time, the successful development of the European Community promised a magnificent future in the world scene. The meetings of European Finance Policy in November of 1959, the formation of European Social Fund and the enterprises about the foundation of Common Agricultural Policy were the most important developments between the establishment of the European Community and the application of the British government¹⁴. The current important developments changed the British governments' idea about the membership of European Communities. In July of 1961 the British government has applied for membership of European Communities. By following year in June, British Prime Minister Mc Millan visit to France who showed the serious of Great Britain's application. But in December of 1962, the signing of the Nuclear Weapons agreement collapsed the relationship between Great Britain and France. This agreement has been signed between the governments of United States and Great Britain. The French government did not want to the Americans in European Continent. This wish prevented Great Britain's membership, until the resignation of President de Gaulle¹⁵.

¹⁴ Brussels Jean Monnet Working Paper No:8 Autumn 1998 , www.ulb.ac.be/iee/labopesc/publications/monnet.html

¹⁵ R.S. Karluk , P.48.

In 1962 the Common Agricultural Policy came into force. In 1965 the Fusion Treaty was signed between the member states. This agreement came into force in July of 1967. After that, in May of 1968, the Common Custom Tariff went into force¹⁶.

In year of 1969, the French president de Gaulle resigned and the new government supported the British application to the Community. The expected development followed this support, and the Community has started the negotiations with British government in June of 1970 in Brussels. The Treaty of Brussels has been signed in 22 January 1972. Also in the same year, the Community signed similar treaties with Denmark, Norway and the Republic of Ireland. The referendums supported the Republic of Ireland and Denmark's application for membership, but the Norwegian Public did not support the application of government for the membership of Norway. After these developments the treaties came into force by 1 January 1973. The number of members increased from six to nine¹⁷.

In this period Europe witnessed two important developments; the first one was the signing of Fusion Agreement and the other one was the acceptance of participating treaties to the Community. With the Fusion Agreement Community institutions were fused. The second development increased the number of members of Community. The Community's borders enlarged, the population of Community increased, the economic indicators changed, and the laws of the Community renewed.

2.2. FIRST ENLARGEMENT PERIOD (1973 – 1981)

In 1973 the harmonization period has been accepted between the Community and new members, and would have taken five years. The new members' responsibility, which came from the membership, the liberalization of trade, and financial contributions were the main subjects of this period.

¹⁶ C. Preston, *Enlargement and Integration in the European Union*, Routledge Publications, London, 1997, p: 127

¹⁷ *The History of the European Union*, <http://europe.eu.int/abc/history/1972/1972en.html>

The British Workers Party has come to government in first part of 1974, and they restarted the negotiations with the Community. Their aim was the decrease of Britain's participation share by communities. After the negotiations the British government has reached their goal and their participation share decreased¹⁸. As a following development, the 1975 Referendum in Britain, and the result showed the importance of the European Community membership to the British government.

By Giscard d'Estaing Presidency in December of 1974 the Community summit assembled in Paris. Their aim was the institutionalization of the State and Government Presidents Summit. They renamed the summit as the European Council. The European Council has realized his first assembly in April of 1975 in Dublin. This Assembly has charged Leo Tindemans for realization of the European Union idea. He drew up a report about the deficiencies, which were hindered the Community to reach the European Union idea.

In December 1975 the Greek government applied to the Community for membership. This was not their first application, but the coup d'etat hindered the realization of their membership. In 1974 the Colonels Junta overthrown, and the democratic regime restarted again. In the following year they applied to the Community for the second time, and the application has been rejected because of economic reasons. The Greek economy was not ready for the Community membership, but due to political reasons, a common historical past and the Greeks lobby's hard works paved the way for a change in their decision. The negotiations started in July of 1976¹⁹.

Portugal was the promoter-member of the European Free Trade Association. After the separation of Great Britain and Denmark the Community has signed an agreement with rest of the EFTA Countries in 1973. This agreement has given new advantages to Portuguese government by Agricultural Export Products. In 1974 the dictatorship regime of Spínola has been overthrown from excessive right and left

¹⁸ C. Preston p : 129

¹⁹ The History of the European Union , <http://europe.eu.int/abc/history/1976/1976en.html>

action. The democratic actions started in Portugal as following development, and the Community supported these actions. Also the Community aided the new Portuguese government in the economic field. This support and aid have formed the new democratic system. In 1977 after the Greek application, the Portuguese government has decided for the application. They were applied to the Community for full membership in March of 1977. The Community has accepted the application in June of 1978, and the negotiations started in October of the same year²⁰.

Spain was the last applicant of this period. Spain's past with the Community was older than Portugal, and this relation started in 1962. In June of 1970 the Community signed the Preferential Trade Agreement with Spain. This agreement accelerated and ordered was Spain-European Community relations. In 1975 the dictatorship regime of Franco has been overthrown after the death of Franco. The democratic regime started, and after 1977's elections the Spanish government has decided to apply. They applied to the Community for full membership in July of 1977. The Council accepted their application in December of 1978, and the negotiations started in November of 1979²¹.

After the Spanish and Portuguese governments' applications, the Treaty of Athens came into force by 1-1-1981. The Greeks' dreams came true. Greece was the tenth member of the European Community. The same day the Greenland's government has decided the separation from the Community. The second enlargement period started with Greeks membership and the Greenland's separation.

The number of the members increased from ten to twelve. This period was not gainful like the first one in economic field. The economies of the new members were weak. The inflation rates were high, the balances of payments have given deficits, and the exchange values of the moneys were low. Also their economies were based on

²⁰ W. Weidenfeld, *A new Ostpolitik Strategies for a United Europe*, Bertelmann Publications, Gütersloh, 1997, p : 12

²¹ J. Forder – A. Menon, *The European Union and National Macroeconomic Policy*, Routledge Publications, London, 1998, p : 56

agricultural gains, the rate of industrial gains were lower than EC Countries. On the other side the EC economies were based on the industrial sector.

The institutionalization of the States and Government President Summit as the European Council was the second important development of this period. The Tindemans Report of the Council was the important step of European Union idea. The deficiencies, which were hindered the Community to reach the European Unions' aim, have been explained in this report. The political unification could realize with help of this report.

2.3. SECOND ENLARGEMENT PERIOD (1981 – 1986)

The negotiations with Spain and Portugal continued. The Spanish and Portuguese governments worked hard for harmonization with the Community. The Community supported all these harmonization efforts, and also gave financial aides to the both governments. In year 1985 the expected development happened, and two Adhesion Treaties were signed. By 12-6-1985, in Madrid the Spanish government and the Community signed the Treaty of Madrid. Also in same day, in Lisbon the Portuguese government and the Community has signed the Treaty of Lisbon. Both of them came into force by 1-1-1986²².

The southern enlargement of the EC created new discussion topics between the member states. Some of the members supported the new enlargement, and they defended the advantages of enlargement. They argued that the enlargement must not hinder the European Union idea and the new democracy enterprises. The expansion of democracy would cause new strong member states, and these new member states could realize the European Union idea more resolutely than the old times of the Union. On the other side, the rest of the states expressed the disadvantageous side of the southern enlargement. They argued that the southern enlargement would cause the modification at the principles of the Community.

²² F. Laursen, *The Political Economy of European Integration*, Kluwer Law International, The Hague, 1995, p:5

After the second and third enlargements of the European Community, decision-making in the EU had to be more effective. The Council was charged for the ordering of the rules, and the Commission prepared the White Paper, which described in detail the actions to be undertaken for liberalizing Europe. The measures needed were: first, the elimination of physical barriers; secondly, the removal of 'technical' obstacles of every imaginable kind, among other things by liberalizing public procurements, and capital movements, as well as banking and insurance; lastly, the elimination of fiscal discrepancies resulting from differing excise duties and VAT rates.

On other side the European Parliament evolved the model of European Union. This model caused the birth of "Crocodile Club", which worked for the development of European Union's model. The Parliament voted this model by 14 February 1985, in Milano, and it has been accepted. In June of 1985 by Milano Summit, the "Dooge Committee" has realized the value of the model, and he has prepared a report. However, the delegates have decided for reform by Community. As result of these developments, the Inter-governmental Council assembled the value of the Treaty of Rome, in the end of 1985, in Luxembourg. The Single European Act was prepared in Luxembourg Assembly, and it has been signed in February of 1986.

2.4. THIRD ENLARGEMENT PERIOD (GERMANY'S DE – FACTO ENLARGEMENT) (1986 – 1990)

The German public has been shared two parts after the end of Second World War between the USSR and USA. The Russians have taken the East part of Germany, and they have founded a new state on this part of German soils. This state was one them the Russian's satellite states. Until the built of the Wall, which was divided the German's country with a definite line, the peoples were lived together despite of the political hinders. This period was created longing, poverty and fear on Eastern Germany's public. It was continued until the destruction of the Wall. The democracy wind was born in USSR at end of 1980's, and was diffused to all European members of the COMECON in a time. The satellite states have won again their independencies, by political area. The political title of Eastern Germany would change after twenty-

eight years' period. The two parts of Germany were united in 1991, and the Community would enlarge without thirteenth member. The cost of harmonization was to be provided by the West German government. The gain of the Community would impute financial difficulties to the Germans'.

2.5. FOURTH ENLARGEMENT PERIOD (1990 – 1995)

Swedish, Finnish, Swiss and Norwegian governments have applied to the Community for full membership, in fourth period. These applications followed each other, and they were connected with each other. All of these states were the members of European Free Trade Association. After the signing of 1991's Economic Area Agreement with European Community, the relations between both parties have become closer than the past. This signature prepared the base of the EFTA countries' application to the Community. In July of 1991 the Swedish government has applied for full membership to the Community. The other Baltic countries and Switzerland followed it in the following year.

The integration process in the European Communities accelerated with the State and Government Presidents Summit in Maastricht, in 1991. In this Summit, the Community decided that the European Union's foundation should be realized as soon as possible. The decision could separate to two headlines, and they were, the Inter-governmental Conferences about the Economic and Monetary Union, and Politic Union concluded with the signing of the Maastricht Treaty 1992. The Treaty came into force 1-1-1993 establishing the European Union: the single market was founded.

The year 1992 witnessed the applications of the EFTA countries to the Community, for membership. In March the Finnish government, in May the Swiss government and in November the Norwegian government applied to the Community. All these developments seemed like the dispersion of the EFTA.

The negotiations were started with the Austrian, Finnish and Swedish governments in February of 1993. The northern enlargement period accelerated with this development.

The Membership Treaties of Austria, Norway, Finland and Sweden were signed in May of 1994. After that the states would wait the acceptance of their public's. The results of the Referendums were for the European Union in Finland, Sweden and the Austria. But the Norway's result showed the refusal of European Union's membership again.

Corfu Summit negotiated the applications of the Malta and the Greek Part of Cyprus, in July of 1994. The result was that both applications would be negotiated. In the end of 1994 the Essen Summit assembled. One of the objects was the invitation of the old COMECON countries to the European Union for full membership. This decision was very important for the Union. Politically, this would be the abolishment of the Soviet threat above Europe. As economic, it would impute new financial difficulties to the Union for second time, after the enlargement of Southern European Countries. The answer to the Eastern European Countries is to wait with attention, by the Union.

By 1-1-1995 the Accession Treaties with Finland, Sweden and Austria came into force. The number of the members reached fifteen.

The evaluation of these Baltic States was positive by all criteria, especially by economically. On the other side, the old question has come on the scene again, at this period. "Was the Union ready for a new enlargement?" The harmonization of all members was not completed in the economic and political fields.

3. THE EASTERN ENLARGEMENT

3.1. THE NEW ENLARGEMENT OF EU

The conclusion of the meetings of the European Council starting from the Dublin European Council in 1990 are taken as indicators of EU enlargement policy. The reason for this is that European Council is a meeting of heads of state or government of EU member states where the future policy of the Union is set in principle.

The relations between the EU and Eastern Bloc countries accelerated during the abolishment of Eastern Bloc. It has been directed with the Copenhagen Declaration of June 1993. The EU offered membership of the Union to that former CMEA countries that wished to join and fulfilled certain political and economic criteria. At the end of 1994 at the Essen Summit, the Strategy before Accession has been defined. After the invitation of EU, the governments of ten candidates have applied to the Union for full-membership between March of 1994 and June of 1996. On the other hand Europe Agreements were signed between December of 1991 and the June of 1996²³.

The Commission draws up the report of 'Agenda 2000' as the result of Madrid Summit, which was assembled in December of 1995. The report was finished in July of 1997, and it has been presented to the European Council and to the European Parliament. In this report the Commission has examined all the candidates under the Copenhagen Criteria. Five of them have achieved the conditions of membership. They were the Czech Republic, Poland, Hungary, Estonia and the Slovenia. The Greek part of Cyprus has been added to the list under pressure of Greeks government. The date of 1-1-1998 was decided as the starting day of the negotiations²⁴.

²³ *Marmara Journal of European Studies*, Publication of Marmara University European Communities Institute, Istanbul, 1997, Vol. 5, P.183.

²⁴ "Agenda 2000" For stronger and wider Union, Office for publications of European Studies, Luxembourg, 1997, P.183.

The Luxembourg Summit has approved the decisions of the European Union Ministry Council and the European Parliament, in December of 1997. According to the decisions of Luxembourg Summit the negotiations would start in March of 1998. As result, the negotiations were started at the same date. The Commission has examined the developments of candidates, and the result of the examinations they were negotiated by each of the following submits.

- Dublin European Council 28 April 1990²⁵

The idea of concluding Europe agreements with the CEEC's date back to this Summit. At this meeting it was decided to complete the first generation of trade and cooperation agreements signed with the CEEC's and negotiate a new generation of association agreements as soon as the economic and political situation favorable, on condition that democratization and transition to market economies became are unhindered in the countries concerned. These agreements, later called "Europe Agreements" would include an institutional framework for political dialogue. In the conclusions of the Presidency, the Council pays tribute to the uniting of Europe "which, having overcome the unnatural divisions imposed on it by ideology and confrontation, stands united in its commitment to democracy, pluralism, the rule of law, full respect for human rights, and the principles of the market economy".

- Maastricht European Council 9-10 December 1991²⁶

The European Council gave the green light to the accession of the applicant EFTA countries to the Community, after the conclusion of the negotiations on the Community' s own resources and related issues in 1992. It asks the Commissions to prepare a report on the situation of the applicant countries and the implication for the Union' s future development, to be presented to the Lisbon European Council in 1992.

²⁵ Marmara Journal of European Studies , Publication of Marmara University European Community Institute , Istanbul, 1997, Vol. 5 , P.183.

²⁶ Ibid., P.184.

- Lisbon European Council 26-27 June 1992²⁷

The report by the Commission on “Europe and the Challenge of Enlargement” was approved and membership negotiations with the applicant EFTA countries were begun during this Summit. It was stated “the principle of a Union open to European states that aspire to full participation and who fulfill the conditions for membership is a fundamental element of the European construction”. Concerning the term “European”, the Commission stipulates that the concept combines geographical, historical and cultural elements which all contribute to the European identity. The shared experience of proximity, ideas, values, and historical interaction cannot be condensed into a simple formula, and is subject to review by each succeeding generation. The Commission believed that “it is neither possible nor opportune to establish now the frontiers of the European Union, whose contours will be shaped over many years to come”.

Concerning the enlargement process, the conclusions of the Lisbon European Council stipulate that cooperation with Malta, Cyprus, and Turkey should be intensified on the bases of the relevant association agreements, with particular emphasis on political dialogue and underline that each of these applications must be considered on its merits. It was also agreed to intensify cooperation and political dialogue with the CEEC's within the framework of the Europe Agreements in an effort to assist them in their preparations for accession to the Union. Here it should be noted that the term “preparing for accessions” is used only concerning the CEEC's. The membership applications of Cyprus and Malta are also mentioned.

Turkey is dealt with under a separate heading. The European Council underlines that the Turkish role in the present European political situation is of the greatest importance and that there is every reason to intensify cooperation and develop relations with Turkey in line with the prospect laid down in the Association Agreement of 1964 including a political dialogue at the highest level. The Commission, and the Council are given the task of working on the intensification of cooperation and development of relations with Turkey in the coming months. However, there is no reference to the membership application or preparation for accession in the case of

²⁷ Ibid., P.184.

Turkey. This observation is valid for the statements and conclusions of the other European Council meetings. The customs union, and increased cooperation and dialogue are terms used when Turkey is the issue. It is not considered in the same category as the CEEC's, or Malta and Cyprus, which are seen as future members of the Union in the medium to long term.

- Copenhagen European Council 21-22 June 1993²⁸

The Copenhagen meeting of the European Council is important in that the criteria for membership of the Union specified above were determined during this Summit. It is stated that the associated countries of Central and Eastern Europe may become members of the Union if they so wish, provided they are fit to assume the obligations resulting from membership by satisfying the economic and political conditions required. The message of the European Council is that the EU intends to include these countries in the European integration process. However, they must first improve their economic and political standards before accession. For this purpose the Union will assist them politically and financially by way of;

1-the structured dialogue between the CEEC's and Community institutions in the form of regular meetings on a broad range of topics;

2-opening up of Community markets to products originating from the CEEC's and development of trade among these countries, and between these countries and their traditional trading partners;

3-aid to the CEEC's thorough the PHARE program, financing of trans-European network projects involving the CEEC's under the temporary lending facility of the European Investment Bank;

4-opening up the further Community programs to the CEEC's;

5-approximation of laws in the CEEC's to the Community legislation especially concerning competition rules, protection of workers, the environment and consumers.

- Corfu European Council 24-25 June 1994²⁹

²⁸ Ibid., P.185.

²⁹ Ibid., P.186.

The Acts of Accession with Austria, Sweden, Finland and Norway were signed at the Corfu meeting of the European Council, which follows the membership applications of Hungary and Poland. At the Corfu meeting the Council also announced that the next phase of enlargement will involve Cyprus and Malta noting that any solution of the Cyprus problem must respect the sovereignty, independence, territorial integrity, and unity of the island in accordance with the relevant UN resolutions and high-level agreements.

The European Council underlines the importance of the conclusions of the 1996 IGC negotiations before enlargement takes place, since the institutional amendments should be completed to ensure the proper functioning of the Union with 20 and possibly 28 Member States. The implementation of the Europe agreements and the decisions taken in Copenhagen constitute the essential conditions for the accession of the CEEC's to the EU.

- Essen European Council 9-10 December 1994³⁰

At the Essen Summit the heads of state and governments of the member states met the heads of state and governments and the foreign ministers of the Central and Eastern European countries (CEEC) which are associated with the EU through the Europe Agreements and held an exchange of views with them on the strategy for accession of these states to the Union. The European Council, while noting that the challenge of enlargement is lying before the EU, included in its priority guidelines; “ensuring the lasting peace and stability of the European continent and neighboring regions by preparing for the future accession of the associated countries of Central and Eastern Europe and developing in parallel the special relationship of the Union to its other neighbors, particularly the Mediterranean countries.

The European Council decided to give a new impetus to the process of further preparing the associated CEEC's for accession, noting that the institutional conditions for ensuring the proper functioning of the Union must be created at the 1996 IGC, before accession negotiations begin. In line with this attitude, it adopted a

³⁰ Ibid., P.186.

comprehensive strategy for integrating the CEEC's to the EU and asked the Commission and the Council to work towards the conclusion of Europe agreements with the Baltic States and Slovenia. At the political level the pre-accession strategy for the CEEC's involves the creation of "structured relations" between the CEEC's and EU institutions for the purpose of building mutual trust and providing a framework for dealing with issues of common interest.

The key element in the pre-accession strategy is the preparation of the CEEC's for integration into the internal market of the Union which involves the development of infrastructure, cooperation in fields having a trans-European dimension including energy, environment, transport, science and technology, common foreign and security policy, and justice and home affairs. In this context, the European Council asked the Commission to prepare a White Paper together with a detailed analysis of the effects of enlargement concerning the Union's current policies and their future development, and study of the means of developing relations in the agricultural sector.

- Cannes European Council 26-27 June 1995³¹

The Cannes European Council confirmed that the membership negotiations with Cyprus and Malta would start six months after the conclusion of the IGC, taking into account the outcome of the Conference. The European Council notes that the pre-accession strategy adopted by the Essen European Council, the main instruments of which are the Europe agreements and the structured dialogue took off in the first half of 1995. It adds that six Europe agreements are in force while the Europe agreements with the Baltic States of Latvia, Lithuania and Estonia have been signed on 12 June 1995.

- Madrid European Council 15-16 December 1995³²

The European Council stressed the "absolute equality of treatment" between candidate countries and called on the Commission to submit its opinions after the end of the IGC; towards the end of 1997. On the basis of these opinions the Council will

³¹ Ibid., P.187.

³² Ibid., P.187.

take the decision to begin the initial accession negotiations, in principle at the same time as those with Cyprus and Malta.

In this Summit, the political agenda of the EU for the next five years was set:

1-carrying out the adjustments to the TEU;

2-making the transition to a single currency in line with the timetable and conditions set;

3-preparing for and carrying out the enlargement negotiations with the associated countries of Central, Eastern, and Southern Europe which have applied for membership of the EU;

4-determining, in parallel, the financial perspective beyond 31 December 1999;

5-contributing to establishing the new European Security architecture;

6-actively continuing the policy of dialogue, cooperation and association already under way with the Union's neighboring countries, in particular with Russia, Ukraine, Turkey and the Mediterranean countries.

It is observed that Turkey is not taken into account as a future member of the EU but as a neighboring country with which good relations based on dialogue, cooperation and association should be developed.

As the length of the negotiations with each applicant will be determined by the complexity of the issues to be resolved, it appears unlikely that all applicants to the EU at the same time.

The EU and the applicant countries are working together in the framework of the Europe Agreements to prepare for membership.

At the Essen European Council in December 1994, the EU decided to establish a comprehensive strategy for preparing the associated countries of central and Eastern Europe that have Europe Agreements for accession to the EU.

The main elements of the strategy include:

- Implementation of the Europe agreements
- Support by the EU for the transition process from PHARE, the EU's program of grant assistance
- Alignment of single market legislation
- "Structured dialogue" with all the associated countries of central and Eastern Europe

The Europe agreements provide the legal framework for the association between the applicant countries and the European Union and cover political and economic relations. Europe agreements with Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia are in force. Agreements with Estonia, Latvia and Lithuania were signed in 1995, and with Slovenia in 1996; these agreements have yet to be ratified.

The Europe agreements establish a forum for discussing progress in preparations for membership at a ministerial level in the association councils and at senior official level in the association committees. The Europe agreements also provide for joint parliamentary association committee meetings.

PHARE's central role in the pre-accession strategy was confirmed at Essen. It is now the EU's principal financial instrument for supporting the efforts by the applicant countries to prepare for membership, notably through economic restructuring and strengthening of democracy.

PHARE's flexibility has been increased to ensure an effective response to the needs of the applicant countries, particularly through multi-annual indicative programs and an increase in the proportion of funds that may be spent on infrastructure to 25%. Applicant countries may also use up to 10% of their national PHARE allocations to fund their participation in Community programs³³.

³³ **The Phare Programme - Implementing Phare Programs**, www.eurobusiness.com/easteuro/981103c2.html, 1998, P.1-10

Between 1995-99, the PHARE budget is 6,693 MECU. In all, PHARE will have delivered a total of 11 BECU in assistance to the applicant countries over ten years from 1989 to 1999³⁴.

In May 1995, the Commission published a guide on the alignment of single market legislation for the associated countries of central and Eastern Europe. This White Paper also indicated what assistance would be available to help the applicant countries in this task and provided for the establishment of the Technical Assistance Information Exchange Office, which is now operational³⁵.

The structure dialogue consists of meetings of heads of state and government (as a rule once a year) and ministerial meetings in the following fields: foreign affairs (twice a year), development of the internal market and, in particular financial economic affairs and agriculture (once a year), transport, telecommunications, research and environment (once a year), justice and/or home affairs (twice a year) and culture and education (once a year).

PHARE is currently the main channel for the European Union's financial and technical cooperation with the countries of central and Eastern Europe (CEEC's). Set up in 1989 to support economic and political transition, PHARE had by 1996 been extended to include 13 partner countries from the region. Originally allocated Euro 4.2 billion for the 1990-1994 period, the PHARE budget was increased to Euro 6.693 billion for the 1995-1999 period³⁶.

In Agenda 2000, the European Commission proposed to focus the PHARE Program on preparing the candidate countries for EU membership by concentrating its support two crucial priorities in the adoption of the *acquis communautaire*: Institution Building and investment support. Institution Building means adapting and strengthening democratic institutions, public administration and organizations that have

³⁴ *Ibid.*, P.7.

³⁵ L.A. Lakatos and M.E. Schaffer, *Economic Policy Initiative - coming to terms with accession*, Economic Policy Initiative Publications, Cairo, 1996, P.12-13.

³⁶ J.Forder and A.Menon, *The European Union and National Macroeconomic Policy*, Routledge Pub., London, 1998, P.117.

a responsibility in implementing and enforcing Community legislation. The integration process is not simply a question of approximating candidate countries' legislation to that of the Community; it is also one of ensuring the effective and efficient implementation of the texts. It includes the development of relevant structures, human resources and management skills³⁷.

Institution Building means training and equipping a wide range of civil servants, public officials, professionals and relevant private sector actors: from judges and financial controllers to environmental inspectors and statisticians, to name but a few. Approximately 30 per cent of PHARE funds will be used to meet these Institution Building needs, in accordance with the conclusions of the Luxembourg European Council, in particular through the Twinning mechanism³⁸.

One of the important challenges the candidate countries are facing is the need to strengthen their administrative capacity to implement and enforce the *acquis*. The European Commission proposed to mobilize significant human and financial resources to help them in this respect, through the process of twinning of administrations and agencies. The vast body of Member States expertise is now being made available to the candidate countries, in particular through the long-term secondment of civil servants. The strong support and response from EU Member States has meant that twinning partnerships covering a total of 108 projects involving all candidate countries and almost all Member States are presently being implemented³⁹.

PHARE funding for twinning has so far focused primarily on the priority sectors of agriculture, environment, public finance, Justice and Home Affairs and preparatory measures for the Structural Funds⁴⁰.

³⁷ **The Phare Programme - Implementing Phare Programs**, www.eurobusiness.com/easteuro/981103c2.html, 1998, P.1-10

³⁸ J.Forder and A.Menon, P.116 -118.

³⁹ AGENDA 2000, P.108-109.

⁴⁰ J.Forder and A.Menon, P.117.

3.2. THE WAY TO THE MEMBERSHIP OF ALL ACCESSING STATES

In May of 1990, the Czech Republic, Poland, Hungary and the Slovak Republic joined forces through the VISEGRAD Treaty. These four Central European Countries were bounded together by common historical and cultural ties and their experiences with communism. Their common goal was the acquiring membership in the EU. Their association with each other is thus logical. The VISEGRAD Treaty is a voluntary organization for international and economic organization, and the security included as well as trades provision. This unification has given power to the states against the EU, before the invitation. On the other hand the European Union Commission's economic and politic supports continued. The Commission has added the Poland and Hungary to the PHARE program in 1989. The Czechoslovakia (before the separation) has been added to the PHARE in September of 1990. The rest of the CEE countries have been added to the PHARE between the September of 1990 and the August of 1992.

The Baltic States (Lithuania, Estonia and Latvia) have acquired their independencies after the collapse of Soviet regime, at the end of 1980's. After the separation from the Soviets, they have restructured their economic and politic systems. Their common goal was the acquisition of the membership in the EU like VISEGRAD Countries. The Baltic States have signed the Trade and Economic Cooperation Treaty with EU, in May of 1992. The politic and the economic advantages of EU membership have been affected on their decision.

The VISEGRAD Countries followed the Bulgaria and Romania's accession developments. They have argued that the membership statue would arrange their economic structure and the economic indicators of both states would rise after the addition to the Union. The PHARE program aids were helped to the government during the first period of harmonization to the western world.

The Slovenia was the part of Yugoslavian Federation before the separation, and the Slovenia was the only one, who had the chance in addition to the EU among all old

Yugoslavian Federation States. The Slovenia was not the member of VISEGRAD, but by Luxembourg Summit the EU decided that the Slovenia would take place in first group of new enlargement. Its advantages were depended on the size and the population of the state. These advantages have been caused the easiness of economic harmonization.

The Greek part of Cyprus has applied for membership before all the candidates, but it has been added to the list under Greek government pressure, which was increased after the Corfu Summit decision.

Table - 1. Full-membership application dates of Candidates

Country	Application Date
The Greek part of Cyprus	04.07.1990
Hungary	31.03.1994
Poland	08.04.1994
Romania	22.06.1995
Slovakia	28.06.1995
Latvia	13.10.1995
Estonia	28.11.1995
Lithuania	11.12.1995
Bulgaria	16.12.1995
The Czech Republic	23.01.1996
Slovenia	10.06.1996

Source: T.C.BAŞBAKANLIK DIŞ TİCARET MÜSTEŞARLIĞI-Avrupa Birliği Genel Müdürlüğü, AVRUPA BİRLİĞİ'NİN GENİŞLEME STRATEJİSİ-Uygulamalar ve Etkileri, Ankara, 1998, Erkman İ. Kaan

Table - 2.The European Treaties

Country	Date of signing	Date of validity
Bulgaria	08.03.1993	01.12.1995
The Czech Republic	04.10.1993	01.02.1995
Estonia	12.06.1995	30.01.1998
Hungary	16.12.1991	01.02.1994
Latvia	12.06.1995	30-01-1998
Lithuania	12.06.1995	30.01.1998
Poland	16.12.1991	01.02.1994
Romania	01.02.1993	01.02.1995
Slovakia	04.10.1993	01.02.1995
Slovenia	10.06.1996	01.07.1997

Source: İKTİSADİ KALKINMA VAKFI YAYINLARI, ORTA VE DOĞU AVRUPA ÜLKELERİ İLE TÜRKİYE'NİN AVRUPA BİRLİĞİ'NE TAM ÜYELİKLERİNİN AVRUPA BİRLİĞİ'NİN BÜTÜNLEŞME VE GENİŞLEME DİNAMİKLERİ YÖNÜYLE DEĞERLENDİRİLMESİ, İstanbul, 1998.

3.3. REASONS OF ENLARGEMENT

The European Union's foreign policy is vital for the East European countries. The Common Foreign and Security Policy of the Union are not on firm ground. After the abolishment of East Bloc, the threat, which has come from old USSR period, could be ended. The Union has been referred as the greatest peace process in the world. The potential threat of war emerges was like the major issue in European development. The French and German' governments have mentioned that the alternative to integration is the threat of war. The arguments for enlargement to the east also include the fact that an investment in the enlargement process is an investment in peace⁴¹. On this occasion, all the members of the Union have expressed support for enlargement with varying degrees of enthusiasm. The attitudes and the reasons for supporting enlargement to the East vary greatly.

⁴¹ F. Laursen , *The Political Economy of European Integration* , Kluwer Law International , The Hague, 1995, P.5.

Secondly total of the continent welfare can rise with the addition of new members to the single market. The potential for consumption and investment will increase more than a hundred million people. After Europe's success in international competition will also rise. The expansion of single market will increase the chance of global operations.

The third reason was based in part on the 'moral' obligation to support the Eastern European countries in their development towards democracy and market economy. The costs and risks of a divided Europe would be bigger than the costs of risks of membership. Also this support would ensure the stability and prosperity of the Eastern European region. Eastern Europe is tied to the West due to a common historical and cultural background⁴².

Eastern European countries were lived together with Western Europeans. Similar cultural references and historical commonalities bounded both sides of Europe with strong ties. The EU member states were sensitive to questions of culture and history, and the obligation, which was imputed to them from their common past⁴³.

Existing members of the EU took all these reasons into consideration. The future of the Union's enlargement policy is based on these considerations.

3.4. THE EFFECT OF ENLARGEMENT ON COMMUNITY POLICIES

3.4.1. Structural Policies

The new candidates' socioeconomic situations lag behind those of the existing Member States. In comparison with existing members, their socioeconomic situations may be described as unfavorable. The candidates would be eligible for structural fund allocations under the present rules. The suitable point attaches at the conditions of the EU. "The success of integration and the capacity of economic operators to reap its

⁴² L.A. Lakatos and M.E. Schaffer , **Economic Policy Initiative - coming to terms with accession** , Economic Policy Initiative Publications , Cairo, 1996 , P.88-89.

⁴³ Ibid., P.88-89.

benefits will largely depend on the intensity of structural actions". With the help of these actions, the internal disparities between the new members' decrease and the distance among the candidates and the Union disappear in the economic area especially⁴⁴.

The economic aids and interventions would aim at increasing the total Welfare of these states. The new applicants must catch up with the current world developments in all fields⁴⁵.

3.4.2. Agricultural Policies

The new candidates' agricultural sector will increase the Union's capacity. The food needs of the Union would be satisfied from the candidates' agricultural sector. Fully liberalized trade between the existing and acceding members should improve the economic welfare in the Union; if the trade would fully liberalized between them.

On the other side, the cheap labor of the new candidates could create competition with acceding members, and this competition would create crisis in the Union. The significant percentage of cheaper labor could take the jobs of Union's agriculture workers. The Common Agricultural Policy could also create some problems to the candidates given existing price gaps between candidate countries and generally substantially higher CAP prices, and despite prospects for some narrowing of these gaps by the dates of accession. Even gradual introduction of CAP prices would tend to stimulate surplus production; in particular in the livestock sector, thus adding to projected surpluses⁴⁶. The great rises in agricultural prices would damage the economies of candidates. The important direct transfers to farmers would have a negative social impact on candidates.

⁴⁴ AGENDA 2000 , P.97.

⁴⁵ Ibid., P.98.

⁴⁶ "Agenda 2000" For stronger and wider Union , Office for official Publications of the European Communities , Luxembourg, 1997 , P.98.

According to this point of view, balance should be established between both parties' gains and losses. The Union's current gains and the gains after the unification must be compared with the direction of Union's interests. In a few years, the gains and losses of acceding states would be added to the Union's.

3.4.3. Social Policies

Social policies concern the problems of related to human potential of acceding countries and health issues. These problems created biggest differences among the candidates and the members of Union. The financing of human resources necessitates costly and hard efforts and the Community Social Policy's funding will be imputed accordingly. The standard of living in acceding countries was lower than the EU average. Also it comprised large number of citizens. The adaptation to the Union's social acquis will take time for acceding countries.

The vocational networks were not sufficient and the system of industrial relations still in transition. Both of them were needed amendments immediately. Also the public administrations were inefficient. In health and safety at work, adaptation to the Community acquis, while benefiting the well being of workers and enhancing productivity will require serious and sometimes costly efforts⁴⁷. The insufficient adaptation could disturb the Union policy's developments. On this occasion the adaptation must be quick and serious in acceding countries.

As a summary, the new applicant countries should adjust the work conditions to the Union's. The health and safety of work, the payments to the workers, the work appreciation, and the training of vocational networks are the important and necessary points of adaptation to the Union Social Policy. The working condition level will upgrade in new candidate countries. The difference should be understood by second workers generation's period.

⁴⁷ Ibid. , P.99.

3.4.4. Environment Policy

The Union is faced with difficulties regarding environment policy during the new enlargement period. The Union members' protection level was higher than the acceding countries. However, the Union agreed with acceding countries on the subject of protection⁴⁸. But the acceding countries environmental adaptation process needed considerably investments, especially in public utility sectors, for example, for water, energy and waste, disposal. For realization of this, the acceding countries need efficient applications under the management of strong administrative structures. Also the enforcement of the European Union's environmental laws could be reached to high protection level. The financial aids of European Union would increase the success proportion of the environment protection.

On the other side the inefficient and slow developments would disturb the European Union countries. The environmental problems could spread to the Union countries, especially air and nature pollution caused by nuclear reactors.

3.4.5. Transport Policies

Transport sector should benefit from the expansion of single the market. The development of the transport sector will require allocations from present Union's funds. The adaptations of acceding countries comprise. Adaptation of transport fleets to the community social, safety and other technical requirements. The favorable development model could succeed in adopting with the directions of common transport policy⁴⁹.

The acceding countries transport sector could meet with adversity competition without adequate preparation in their internal markets. It would increase the protectionist political pressure as result of adjustment strains. The common policy

⁴⁸ Ibid. , P.99-100 and, **Institute for European Environmental Policy** , www.greenchannel.com/ieep/euenvpol.html

⁴⁹ Ibid. , P.100 and, **Council of the European Union: Transport** , www.ue.eu.int/Newsroom/tree-browse-cfm

resolves these strains by affecting the Union transport sector. Also it should be manageable, provided appropriate measures are taken for timely and adequate implementation of the Union acquis. Especially, in safety and in reinforcement of the capacity of relevant administrations⁵⁰.

At the end of the process, sufficient sources could renew the network and fleet.

3.4.6. Energy Policy

The energy sector would benefit from the new enlargement with accompanying profits of acceding countries. Stability of energy supplies, research and energy efficiency is the most important points of the benefit. Also, the region security and peace should be protecting with help of the benefits.

The investment should be directed to upgrading and adapting the acceding country energy sectors to the European Union acquis. The lack of funds could create big crises among certain countries of new enlargement. The European Union energy policies adjust fund needs according to economic and social consequences of mine restructuring in acceding countries⁵¹.

In some acceding countries nuclear safety need serious and accelerate measures. If certain countries will not take any measures, it would cause the biggest environmental problems over the continent. The nuclear safety culture must be developed in these countries and also it would be resolved in accordance to community acquis⁵².

⁵⁰ Ibid. , P.100.

⁵¹ Ibid. P.101 and, **Council of the European Union: Energy** , www.ue.eu.int/Newsroom/tree-browse-cfm

⁵² AGENDA 2000, P.100-101.

3.4.7. Industrial Policies

Enlargement is to improve resource allocation and cause the increase in economic activity. The highest enlargement gain of European Union has arisen with regard to industrial policy. Despite of gain, sectoral imbalances could create strains in both existing and acceding members. The low production costs of acceding countries will be a comparative advantage. Industrial cooperation can alleviate the strains before the achievement of integration⁵³. The aim of industrial policy must be the adaptation to the specific needs of both acceding states and the resulting broader integration process.

After the achievement of integration, the Union will be one the dominant powers of the world. The Union will direct the world's future with its potential industrial power.

3.4.8. Justice and Home Affairs

The economic conditions will determine the direction of migration and number of asylum seekers. Especially migration will be a big problem after the achievement of new integration. The Central and Eastern European States' public want to migrate to developed states in European Union. They also need the safety asylum conditions⁵⁴.

In police and custom cooperation and judicial cooperation fields, the parties must make an effort together.

Cooperation in Justice and Home Affairs performance with candidate countries will procure the security and freedom of EU citizens. Otherwise the migration and asylum actions will cause a threat to existing EU member states. The general interests to ensure that the Justice and Home Affairs measures apply to common and high

⁵³ Ibid. P.101 and, **Council of the European Union: Industrial Policy** , www.ue.eu.int/Newsroom/tree-browse-cfm

⁵⁴ Ibid. P.102 and, **Council of the European Union: Justice and Home Affairs** , www.ue.eu.int/Newsroom/tree-browse-cfm

standards throughout the enlarged Union. Also each state should be able to meet adequately EU requirements.

As a summary, acceding countries must cooperate with EU member states in Justice and Home Affairs.

3.4.9. Other Policies

Consumers, science, research and development, information society, culture, education, training, youth, telecommunication, fisheries, and audiovisual policy are the other fields, which are waiting for the less immediate and serious solutions than the main ones. The acceding countries will need supports and hard efforts in these fields also. It seems that, most of them will be resolved in a few years depending on candidates' efforts. However, certain solutions will take time.

EU policies will aim at improvement in all fields in candidate countries before integration. Problems rooted, which have come in the old COMECON period, will be abolished with cooperation between existing members and the acceding countries. Work on the harmonization of laws to the Union's, the restructuring and modernization of the economy, improvement of minority rights in the political field will still continue, in candidate countries. On the other side financial and structural aid and support from the European Union, financial aids and payments in the economic and socioeconomic fields and the research and development assistance in the technological and scientific fields will be required.

3.5. THE EU MEMBERS APPROACHES TO THE ENLARGEMENT

First of all, the German government expressed support for enlargement to the East. Their support depended on easily comprehensible reasons. Germany does not want to keep on forming the boundary between East and West. It would like to shift the border further to the East. Germany seems to be concerned about the potential population movements resulting from unstable circumstances.

On the other hand, Germany, whose net payments to the joint EU budget amounted to over twenty-two billion DM in 1995⁵⁵, is not keen to pay even more. The unexpectedly high costs of German re-unification created reluctance on the need to pay over more.

France is also in favor of enlargement in principle. They point that the French government cannot accept that the process towards European Integration could come at a standstill or that the Union might deteriorate into simply a single market. Both reasons forced the French government to approach the issue with attention⁵⁶.

Great Britain supports enlargement. They agree, that as many countries as possible should be allowed to reap the benefits of a single market. Together with Italy, Britain proposed that the aspirants should be actively linked up to the activities at the second and the third pillars, including Justice and Home Affairs as well as Common Foreign and Security Policies. So, Great Britain and Italy has been an active supporter of enlargement⁵⁷.

For Greece, Spain and Portugal enlargement would mean substantial decreases in subsidies. For geographical reasons, the economic potential and the security benefit that would finally be realized as a result of enlargement would not be enough to make up for decreased subsidies. The same applies to Ireland. Also they fear that the human and financial resources of Union would be focused on Eastern Europe. It would drag the Mediterranean Countries into big chaos, before the maturation of their development and adaptation⁵⁸.

The power balance in decision-making would also change. The membership of Finland, Sweden and Austria has already tipped the balance towards the north of the Lap's.

⁵⁵ **More members for the EU - part 3 : Twenty-five opinions** , www.eva.fi/english/julkaisut/eu/197/ch3.html , 1997 , P.1.

⁵⁶ *Ibid.*, P.2.

⁵⁷ *Ibid.*, P.2.

⁵⁸ *Ibid.*, P.2.

The Benelux countries are in favor of enlargement, in accordance with their traditional behavior. They are the supporters of tighter integration. They are concerned about the future of Union in that respect. For them, EMU is an absolute condition of membership, as is also the maintenance of the strong position of small nation states in the formed Union⁵⁹.

The Nordic countries are supporters of free trade. From that point of view, enlargement fits very well with their political thinking. In addition, they have special interests in the Baltic States. The redistribution of agricultural subsidies would domestically create political pressure, in Finland. Also, understandably Sweden and Denmark are against any cuts in the powers of small nations⁶⁰.

In summary, the big member states are the warm supporters of enlargement. However, while Germany and Italy want tighter integration and enlargement. Great Britain only is interested in the latter. All three consider that, the position of small nations could not possibly be as strong as it is currently, in an enlarged Union. The enlargement has caused discussions between the Union and individual candidates, also between member states.

3.6. ENLARGEMENT

Enlargement played one of the invariable roles of European Union's historical conjuncture. There were serious discussions about this process at every period of enlargement. The balance between costs and benefits must be measured with attention. Most of the members supported the new enlargement despite the damages and disadvantages. On the other side the new applicants' gains to the Union were bigger than the disadvantages. Their economies have developed; in socio-economical fields they realized the necessary reforms, in religious and cultural fields they have similar roots like the members, and lastly, in the political field their approaches were similar to other members. But the Mediterranean enlargement damaged the Union. It's imputes

⁵⁹ Ibid., P.3.

were very high in the economic field. Also during the Germany's de-facto enlargement the financial imputes were high for Germany, who is the biggest sponsor of the Union.

These hard discussions awaken again before the new enlargement of the Union. The enlargement restarted with the invitation of the old COMECON members to the Union in a new membership position. The new applicants' impute were higher than the Mediterranean, in economical area. The solution was hidden behind economic factors. In other words: The complete treatment of the arrangements and the search for an optimum structure that will move the Union to the frontiers of social welfare⁶¹ depended on three main economic sectors' trends. They were agriculture, industry and services. Varied historical experiences and resource endowments have determined the sectoral differences among the members, but the trend of economic history has been one of shifts from agriculture to industry to services⁶². The gains rating by developed states' economies followed the same route.

3.7. THE GAINS AND THE LOSSES OF ENLARGEMENT

The important gains of enlargement must be examined with attention. The gains were separated under two headlines, economic and political.

3.7.1. The Gains

3.7.1.1 Economic gains

Economically, the most important task is to develop and safeguard new markets. By the help of the cheap labor force in Eastern Europe, the European industry can strengthen its international competitiveness⁶³.

⁶⁰ Ibid., P.3.

⁶¹ G.A. Kourvetaris and A. Moschonas , **The Impact of European Integration : Political , Sociological and Economic changes** , UCL Press Ltd. , London, 1996 , P.39.

⁶² Ibid., P.40.

⁶³ **ZAP - On the Eve of EU Enlargement - Part 2 - Economic Consolidation** , www.zap.or.at/books/kurz.16c.html , 1999 , P.3.

The EU countries see Eastern Europe as a large new market and expect less competition from the East. Also Eastern European countries comparative advantage in trade depended on basic products⁶⁴.

More than a hundred million people will increase the potential for consumption and investment. The competition power of EU will reach to a high degree after enlargement⁶⁵.

The cheapest raw material sources should be taken into consideration also. The production costs will decrease after the accession.

3.7.1.2. Political gains

The enlarged EU will carry greater weight in world affairs and will be a 'balance-keeper' in international political area.

EU enlargement will extend the zone of stability in Europe. Thus the contribution to security and peace will spread throughout the continent. The prosperity level will increase throughout the continent⁶⁶.

3.7.2. Losses

Firstly, the EU countries with a lower income structure or highly subsidized agriculture fear that their subsidies from EU funds could be cut. They argue that the EU should increase its budget if it accepts new members in the East. EU members who are the net payers to the EU budget favor a reform of the financial system⁶⁷.

⁶⁴ Ibid., P.4.

⁶⁵ Ibid., P.5.

⁶⁶ **The European Union Enlargement : Q & A** , www.eurunion.org/legislat/extrel/enlarge.htm , 1999, P.7.

⁶⁷ L.A. Lakatos and M.E. Schaffer , **Economic Policy Initiative - coming to terms with accession** , Economic Policy Initiative Publications , Cairo, 1996 , P.89-91.

The decision-making process will become more cumbersome. An increase by the number of member states will make the process more complex. A new dilemma can occur as result of the new addition.

There might be problems due to migration from East European countries. Job seekers may increase competition in the Labor market. The cheaper labor may cause big job-losses in the present existing states. The Union has announced to the candidates that their border control should be tighter than the past.

4. THE CZECH REPUBLIC

4.1. INTRODUCTORY SURVEY

The Czech Republic is a part of Central Europe in other words it is located in the geographical heart of Europe. It comprises the Czech lands of Bohemia and Moravia and the part of Silesia.

1-1-1993, the Czech Republic was proclaimed upon the separation of the constituent components of the federation, which was renamed in April 1990 as the Czech and Slovak Federative Republic. The new Republic consists of about 60 percent of the area of the former Czechoslovak Federation. The capital is Prague.

Its neighbors are Poland to the north, Germany to the north west and west, Austria to the south and Slovakia to the east. The country looks like a bridge between Western and Eastern Europe in geopolitics terms.

The official language is Czech, a member of the west Slavonic group. There is a significant Slovak minority and also small Polish, German, Silesian, Gypsies, Hungarian and other minorities. The major religion is Christianity. The 43 percent of the inhabitants are Roman Catholic, but encompass a significant Protestant minority.

Most of the former Czechoslovakia's heavy industry is located in Slovakia. The Czech Republic also has a substantial base centered on Ostrava and Prague. The Czech Industrial Sector includes the Skoda automobile manufacturers, steel making, and glass and footwear production. Tourism is another important source of foreign currency, especially in spring and winter⁶⁸.

4.2. ADAPTATION EFFORTS AFTER THE END OF COMMUNISM

The Czech Republic Government has come to a decision point after the abolishment of COMECON. The Government had two choices in front. The first one was another unification with old COMECON countries and the second one was the idea of EU membership. Their experiences with COMECON showed them the disadvantages of the communist regime. In that period the economies of the Central and Eastern European states have been customized to meet the Soviet Union's needs. The Iron Curtain was founded on the base of Soviet domination.

On the other side these old Soviet satellite states were in need of economic support for their rebuilding period. They had to reach the economic standards of Western world and their historical ties bounded them together. The VISEGRAD Treaty was the base of this aim. It has been signed in May 1990 as mentioned before. The Czech Republic, Poland, the Slovak Republic and Hungary were the members of the new foundation.

The production level of the VISEGRAD members did fall at the beginning of their transition period and remained at a low level for a while. During the communist regimes, the VISEGRAD members' economies were focused on industry and as a result, their industrial sector has become oversized. In order to make the transition to a market economy, they had to downsize their state enterprises and expand their private sector. The VISEGRAD members had to recover from the disintegration of their trading bloc, The Council on Mutual Economic Assistance (CMEA)

⁶⁸ **The Europe World Yearbook** , Europe Publications Limited , Luxembourg, 1997 , P. 1062.

4.3. THE REASONS AND EFFECTS OF THE SEPERATION FROM THE CZECHOSLOVAK FEDERATION

In postwar Eastern Europe, Czechoslovakia ranked second after the German Democratic Republic in per capita income⁶⁹. From 1990 onwards the efforts of the post-communist government's economic reform focused on the removal of restriction on private enterprise. The sale of government-owned businesses, modernization of the country's industrial base and encouragement of foreign investment were the subjects, which the government focused on. The Czechoslovak government has maintained close contact with the electorate. They explained the economic policies and prepared the people for potential hardships. The government secured popular support for its policies, creating a more secure foundation for the transition to a market oriented economy. Due to the oversized industrial sector, the unemployment rate is expected to sharply increase in the near future⁷⁰.

During these developments, the economic differences accentuated between the Czech and Slovak republics. Progress toward a market economy was much more rapid in the former than in the latter. In 1992 the Czech Republic attained GDP per capita of \$2730, as compared with only \$1900 in Slovakia⁷¹. Economic divergence propped pressure for political separation in both republics. The economic considerations would define the future of the state once more, like the other examples in the past.

The Czech and Slovak Prime Ministers agreed, in principle, for the dissolution of the CZSFR, the terms of which were to be settled shortly. In following months extensive negotiations were conducted to determine the modalities of the division,

⁶⁹ A.S. Banks and T.C. Muller, **Political Handbook of the World**, CSA Publications, Richmond, 1998, P.249.

⁷⁰ A. Davis, **An Eastern European Alternative to membership in the European Community**, [http:// psirus.stsu.edu/IntRel/IRJournal/fa94/davis.html](http://psirus.stsu.edu/IntRel/IRJournal/fa94/davis.html), P.2.

⁷¹ A.S. Banks - T.C. Miller, **Political Handbook of the World**, CSA Publications, Richmond, 1998, P.249.

which was to take effect from 1 January 1993⁷². In late October 1992 the Czech and Slovak governments ratified a number of accords. It included the custom union treaty to abolish trade restrictions between the two republics following their independence. On 17 December 1992 a treaty of good-neighborhood, friendly relations and cooperation was signed. The exchange of diplomatic relations between the two republics followed that. On 31 December all federal structures were dissolved and the Czech Republic and the Slovak Republic were both founded. The dissolution of the CZSFR, like the 'Velvet revolution' of 1989 had thus been affected in an entirely peaceful fashion⁷³.

4.4. POLITICAL REPERCUSSIONS OF THE MEMBERSHIP APPLICATION

The Czech lands had been relatively modern and industrialized in the pre-communist period; Social Democracy has a firm history in the area. The party was a regular participant in the Czechoslovak governments between the wars. After the wars by the Soviet Communist period, the Prague Spring and Warsaw Pact invasion in 1968 had led the Czechoslovak Communist party being purged of most of its more dynamic, in other words reform-minded elements⁷⁴.

After the communist period, the Civic Forum's 1990 election slogan was 'Back to Europe', and the frantic Czech efforts to return to where they once belonged. On occasion they underestimated the disadvantages inherited from the forty years of communist rule. From that point of view of political analysis, the 'normality', of Czech party system according to West European standards was demonstrated by the fact that it was structured around a left-right cleavage based on economic interests⁷⁵. After the 1996 elections the Social Democratic party rose to power. Most of the votes were cast in favor of Social Democratic parties. The EU's invitation was effective on the outcome Czech Republics' elections. EU membership idea's defenders have been supported by %56 of the public.

⁷² **The Europe World Yearbook**, Europe Publications LTD., Luxembourg, 1997, P.1064.

⁷³ Ibid.

⁷⁴ K. Henderson and N. Robinson, **Post - communist policies : An Introduction**, Prentice Hall Europe, New Jersey, 1997, P.356.

⁷⁵ Ibid.

Table – 3. Czech election, 31 May – 1 June 1996

	%	Vote
Seats		
Civic Democratic Party	30	68
Czech Social Democratic Party	26	61
Communist Party of Bohemia and Moravia	10	22
Christian Democratic Union-Czech People's Party	8	18
Czechoslovakia	8	18
Civic Democratic Alliance	6	13
Others	11	0
Total		200

Source: POST-COMMUNIST POLITICS-An Introduction, 1997, Henderson Karen – Robinson Neil. Published by Prentice Hall Europe, New Jersey.

The national interests of the Czech Republic lie in closed integration with the West including membership in organizations such as the EU Council of Europe and NATO. The national interests of each state are based on many constants; such as geographic situation of the state and historical objectives of the nation. The country must define its attitude towards the critical centers of global power based on the calculation of its own power⁷⁶. The basis of the national interests of the Czech Republic is its capability to ensure the security and well being of the Czech nation within the existing state borders. The foreign policy of the newly born Czech Republic was endowed with several problems. Firstly, the government was directly affected by the liquidation of the bipolar global system. The political, military and economic ties of the new state collapsed due to the failure of the Warsaw Treaty and CMEA. This is generally a positive process accompanied, however, with plenty of undesirable side effects. Paraphrasing the inauguration speech of President Clinton: the world might have become less safe for many people but it surely became less safe for many

⁷⁶ O. Krejci , *Czechoslovak National Interest* , East European Monographs Boulder , New York , 1996, P.133.

people⁷⁷. The creation of new balance of power within the global political system is not a one-step action. It needs time and during the transition period a series of undesirable phenomena might occur.

The Czech Republic joined NATO's partnership for peace by March of 1994. They needed peace as urgent by this period for re-organization of their states. The Czech Republic became the first post-communist country to join the OECD by November of 1995. The economic indicators of the Czech's have been effect by the realization of OECD membership. The results of NATO and OECD membership showed to the Czech are the importance of the membership application to the EU. In the following year, in January the Czech Republic applied to join the European Union. The aids of PHARE program helped the Czech's as a rebuilding period for the states. But, to reach the aim of Western life standards in all areas they needed the membership of EU, urgently. The Czech government mentioned that the negative effects of the communist period would be eliminated with the help of the Western World ⁷⁸.

The newly born Czech Republic is based on the supports and the votes of the Czech people who aimed at erasing the hardship, restrictions and prohibitions of the Communist period. Their hopes, wishes and future would be realized with resolute achievements of the new governments. However the route to liberal Western-type system was full of problems. The number of unemployed increased, privatization process proceed slowly and harder than they expected before, the balance of payment values were changeable, and the transition of the industries, created hard economic problems. Such difficulties demoralized the public, especially the unexpected increase of the unemployment rates. However the support of the public still continued for the government. The positive developments and their expectations for the future caused continued support to the governments EU programs. Positive developments were that, the exchange rate of the Czech money was stable, the inflation rate was decreasing day by day, and the growth rate of Czech economy was promising. It was hoped that such positive developments would balance most of the negative effects on the economy in future.

⁷⁷ Ibid. , P.133.

Table – 4. Growth rates (%) of Central and Eastern European Countries

States	1994	1995	1996	1997	1998 *
Bulgaria	1.8	2.6	-9.0	-2.0	4.0
Czech Rep.	2.6	4.8	4.0	4.0	7.0
Estonia	-2.7	2.9	3.3	3.5	5.5
Hungary	2.9	1.5	0.8	2.5	4.9
Latvia	-0.6	-1.6	1.5	3.0	3.6
Lithuania	1.0	2.7	1.5	3.0	4.5
Poland	5.3	7.0	4.9	5.2	6.1
Romania	4.0	6.9	4.5	5.0	-7.3
Slovakia	4.9	7.4	6.0	5.0	5.0
Slovenia	4.9	3.5	2.5	3.5	3.6

Source: İKTİSADİ KALKINMA VAKFI YAYINLARI, ORTA VE DOĞU AVRUPA ÜLKELERİ İLE TÜRKİYE'NİN AVRUPA BİRLİĞİ'NE TAM ÜYELİKLERİNİN AVRUPA BİRLİĞİ'NİN BÜTÜNLEŞME VE GENİŞLEME DİNAMİKLERİ YÖNÜYLE DEĞERLENDİRİLMESİ, İstanbul, 1998.

*: www. odci.gov.

TABLE – 5. Inflation rates (%) of Central and Eastern European Countries

STATES	1994	1995	1996	1997	1998 *
Bulgaria	96.0	62.1	123.0	1082.2	98.7
Czech Rep.	10.0	9.1	8.8	8.5	10.7
Estonia	47.7	29.0	23.1	11.2	9.8
Hungary	18.8	28.2	23.6	18.3	14.3
Latvia	35.9	25.0	17.6	8.4	6.2
Lithuania	72.2	39.7	24.7	8.9	7.3
Poland	32.2	27.8	19.9	14.9	12.8
Romania	136.8	32.3	38.8	154.7	86.8
Slovakia	13.4	9.9	5.8	6.1	6.7
Slovenia	19.8	12.6	9.7	9.1	8.2

Source: T.C. BAŞBAKANLIK DIŞ TİCARET MÜSTEŞARLIĞI-Avrupa Birliği Genel Müdürlüğü, AVRUPA BİRLİĞİNİN GENİŞLEME STRATEJİSİ-Uygulamalar ve Etkileri, Ankara, 1998, Erkman İ. Kaan

⁷⁸ Ibid., P.354 - 358.

Table – 6. Unemployment rates (%) of Central and Eastern European Countries

STATES	1994	1995	1996	1997	1998 *
Bulgaria	12.8	11.1	12.5	13.7	12.2
Czech Rep.	3.2	2.9	3.9	4.8	6.5
Estonia	1.8	1.8	2.2	3.5	9.6
Hungary	11.4	11.1	10.1	8.9	7.8
Latvia	6.3	6.3	7.0	6.7	9.2
Lithuania	3.6	6.1	7.1	6.7	6.9
Poland	16.0	14.9	12.3	11.2	10.7
Romania	10.9	9.5	6.6	8.8	9.0
Slovakia	14.8	13.1	12.8	12.5	14.0
Slovenia	14.2	14.5	14.4	14.8	7.1

Source: T.C. BAŞBAKANLIK DIŞ TİCARET MÜSTEŞARLIĞI-Avrupa Birliği Genel Müdürlüğü, AVRUPA BİRLİĞİ'NİN GENİŞLEME STRATEJİSİ-Uygulamalar ve Etkileri, Ankara, 1998, Erkman İ. Kaan

* Source: OECD STATISTICS, MAIN ECONOMIC INDICATORS, and October 1999.

Table – 7. Balance of Payment (billion \$) of Central and Eastern European Countries

STATES	1994	1995	1996	1997
Bulgaria	-0.03	-0.03	0.0	0.2
Czech Rep.	-0.1	-1.4	-4.3	-3.2
Estonia	-0.2	-0.2	-0.4	-0.6
Hungary	-3.9	-2.5	-1.7	-1.0
Latvia	0.2	0.0	-0.3	-0.4
Lithuania	-0.1	-0.6	-0.7	-1.0
Poland	-0.9	5.5	-1.4	-4.3
Romania	-0.4	-1.6	-2.6	-1.9
Slovakia	0.7	0.4	-2.1	-1.5
Slovenia	0.5	-0.036	0.0	0.1

Source: T.C. BAŞBAKANLIK DIŞ TİCARET MÜSTEŞARLIĞI-Avrupa Birliği Genel Müdürlüğü, AVRUPA BİRLİĞİ'NİN GENİŞLEME STRATEJİSİ-Uygulamalar ve Etkileri, Ankara, 1998, Erkman İ. Kaan

4.5. ECONOMIC ADAPTATION TO EU CRITERIA

The key economic indicators of the applicants and the EU yield a more differentiated picture. The indicator of the CEEC closest to EU average is the budget balance, which in most countries has reached 'Maastricht' quality. The rate of unemployment in most CEEC was very close to the EU average. Problems associated with the labor market obviously represent an equally large burden and challenge for both Western and Eastern Europe alike. The unemployment rate was low in the Czech Republic and in the Baltic States, but these countries have yet to undergo restructuring processes⁷⁹. In terms of price stability, the CEEC fare significantly worse than the EU. The higher inflation during a transformation process is acceptable since it facilitates structural adaptation. While it is true that the goal must be to lower the inflation rate, stabilizing prices too quickly would considerably inhibit growth.

All these main explanations comprise the Czech government economic problems that are still continuing among the EU. The democratic parties' hegemony still continues in today's Czech parliament and their approach to EU is very careful and resolute. The Czech government's main goal is to decrease the deficits to approach EU criteria. 1998 European Commission's report, the Czech Republic provided limited advance in the general harmonization period with EU⁸⁰. As the cause of this decision we can show the negative effects, which occur on the Czech's economic indicators.

Compared to the other CEEC, some of the economic indicators (inflation rate and growth rate) show us the success of the Czech government's economic programs. Some economic indicators approach the 'Maastricht' criteria: inflation {8.5} and growth rates {4.0}. But the rest of indicators (unemployment rate {4.8}, balance of payment {-3.2}, privatization works and the balance of foreign trade {-4.5}) still have been waiting for new improvement programs⁸¹.

⁷⁹ C.S. Leff, *The Czech and Slovak Republics - Nation versus State*, Westview Press, Colorado, 1996, P.192-196

⁸⁰ 1998 yılı Aday Ülkeler İlerleme Raporları, P.13.

⁸¹ see the pages 56 -57, tables 4 - 7.

During the application of the programs, in December of 1998, the Czech Republic's Deputy Foreign Minister Pavel Telicka emphasized his opinion on criticisms expressed by the EU. He mentioned that the Czech government does accept most of the criticisms, but they do have some objections, for example comments concerning dissemination towards Rome⁸². The Czech government did not accept this claim, but they have accepted the economic criticisms.

The Czech public's main goal was to reach the living conditions of the western world. On the other hand the economic conditions created social stress over the citizens, during the transition period. The government's main tasks to alleviate social hardships were; safety of jobs, increase in salaries, the improvement of working conditions, low inflation and unemployment rates, low budget deficits and high growth rate; in short things which would improve Czech economy. Economics was the primary concern of the public.

On the other hand the citizens have had 'no clue' about the EU's impact on the nation. They have supported the government's economic development programs. The Czech Republic newspaper Lidove Noviny reported that there are only a small number of experts in the country whose aim was to advise the people concerning the European Union structure and its implementation. As a result, the residents did not have a sufficient grasp about how the EU could positively affect the country. In July 1997 the government committee for European integration accepted the government's plan for its communication strategy before the entry into the EU. The EU through its PHARE program last year offered the Czech Republic 27 million crowns. However not even half of the money was used and citizens did not find out much about the EU⁸³. Despite this entire negativity the public support still continues for the government in the Czech Republic.

⁸² Central Europe "Newspaper", Dec 20-26, P.10.

4.6. SITUATION WITH REGARD TO THE COPENHAGEN CRITERIA

The Copenhagen Criteria have been concluded in the Copenhagen European Council in June 1993. They contained the membership obligations of the countries of Central and Eastern Europe. The Copenhagen Criteria define the necessary conditions, which must be realized by the candidates, before the acceptance of membership accession. With the help of these criteria, the harmonization to the Union will be easy for candidates.

Membership shall require the fulfillment of economic, political and administrative conditions, which were listed down:

- 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 pressure and market forces within the Union;
- The ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union⁸⁴.

Also, the Copenhagen European Council concluded that:

The Union's capacity to absorb new members, while maintaining the momentum of European integration, is also an important consideration in the general interest of both the Union and the candidate countries⁸⁵.

The Madrid European Council in December 1995 confirmed these criteria and referred also to the need;

⁸³ Ibid. , Dec 27 - Jan 2 , P.10.

⁸⁴ **The Eu Enlargement Questions and Answers** , <http://eurunion.org/legislat/extrel/enlarge.htm> , 1999, P.6.

⁸⁵ Ibid. , P.3.

To create the conditions for the gradual, harmonious integration of the candidate countries particularly though:

- The development of the market economy
- The adjustment of their administrative structures
- To creation of a stable economic and monetary environment⁸⁶.

The Copenhagen Criteria may be regarded as an obstacle in front of the candidates, but also at the same time they will support the improvement of the economic and political conditions of candidates. The state's economic indicators will improve and the political conditions will approach the Western World's.

4.6.1. Political And Economic Criteria

The Copenhagen Criteria defined the conditions of accession to the EU. The candidates must fulfill these conditions before the realization of membership. As mentioned before, the Czech Republic's economic indicators are better than most of the CEEC and the required improvements will be organized from the Czech government. The formation of a functioning market economy has created difficult harmonization problems. During this period, the economic and industrial structure needed to be strengthened against the external competitive pressure and market forces. As the last development, the Czech government focused on the subject of the creation of a stable economic and monetary environment, before the Madrid European Council's conclusions⁸⁷.

In the political area, the Czech government did not accept the protection of minorities' (Gypsies) have rights in the beginning of the membership negotiations. The hate crimes, by the skinheads, included change in Czech public. They needed urgent programs against this problem. After the foundation of courts, to deal with minorities' problems, they realized most of the political conditions. The stability of institutions guaranteed from the Czech government, the rule of law have been arranged from the

⁸⁶ Ibid.

Czech National Council and the human rights have been improved from the Czech government (the sign of Treaty of Human Rights).

Table – 8. Respect for Individual Human Rights in East Central Europe (1997)

In Percentage	Respect	No Respect
Hungary	61	33
Estonia	54	45
Czech Republic	52	44
Slovakia	47	47
Slovenia	47	52
Poland	44	50
Romania	37	61
Region	45	51

Source: Central and Eastern Europe Euro barometer (8/1997)

4.6.2. Harmonization of Law

The existing legislation base was founded on the old Soviet system. After the abolishment of the Warsaw Pact aimed at integrating with the world. The old satellite states have looked for western world's politic and economic systems. During this period Czechoslovakia's government has decided for separation of states to two sovereign parts. After the separation of Czechoslovak federation, the Parliament of the Czech Republic was constituted as a legislature of a sovereign state on 1 January 1993. The new parliament has prepared the new Constitution of the newly born Czech Republic. This separation comprises the important conditions, which need immediate improvements before the unification with EU. The implementation of the *acquis* is another important task for all CEEC.

The performance of the Czech Republic is on the whole satisfactory, but some problems are apparent like other candidates. In general, the Czech Republic has

⁸⁷ C.S. Leff, P.192 - 196.

established democratic forms of government broadly compatible with requirements of Union membership. Free elections have been held and their results respected⁸⁸.

The human rights and respect for and protection of minorities (Gypsies) are the main subjects in the political area. The Czech government has few problems regarding minorities, partly because the total percentage of minorities living in the country is between 2 and 6 percent⁸⁹. However skinhead attacks, particularly against Romanies (Gypsies) are not unusual. There were forty-two reported racially motivated attacks in first two months of 1996. There have been reports of neglect and even abuse by police who are often slow to respond to calls for help by Roma who find themselves the targets of hate crimes. Observers have noted that local courts sometimes mete out minor penalties for hate crimes, and deal more harshly with Roma than with Czech. There are signs of pressure for change from the center administration. In January 1996, a special department was established to deal with extremist groups; directives were issued to prosecutors to seek higher penalties in hate crime cases. In May 1996, the Olomouc High Court overruled a lower court in concluding that the 1995 murder of Tibor Berki, Romany, was racially motivated, which led to harsher sentence for the convicts⁹⁰. Despite all these measures, the government must promulgate new laws concerning human rights as soon as possible, like other candidates.

There were problems related to functioning of the judiciary in most CEEC. Although the judiciary functions independently, judges in some countries lack sufficient training. After sufficient training, they have to cope with newly introduced constitutional and legal principles in Czech Republic like other CEEC.

The independence of Television and radio was another problem for the Czech Republic. After the promulgation of Independence of Televisions and Radios Law, the

⁸⁸ I.J. Hesse , **Administrative Transformation in Central and Eastern Europe - Towards public sector reform in Post - Communist societies** , Basil - Blackwell Publications , Gütersloh, 1993 , P.68 - 69.

⁸⁹ A. Karatnycky - A. Motly - B. Shor , **Nations in Transit : Civil Society , Democracy and Markets in East Central Europe and the Newly Independent States** , Transaction publishes , New Jersey, 1997, P.125.

⁹⁰ Ibid. , P.125.

problem was mostly settled abolished by it self. The Czech Republic has four television stations; two are private TV Nova (71 percent market share) and TV Prima. There are sixty private radio stations, in addition to Czech Public radio. One private news agency, CTA, began operations in October 1994, and will compete with the state CTK agency⁹¹.

The Czech government has applied the NATO and the EU to explode the potential of regional cooperation. Application to NATO showed us the sensitivity of Czech government on the subject of state security. NATO application has caused the abolishment of the last remnant of Iron Curtain. On the other side the Czech government has signed most of the international agreements and treaties, and has changed the legal system in the direction of these. In short, in the political area their adaptations have been more successful than have economic area.

There were difficult economic problems in front of the post-communist governments in the Czech Republic. The economic laws must be harmonized and the economic system must be adapted to the EU, as soon as possible.

On the whole most applicant countries have established the foundations of a market economy and the conditions for stable economic growth. The situation, however, varies considerably from country to country. Growth in the applicant countries is recovering; some applicant countries now have real growth rates of around %5 a year. Average GDP per head, expressed in purchasing power parities, is about one third of the EU average, but there are wide differences⁹². There are some economic problems, which have been waiting for a resolution. Foreign investment, though increasing, is still relatively low and distributed across the candidates unevenly. The privatization process lacks transparency in some cases and is not always accompanied by necessary restructuring. Reform of the banking and financial sectors still remains weak and the implementation of competition policies of the type practiced in the EU are just beginning.

⁹¹ Ibid. , P.122.

The Czech Republic is faced with most of these problems. The post-communist governments have established the foundations of a market economy and the conditions for stable economic growth. Their growth rate is around %5, one of the best among the CEEC. Also, their GDP per head figure is higher than most of CEEC and the Czech Republic are ranking at the second place after Slovenia⁹³.

Despite the positive indicators, there are some areas, on which the Czech governments' have hard economic problems. About the subject of foreign investment they must promulgate new laws. Fair competition must be established between the domestic sectors and foreigners and with the help of this the quality and the production conditions (use of high technologies, training of the labor-power, increase in variety of products) of domestic products will improve as much as possible (to an optimum point). The new foreign investment laws will cause the increase of external money flow (foreign exchange input) to the Czech Republic⁹⁴.

Privatization is one of the important tasks for all less-developed countries, including most of the CEEC and this concept is another big economic problem for Czech Republic. The privatization process lacks transparency in some cases in CEEC, including Czech Republic. Also, it is not always accompanied by necessary restructuring, except the Czech Republic⁹⁵.

In 1990, Czechoslovakia had the largest state sector of all the East-Central European countries entering transition, with negligible portion of national output coming from the private sector. The restitution of Communist-confiscated property began in November 1990 and lasted until September 1991. Approximately 75-125 billion worth of property was moved into private hands through restitution, including some 100.000 physical properties (houses, farms, shops, and the like)⁹⁶. As of the end

⁹² **The EU Enlargement Questions and Answers** , P.6.

⁹³ **Regular Reports of Commission - Czech Republic** , www.europe.eu.int/comm/enlargement/czech/rep_10_99/x.htm , 1999 , P.1.

⁹⁴ *Ibid.* , P.21 - 32.

⁹⁵ *Ibid.* , P.25- 28.

⁹⁶ A. Karatnycky - A. Motly - B. Shor , **Nations in Transit : Civil Society , Democracy and Markets in East Central Europe and the newly independent States** , Transaction publishes , New Jersey, 1997 , P.128.

of 1996, about 80 percent of GDP were produced in the private sector. But the main problem is lacks of transparency; some of the privatization processes must be more transparent. The harmonization to the EU will be easier after the arrangement of Czech laws.

Table – 9. PRIVATISATION DATA

Type of Privatization	Privatization Period	Percentage of Privatization
Housing and Land	From 1989 Revolution to late 1994	Approximately 40 to 60 percent
Agriculture	From early 1991 to the mid-1995	90 percent
Industry	From early 1991 to the early 1996	80 percent
Business and Services	From early 1991 to the late 1995	Nearly all small businesses and services, and out of a workforce of five million

Source: TRANSACTION PUBLISHERS-New Brunswick (USA) and London (UK), NATIONS IN TRANSIT-CIVIL SOCIETY, DEMOCRACY AND MARKETS IN EAST CENTRAL EUROPE AND THE NEWLY INDEPENDENT STATES, 1997, Karatnycky Adrian- Motly Alexander- Shor Boris

In 1990, the Czech State Monobank was split between two state-owned banks, Komerční Bank (for commercial activities) and Investiční Banka (for long-term investment). The State Bank of Czechoslovakia (now known as the Czech National Bank or CNB) was established as the independent central bank in charge of monetary policy. The CNB began operations in January 1993. It is independent by law-Article 98 of the Constitution notes that ‘the main purpose of (the CNB’s) operations shall be to care for the stability of currency; intercessions in its operations may be effected only on the basis of law’. It is also autonomous in practice. It is responsible for money market policy, the money supply, regulating the banking sector and setting interest rates⁹⁷. The

⁹⁷ Ibid., P.128.

model of CNB is moving closer to the model of the German Bundesbank. In 1996, the Czech Banking system underwent a severe crisis. The Kreditni and Investicny Banka, the nation's six largest, collapsed in August. Its fall entailed the loss of 12 billion crowns (\$440 million). These collapses have shown the problems of Czech Banking, including management and lending problems, cases of outright fraud and inadequate supervision from above the CNB⁹⁸. This crisis has caused the reforms by Czech Banking code, including the use of external auditors and the adoption of international accounting standards. After the necessary improvements, the banking system of Czech Republic acquired new structure and rules, though it still remains weak. These changes have moved the Czech Banking system closer to the EU's banking systems.

Finally, economic harmonization is more difficult and complex than the politic. The government has adopted the main economic policies but there are still remaining problems.

Table – 10. The biggest banks of Czech Republic (million koruna) (1997)

BANKS	OWNING STATUE	CAPITAL	RESERVES	DEPOSITS
Komercni banka a.s.	Private-owned	9.502	22.122	343.427
Czech Savings Bank	State-owned	7.600	13.157	325.905
Investicni a Postovni banka a.s.	Private-owned	4.031	9.372	139.382
Czechoslovak Commercial Bank	Private-owned	5.105	6.540	152.628
Konsolidacni banka Praha s.p.u.	Private-owned	5.950	32.403	73.833
Agrobanka Praha a.s.	Private-owned	3.993	7.880	54.039

Source: EUROPA PUBLICATIONS LTD-THE EUROPA WORLD YEARBOOK, Luxembourg, 1997, page: 1076

⁹⁸ Ibid. , P.129

4.7. IMPACTS OF ACCESSION ON THE MAIN EU POLICIES

4.7.1. Agricultural Policy

After the Luxembourg Summit, the European Commission has concluded on the membership future of the candidates. The criterion was based on the economic and politic performances of the candidates. The precedence has been given to Hungary, Czech Republic, Poland, Estonia and Slovenia, which had the highest economic and political performances.

Membership of these countries will cause increasing the European Agricultural Guarantee and Direction Fund. This situation brought the England, Sweden and Austria governments' additional financial obligations. These countries' financial contributions to the EU budget were lower than the financial transfers from Community budget⁹⁹.

The report, which has been prepared by Anderson and Tyers, examined the incorporation of VISEGRAD countries to the Common Agricultural Policy and the effects of incorporation on the VISEGRAD countries' agricultural production and trade¹⁰⁰. The report's results showed us the welfare effects of incorporation on VISEGRAD Countries' economies and the additional financial obligations on the Community's Budget. Five main agricultural were used as an example of this model:

⁹⁹ Orta ve Doğu Avrupa Ülkeleri ile Türkiye 'nin Avrupa Birliğine Tam Üyeliklerininin Avrupa Birliğinin Bütünleşme ve Genişleme Dinamikleri yönüyle Değerlendirilmesi , İktisadi Kalkınma Vakfı Yayınları , İstanbul, 1998 , P.28-32.

¹⁰⁰Ibid. , P.69.

Table – 11. Annual quantity and price effects, which have been created with the incorporation of the VISEGRAD Countries to the Common Agricultural Policy, due to the year 2000 (US dollar rate of exchange by year1990)

	Cereals	Sugar	Milk Products	White Meat	Red Meat	Total
International Price	0.4	-1.7	-11.6	-1.6	-2.6	-2.0
VC Production *	12	14	69	46	34	-
VC Consumption *	24	-18	-17	-16	-9	-
VC Net Export *	-7.6	1.0	22.0	0.8	2.0	9.6 ***
VC Self Sufficient Degrees **						
-Year 1990	97	97	100	114	102	102
-Year 2000	86	135	202	200	150	138

VC: VISEGRAD Countries *: Percent change due to year 1990, of year 2000 **: Change in million metric tons due to year 1990, of year 2000. ***: Billion \$.

Source: İKTİSADİ KALKINMA VAKFI YAYINLARI, ORTA VE DOĞU AVRUPA ÜLKELERİ İLE TÜRKİYE'NİN AVRUPA BİRLİĞİ'NE TAM ÜYELİKLERİNİN AVRUPA BİRLİĞİNİN BÜTÜNLEŞME VE GENİŞLEME DİNAMİKLERİ YÖNÜYLE DEĞERLENDİRİLMESİ, İstanbul, 1998

As first point of view, the agricultural product prices would decrease due to the year 1990 in VISEGRAD countries by %2 each year. The accession to the Common Agricultural Policy will change the production and consumption ratio of VISEGRAD countries agricultural products. The highest increase will occur in milk products. On the other side, the accession to the Common Agricultural Policy will increase the agricultural product prices and it will cause a decrease of consumption by VISEGRAD countries. The Common Agricultural Policy will cause an increase in the export of the agricultural products (9.6 billion-dollar)¹⁰¹.

The Czech Republic is a member of VISEGRAD countries. All these conditions will be valid for Czech Republic like other VISEGRAD countries. The gains in export and the losses in the domestic consumption are the results to be experienced by the Czech Republic. The internal market will be damaged from these conditions and despite this damage, the export gains will be effective on the Czech Republic's

economy. The welfare of consumers will decrease, but the CAP proportion mechanisms' financial transfers (state aids and subventions) will cause another increase in producers' welfare and both parties losses and gains will equalize each other.

Table – 12. The annual welfare effects of VISEGRAD countries' accession to the CAP, due to the year 2000

	VISEGRAD Countries	EU-15	EU-15 + VISEGRAD countries
Consumers welfare	-15.9	0.0	-15.9
Producers welfare	52.5	0.0	52.5
State aids and subventions	0.0	-47.4	-47.4
Net economic welfare	36.6	-47.4	-10.8

Source: İKTİSADİ KALKINMA VAKFI YAYINLARI, ORTA VE DOĞU AVRAPA ÜLKELERİ İLE TÜRKİYE'NİN AVRUPA BİRLİĞİ'NE TAM ÜYELİKLERİNİN AVRUPA BİRLİĞİ'NİN BÜTÜNLEŞME VE GENİŞLEME DİNAMİKLERİ YÖNÜYLE DEĞERLENDİRİLMESİ, İstanbul, 1998.

The net economic welfare will increase for VISEGRAD countries, including Czech Republic, but it will decrease for European Union. The additional costs will increase the Union's expenditure (x2) for Common Agricultural Policy and to bear this expenditure, the Union budget income must increase. This situation means a new fiscal obligation for the Member States of Union.

4.7.2. Institutional structure

The European Union Institutions' tables will change after the VISEGRAD countries' accession to the European Union. The share of the VISEGRAD countries in the institutions will be:

¹⁰¹ Ibid. , P.29.

Table – 13. The VISEGRAD Countries' approximate representation degrees by the European Union Institutions

States	Population (million) *	Qualified vote by CM	Seat number by EP	Commission Delegate
Czech Republic	10.3	5	25	1
Slovakia	5.3	3	16	1
Hungary	10.3	5	25	1
Poland	38.5	8	64	2
Total	64.4	21	130	5
EU-15	369.267	87	626	20
EU-15 + VC	433.667	108	756	25

*: Due to the year 1994

CM: Council of Ministry, EP: European Parliament, EU: European Union, VC: VISEGRAD Countries

Source: İKTİSADİ KALKINMA VAKFI YAYINLARI, ORTA VE DOĞU AVRUPA ÜLKELERİ İLE TÜRKİYE'NİN AVRUPA BİRLİĞİ'NE TAM ÜYELİKLERİNİN AVRUPA BİRLİĞİ'NİN BÜTÜNLEŞME VE GENİŞLEME DİNAMİKLERİ YÖNÜYLE DEĞERLENDİRİLMESİ, İstanbul, 1998.

The population is the most important factor to determine European Union Institutions' indicators. Poland will have the highest number in all institutions. All the balance in the Union Institutions will change. For example, the necessary numbers of votes for qualified majority will rise from 87 to 108. Also, the VISEGRAD countries can block the decisions with the help of three EU members (Greece, Portugal, Ireland Finland, Sweden or Austria) and they can found a coalition during the decision process. They can affect the direction of European budget expenditures in their advantages¹⁰².

On the other hand, they can dominate CAP decisions with cooperation of agricultural countries (Greece, Spain, Portugal and Ireland) in their advantages. This may lead to an increase in European Agricultural Guarantee and Direction Fund's transfers to these countries. These transfers will cause the increase by developed

¹⁰² see the Page 70 - Table 11.

countries' financial transfers to the Union. All decisions, which must concluded with qualified vote, create advantages for these countries¹⁰³.

The balances in the European Parliament and European Commission will also changed. The new balances will create chaos in these institutions. As the solution the institutional structure rules, the delegates' charges and interest areas and the voting patterns must change before enlargement.

Table – 14. General Data about the Czech Republic and the EU

INDICATORS	Czech Republic	EU-15	Czech Republic + EU-15
Population (1)	10.3 million	369.2 million	379.5 million
Area (2)	78.864 KM ²	3.230.548 KM ²	3.309.412 KM ²
Gross Domestic Product (3)	26.4 billion \$	7738.7 billion \$	7765.1 billion \$
Growth Rate (4)	7.05	5.61	5.7
Inflation (5)	10.7	3.56	4.00625
Unemployment (6)	6.5	4.5	4.625
Qualified vote by CM *	5	87	92
Seat number by EP *	25	626	651
Commission Delegate *	1	20	21

(1): Due to the year 1994, (2): Due to the year 1996, (3): Due to the year 1998, (4): Due to the year 1998, (5): Due to the year 1998, (6): Due to the year 1998, *: see table 12.

4.7.3. Common Foreign and Security Policy (CFSP)

The Common foreign and Security Policy (CFSP) was established by Maastricht Treaty and came into force on 1 November 1993. The provisions of the CFSP were revised by the Amsterdam Treaty, which was signed on 2 October 1997

¹⁰³ Orta ve Doğu Avrupa Ülkeleri ile Türkiye 'nin Avrupa Birliğine Tam Üyeliklerininin Avrupa Birliğinin Bütünleşme ve Genişleme Dinamikleri yönüyle Değerlendirilmesi , İktisadi Kalkınma Vakfı Yayınları , İstanbul, 1998 , P.31.

and came into force on 1 May 1999. Articles 11 to 28 of the Treaty on European Union are now devoted specifically to the CFSP¹⁰⁴.

For almost forty years of European construction the very expression “common foreign policy” remained taboo. Although the Member States of the European Community endeavored to cooperate on major international policy problems and accepted that their respective national diplomatic services would meet and conduct dialogue, they never incorporated in any treaty the objective of a “common foreign policy”, which is that of the European Union, until Maastricht. The European Union can make its voice heard on the international stage and express its position on armed conflicts, human rights and any other subject¹⁰⁵.

The Treaty also provides the Union with a common security policy that covers all matters relating to its security, including the gradual formulation of a common defense policy. This common defense policy could lead to a common defense if the European Council so decided and a decision were adopted and ratified by the fifteen Member States. The CFSP does not, however, affect the specific nature of the security and defense policies of certain Member States, just as it is compatible with the policy conducted under the North Atlantic Treaty¹⁰⁶.

The Treaty on European Union establishes a number of links between the European Union and the Western European Union (WEU). Among other things it provides for the Union to have recourse to the WEU for drawing up and implementing any Union decisions and actions with defense implications. Furthermore, the WEU could be integrated into the Union: this would require a decision of the European Council and a decision adopted and ratified by the fifteen Member States.

The architects of the Amsterdam Treaty assigned an important position to the Petersberg tasks, so named after the place where the WEU Ministerial Council that

¹⁰⁴ **The Council of the European Union and the Common Foreign and Security Policy**, www.ue.eu.int/pesc7pres.asp?lang=en, 2000

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

formulated them was held in June 1992. These are humanitarian and rescue tasks, peacekeeping tasks and combat-force tasks in crisis management, including peace making¹⁰⁷.

As a result of the Kosova conflict, the Cologne European Council places the Petersberg tasks -as was already the case in the Treaty- at the core of the process of strengthening the European common security and defense policy. The fifteen Heads of States of Government and the President of the Commission, meeting on 3 and 4 June 1999, declared that, to this end, the Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them, and a readiness to do so, in order to respond to international crises without prejudice to actions by NATO¹⁰⁸.

Discussions are under way in the European Union with the aim of exercising political control and strategic guidance in the Petersberg operations conducted by the European Union, and of determining the implementation of operations, with or without the resources and capacities of NATO, and the arrangements for participation in the operations by members of the European Union, the European members of NATO and the associated partners of the WEU.

The Czech Republic continues to orient its foreign and security policy towards the Union. It participates actively in the multilateral political dialogue within the framework of the Common Foreign and Security Policy (CFSP), including the regular meetings at the level of political directors, European Correspondents and Working Groups. It has regularly aligned its positions with those of the Union and, whenever invited, aligned itself with in the context of the UN and OSCE. Thus it joined the Common Position on Kosova, the ban on Yugoslav flights and the oil embargo on Yugoslavia¹⁰⁹. Adoption of the necessary legislation by Parliament may take several months, however. The government submitted a new sanctions law to Parliament in

¹⁰⁷ Ibid.

¹⁰⁸ Ibid.

¹⁰⁹ F. O'Toole, *The Irish Times - Serbian aim to kill all Kosovans is nothing new*, www.alb-net.com/kcc/050599.html, 1999, P.11.

June. This would allow it to react more quickly in the future. In March 1999 the Czech Republic became a full member of NATO. In the Kosova crisis, the government, after initial hesitations, gave its backing to the NATO actions against Yugoslavia and allowed NATO aircraft to use Czech airspace. President Havel has consistently expressed his full support for the NATO actions¹¹⁰.

The Czech Republic participates in the SFOR peacekeeping operations in Bosnia-Herzegovina with 558 troops and in KFOR in Kosova with 126 troops¹¹¹.

The Czech Republic strives to contribute to regional stability through a policy of good-neighborly relations and regional cooperation. In November 1998 the Czech government agreed with the new Slovak government to resume activities of the bilateral commission to settle the issues outstanding from the dissolution of the Czechoslovak Federation. The aim is to have a final agreement by the end of 1999. In May the Czech Republic participated in a summit meeting of the "VISEGRAD" four, which agreed to intensify cooperation. It continued its participation in the Central European Initiative, which it chaired in 1999.

5. HUNGARY

5.1. INTRODUCTORY SURVEY

Over 1000 years, Hungary was a fertile plain extended on the other side of the middle Danube. The Hungarians have long regarded their country as the eastern outpost of Western Europe in cultural pattern, religious affiliation and political structure.

The state was known as the Hungarian People's Republic between August of 1949 and October 1989. Hungary lies in Eastern Europe and bounded to the north by

¹¹⁰ Ibid., P.12-13.

¹¹¹ **Nato Forces by Kosova Crisis**, www.nato.int/kosova/press/k990803a.htm, 1999, P.2.

Slovakia, to the east by Ukraine and Romania, to the south by Yugoslavia (the Serbian province) and Croatia, and to the west by Slovenia and Austria. The capital is Budapest.

The official language is Hungarian (Magyar). More than 90 percent of the present Hungarian population is of Magyar origin and among the rest, the Roma population is the largest (between 500.000 and 700.000 people). The rest of the population is comprised of Croat, German, Romanian, Serbian, Slovak, Slovene and Jewish ethnic minorities. Most of the inhabitants profess Christianity. Two-third of the Christians are classified as Roman Catholic, despite the communist regime's anti-religious policies, which prevailed more than four decades on the Hungarian country. The Roman Catholic's represent about 65 percent of the population. Other Christian groups are the Calvinists (20%), the Lutheran Church (5%) and the Hungarian Orthodox Church. The national flag consists of three equal horizontal stripes, of red, white and green.

The Hungarian economy was traditionally dependent on the agricultural sector, which was collectivized following the Communist assumption of power after World War 2, industry currently employs over half of the labor force and accounts for the majority of export earning. The country was to be mentioned as a net food exporter, with one of the largest agricultural trade surplus in Eastern Europe.

Leading industrial products, almost all of which require imported raw materials (iron ore, petroleum, copper, crude fibers), include machinery, transportation equipment, electrical and electronic equipment, chemicals and textiles. Bauxite, coal and natural gas are the chief mineral resources¹¹².

5. 2. ADAPTATION EFFORTS AFTER THE END OF COMMUNISM

The abolishment of COMECON has created same effects on Hungary's future, like the Czech Republic's. Resulting mostly in uncertainty as to the future of the state

¹¹² **The Europe World Yearbook** , P.1564 - 1568.

the uncertainty circle was born and spread to all around of the old state. During this period the need for a new formation caused Hungary's involvement to the VISEGRAD countries. The signification of VISEGRAD Treaty and, relations with the EU were attempts at rebuilding the economic and political system. The common history and cultural ties, and common economic experiences during Communist period bounded the VISEGRAD countries together (Hungary to the Slovak Republic, the Czech Republic and Poland) ¹¹³.

In the old Communist period, the COMECON member's economies concentrated on special sectors. Hungary's expertise was on agricultural production¹¹⁴. On the other side, the Western World economies were founded on services and industry, and the share of agriculture in economic indicators is decreasing. As a result of these, Hungary needed economic support and aids more than the Czech Republic and the problem would be resolved with the help of the new formation (VISEGRAD).

The false economic regulations of old COMECON are still disturbing the economic developments of the VISEGRAD countries. The share of services and industrial sector in Hungarian economy is likely to increase after Hungary's accession to EU membership. Also the membership of VISEGRAD is one of the important foundation of Hungary's development will depend upon.

5.3. THE POLITICAL REPERCUSSIONS OF THE MEMBERSHIP APPLICATION

Hungary's transition from communism to post-communism was low-key and there was no bloodshed. There were few demonstrations and there were no big events to attract the world's media. The Hungarian Socialist Party (HSP) acquired a third of the votes in the first round of elections in May 1994, but-because of the limited nature of proportional representation in Hungary-obtained 54 percent of the seats in

¹¹³ A. Davis , *An Eastern European Alternative to Membership in the European Communities* , www.psir.us.sfsu.edu/IntRel/IRJournal/fa94/davis.html , 1999, P.1-6.

¹¹⁴ *Ibid.* , P.1-6.

parliament¹¹⁵. The result was not unexpected in the light of the previous government's long standing unpopularity, and it scarcely came as a shock to the West since post-communist parties had by this point already been voted to power by electorates of Poland and Lithuania¹¹⁶.

There were several reasons for the HSP's victory. The former center-right government was identified with economic failure. Their unsuccessful campaign attempted to invoke the threat of communism. On the other side, the HSP's election campaign projected an image of calm professional competence. They made it clear that they were forward-looking and prepared to continue both with economic reform and the pursuit of Hungary's integration into Europe. Also, they offered in addition a promise of restoring the social security to which the population had been accustomed under the previous regime. This was the greatest single factor in their victory¹¹⁷.

All of these developments showed that Hungarian citizens' preference was integration with European Union (Western World) and they did not want to encounter the communist period's threats again. The Hungarian citizens aspired to attain the Western world life standards like the citizens of the Czech Republic. The restoring of social security was one of the important subjects that the Hungarians looked for.

¹¹⁵ A. Karatnycky - A. Motly - B. Shor , P.179.

¹¹⁶ D.M. Olson - P. Norton , **The new Parliaments of the Central and Eastern Europe** , Frank Cass and Co. Ltd. , London, 1996 , P.36.

¹¹⁷ P.G. Lewis , **Party Structure and Organisation in East-Central Europe** , Edward Elgar Publishing Company , Cheltenham, 1996 , P.27-29.

Table – 15. Hungarian election, 8 May – 29 May 1994

Parties	% Vote regional lists	Individual	Seats regional lists	National lists	Total
Hungarian Socialist Party	33	149	53	7	209
Alliance of Free Democrats	20	16	28	25	69
Hungarian Democratic Forum	12	5	18	15	38
Independent Small holders P.	9	1	14	11	26
Christian Democratic People's P.	7	3	5	14	22
FIDESZ *	7	0	7	13	20
Agrarian Alliance	2	1	0	0	1
Entrepreneurs Party **	1	1	0	0	1
Others	10	0	0	0	0
Total	100	176	125	85	386

*: FIDESZ: Alliance of Young Democrats, **: Entrepreneurs Party: Liberal Civic Alliance, P.: Party,

Source: PRENTICE HALL EUROPE, POST-COMMUNIST POLITICS-An Introduction, New Jersey, 1997,
Henderson Karen – Robinson Neil

The EU's invitation was like a candle among the darkness of the future for the Republic of Hungary. The Hungarian government aimed to adapt to the western world's economic and political systems, before the EU's invitation. The national interests of Hungary coincided with those of the EU.

The security of state was one of the most important priorities for Hungary. During this period, Hungary joined NATO's Partnership for Peace in March of 1994. They needed peace urgently in this period for re-organization of their states like the Czech Republic. Surely, the re-organization period will be hard for Hungarians, as economic and political instability would be the last thing that they wanted to experience in this period¹¹⁸.

¹¹⁸ A.S. Banks - T.C. Miller, **Political Handbook of the World** , CSA Publications ,Richmond, 1998 , P.402.

Economic difficulties forced the Hungarian government to engage in economic reforms. The PHARE aids and the other aids would be enough for few years, but the restructuring of state would need more than these aids. At that moment, the OECD's invitation was come as perfect development for Hungarians. In March of 1996, the Hungarians have been invited to join the OECD and IMF loan was provided. These developments including the prospect of NATO membership would be very beneficial for the restructuring of Hungary¹¹⁹.

On the other side, the Hungarian government's application to the EU was realized before OECD's invitation, in March 1994. The Hungarian application to the EU for full membership was first among the CEEC.

Finally, the changing World systems have caused the creation of new international balances. Most of the Hungarian citizens and the government want to reach their goals, which would be to come a member of European organizations. The Hungarians have regarded their country as the eastern outpost of Western Europe and they do not go to lose their natural right about the EU membership.

5.4. ECONOMIC ADAPTATION TO EU CRITERIA

Hungarian government's priority goal was the economic restructuring of the state. The economic problem was three-fold: creating a market-driven economy; stabilizing that market-driven economy once in place; and creating private market agents to give substance to the market-driven form¹²⁰.

The Hungarian government realized considerable economic reforms, in early 1989. The pricing adjustment was the first one and it had rendered the Hungarian economy a potentially market-driven one. Also, it proved easier to stabilize external relations than domestic ones. Control of inflation and restrictions on full currency

¹¹⁹ Ibid. , P.402.

¹²⁰ S. White and J. Batt , **Developments in East European Politics** , The Mc Millan Press Ltd. , London, 1993, P.81.

convertibility began a virtuous circle of domestic confidence in the foreign enthusiasm. Foreign investment would increasingly flow to Hungary with help of this¹²¹. External trading relations also improved markedly. As the following development, the taxation system has undergone a number of reforms and changes (between 1990-1996), and parliament passed thirty-four laws and amendments that regulate taxation. The Value Added Tax came into force by this period¹²².

The aids and funds were the main sources of these applications. But, for the new economic improvements, the Hungarian government needed more financial sources. The membership of the EU will help them financially. The net contributor to EU budget will finance the less-developed members of Union. The internal sources and the increase in the economic power (increase of production capacity and financial liquidity, improvements in Banking system, etc.) of the state are the main motives for Hungarian government's approach to the European Union¹²³.

Table – 16. Attitudes towards a Free Market Economy (1997)

In Percentages	Right	Wrong	No Response
Poland	62	19	19
Estonia	55	32	12
Slovenia	42	42	16
Hungary	37	31	33
Czech Republic	28	50	22

Source: Central and Eastern Europe Barometer (8/1997)

Some economic indicators of Hungary do not match the Maastricht criteria for economic and monetary union and fare worse in comparison with the Czech

¹²¹ Hungary July 1998 - Reforms in Hungary attract foreign investment and lead the more open trade policies as EU membership effects intensify , www.wto.org/english/tratop_e/tpr_e/tpp_e.htm, 1998, P.7.

¹²² A. Karatnycky - A. Motly - B. Shor , Nations in Transit : Civil Society , Democracy and Markets in East Central Europe and the newly independent States , Transaction publishes , New Jersey, 1997, P.191.

¹²³ Hungary July 1998 - Reforms in Hungary attract foreign investment and lead the more open trade policies as EU membership effects intensify , www.wto.org/english/tratop_e/tpr_e/tpp_e.htm, 1998, P.1-12.

Republic¹²⁴. The Hungarian governments' inflation {18.3}, growth {2.5} and unemployment rates {8.9} improved in a positive direction. But the balance of payment {-1.0} and the balance of foreign trade {-2.0} produced deficits year by year. The Czech's rates were more stable than Hungarians were especially the inflation rates and growth rates were. The Hungarian government needed urgent development. According to this outlook the national interests of the all CEEC governments converged on EU full membership, including Hungary and Czech Republic¹²⁵.

Table – 17. Comparative economic indicators

Years	Growth rates		Inflation rates		BOP		BOFT		Unemployment R.	
	CR.	H.	CR.	H.	CR.	H.	CR.	H.	CR.	H.
1994	2.6	2.9	10.0	18.2	-0.1	-3.9	-0.7	-3.8	3.2	11.4
1995	4.8	1.5	9.1	28.2	-1.4	-2.5	-3.6	-2.5	2.9	11.1
1996	4.0	0.8	8.8	23.6	-4.3	-1.7	-5.8	-3.1	3.9	10.1
1997	4.0	2.5	8.5	18.3	-3.2	-1.0	-4.5	-2.0	4.8	8.9
1998	7.0	4.9	10.7	14.3	-1.1	-2.4	-2.5	-2.7	6.5	7.8

BOP: Balance of Payments, BOFT: Balance of Foreign Trade, Unemployment R: Unemployment Rates, CR: Czech Republic, H: Hungary

Source: T.C. BAŞBAKANLIK DIŞ TİCARET MÜSTEŞARLIĞI-Avrupa Birliği Genel Müdürlüğü, AVRUPA BİRLİĞİ'NİN GENİŞLEME STRATEJİSİ-Uygulamalar ve Etkileri, Ankara, 1998, Erkman İ. Kaan

¹²⁴ Ibid. , P.1-12.

¹²⁵ Zsigmond Jarai, Finance Minister in Victor Urban's government that took power in 1998 told Reuters Television that an expected annual economic growth rate of four two five percent would ensure Hungary is ready for membership of the European Union by 2002: "With that growth rate Hungary is one of the most rapidly growing economies in the world. We (Hungarian government) believe that in 2001 the Hungarian economy will reach the status with which it can join the European Union (in 2002)." The main result of this interview is that the Hungary's economic efficiency is increasing day by day. This positive assessment was reinforced by other good economic news, including a budget deficit figure that came in below expectations and lower than expected inflation results.

To able to speed up the process of accession the government of Hungary must improve the other economic conditions. However, they cannot avoid the deficits of balance of payment and balance of foreign trade.

The communist period life conditions, restrictions and prohibitions plagued the Hungarian citizens, like the Czech. The economic past of Hungarians was full of old communist period's false directions and their false applications. The Iron Curtain economies have lost their competitive power against foreign industries and foreign investment. They were also behind in the adoption of new technologies and new economic models, and most of their economic indicators were unstable, including Hungary and Czech Republic. In this circle the citizens could not be happy and hopeful like western worlds'. The economic conditions created social stress over Hungarian citizens, despite the membership in organizations like the OECD and by these organizations to Hungary aids and funds, which were during the transition period. The transition period obligations were dispersed equally on the government and citizen's shoulders.

The main tasks of the new government were securing the safety of jobs, the increase of salary, the improvements on job conditions, low inflation and unemployment rates, and low budget deficits, high growth rates and the new allocation among the main indicators of economy. Hungarian government must improve these things as soon as possible. The most important one was the new dispersion among the main economic indicators from agriculture to services and industry¹²⁶.

The Hungarian government was prepared for new economic programs. These programs' positive applications are providing solutions to financial problems in the last two years. These developments will shape Hungarian citizens future and they will define the borders of Hungary's economic evolution. The small population and the small area of the state, the common historical and cultural experiences with high-developed countries (especially with Germany and Austria) are the supplementary

¹²⁶ Worry's Over EU Membership , www.hungaria.com/news/1.htm , P.1.

factors, from whose positive effects the Hungarians have benefited during the transition period.

5.5. SITUATION WITH REGARD TO THE COPENHAGEN CRITERIA

5.5.1. Political

The Copenhagen criteria, which have been concluded after the Copenhagen European Council, contained the membership obligation of the countries of Central and Eastern Europe. The economic and political conditions, mentioned before, would define the limits of accession to the Union membership. In other words, the Copenhagen criteria could be accepted as guidelines to the Union's generally defined targets, which the candidate countries must achieve before their EU accession.

The Copenhagen criteria forced the Hungarian government to achieve the Western World conditions, especially in economic area. The positive effects of the criteria were higher than its negative effects. Hungarian restructuring evolution has been accelerated with the support of these conditions. PHARE program aids prepared the base of restructuring period and the evolution of Hungarian economy¹²⁷.

In the political area, the Hungarian government attempted to trigger improvement in the situation of human rights and respect for and protection of minorities (Gypsies). The amendments regarding the Hungarian parliament and the recognition of the right of representation by minorities in Hungarian local representative organs were the important developments during the solution of this problem. The stability of institutions guaranteeing democracy and the rule of law, in other words the rest of the Copenhagen criteria's political conditions have been more or less met by the Hungarian government as good as possible¹²⁸.

¹²⁷ **Enlargement - Preaccession Strategy - The Phare Programme**, www.europe.eu.int/comm/enlargement/pas/phare.htm, P.1.

¹²⁸ A. Karatnycky - A. Motly - B. Shor, **Nations in Transit : Civil Society , Democracy and Markets in East Central Europe and the newly independent States**, Transaction publications, New Jersey, 1997, P.187.

5.5.2. Economic

In the economic area, the Hungarian government has created the conditions for a market-driven economy and they have obtained stability process in the economy. Despite the need for some improvements, the government has attained the creation of market agents, which will give substance to market-driven reform. These criteria were obtained the first Copenhagen economic criteria's condition. Concerning the capacity to cope with competitive pressure, the government worked hard, but it still needs improvements like other candidates? The competition against foreign enterprises and investments would be harder that they expected before.

5.5.3. Harmonization of Law

Hungary's legislation based on the ground of old Soviet communist system, like Czech's. The collapse of this system would necessitate adjustments in all former Soviet satellite states' political life. The present Hungarian constitution is a patchwork of amendments introduced in 1989 and 1990, when the parliament changed practically the entire wording of the Communist constitution dating from 1949¹²⁹. Most of experts have agreed that the amended constitution conforms to requirements of a parliamentary democracy. They point out that its wording is often vague. This has led to jurisdictional conflicts among various government institutions and offices. After the 1994 elections the six parliamentary parties agreed to draft a new constitution. The six parties selected the members of the constitutional committee, and agreed on the procedural rules that would guide the drafting and approval of the new constitution. Constitutional committee before the 1998 elections has finished the draft of the constitution¹³⁰.

The performance of the Republic of Hungary is on the whole satisfactory, but some problems are apparent like other candidates. In general, Hungary has established

¹²⁹ Ibid. , P.184.

¹³⁰ Ibid. , P.185.

democratic reforms of government broadly compatible with requirements of Union membership, later the Czech Republic had.

The Hungarian government's performance was successful concerning the subject of human rights and respect for and protection of minorities. By the July of 1993, the Parliament passed a Law on National and Ethnic Minority Rights after two years preparatory work and several draft texts. The law bans discrimination against minorities and regards their rights to national and ethnic self-identity as a part of universal human rights and basic freedoms. The law recognizes all ethnic groups that have lived in Hungary for at least a century. Their members are Hungarian citizens but have their own language, culture and traditions. These groups include Croats, Bulgarians, Germans, Armenians, Roma (Gypsies), Poles, Romanians, Greeks, Serbs, Slovaks, Ukrainians and Ruthenians. Nevertheless, Hungary's estimated 500.000 Roma (Gypsies) continue to suffer de facto discrimination in employment and housing, and have been hit especially hard by the effects of economic restructuring. They have also been the victims of skinhead attacks and vigilante justice. The Hungarian Parliament passed an amendment to the penal code that stipulates that anyone, who incites hatred or acts in a way likely to incite hatred against the Hungarian nation or any other national, ethnic, or religious minority, will be punished up to three years of imprisonment¹³¹. As a following development, we have seen that the Hungarian minorities have won the representation right in local representative organs; especially the German minority has won the strongest representation, while the weakest are the Gypsies. Despite the Skinheads attacks and their hate crimes, the Hungarian government's serious amendments were more successful than the Czech Republic.

There were some problems regarding the functioning of the judiciary in most CEEC, including Hungarians. The newly found independent judiciary has had time for its evolution. The judges in some countries lack sufficient training, including Hungary. Their training will cause an increase in their experiences needed to cope with newly

¹³¹ Ibid. , P.187.

introduced constitutional and legal principles in Hungary, as in the case of the Czech Republic.

The subject of the independent television and radio was another problem for the Hungarian government in the communist period. All Television and radio's property rights were belonged to the state. Before promulgation of the new law, press freedom has been explicitly guaranteed by the old constitution. Some small local stations exist in limited market and no national radio stations are privately owned; however, several regional stations such as Radio Juventus and Radio Bridge can be heard throughout the country by using transmitting stations. Several local television stations broadcast on AM micro-channels, and there are some small private channels servicing single districts of large cities. No national television station is owned privately¹³².

In the field of regional cooperation, the Hungarians have worked hard like Czech's. They have applied to NATO and the EU for membership. The cause of the NATO application was the security of the state during the new formation (restructuring) of Central and Eastern Europe. On the other side the Hungarian government has signed most of the international agreements and treaties. The direction of the amendments intersected with these treaties and agreements' rules and conditions. In short, the restructuring of the political area was easier than the economic area's.

Finally, in the Commission's 1999 Regular Report about the general political evolution of Hungary, the Commission mentioned that Hungary fulfils the Copenhagen political criteria. Two areas still need attention. The first one is the situation of the Roma, where the government is beginning to implement its medium-term Roma action plan and needs to make available adequate budgetary resources. The second is the fight against corruption where recent efforts need to be reinforced¹³³. Both areas need time for their pre-required amendments and implementations. The Commission's Regular

¹³² **The Europe World Yearbook** , P.1578.

¹³³ **Regular Report of European Commission** , P.17.

Report supported the opinion that Hungary political restructuring is proceeding rapidly.

Secondly, the Hungarians are faced with hard economic problems, after the collapse of the Iron Curtain. The harmonization of law, promulgation of new law, the adaptation of economic system were the main problems. The conditions, which were expected from the Hungarian government, were the creation of a market-driven economy, and its stabilization and the creation of private market agents to give substance to the market-driven form¹³⁴.

In 1998, the Hungarian economy expanded by % 5.1 and GDP growth became increasingly driven by domestic demand. The recovery of private consumption, which grew by 3.8 %, strengthened throughout the year. Investment continued to be strong and capital expenditure on machinery increased by more than 20%. Exports also expanded strongly in 1998, by 16 % in real terms but their growth dropped from nearly 30 %. The cause of this sharp fall was depended on the drop in sales to Russia. Other factors were the general slowdown in world demand, the increased competition from Asian producers on third markets. Unemployment falls to 7% in the last quarter of 1998. In 1998 the current account deficit increased to almost 5% of GDP and it was double its 1997 level¹³⁵.

These indicators showed the evolution in Hungarians' economic life. Hungary is a functioning market economy after the long war against foreign threats and local insufficient conditions. The inflation has fallen and economic growth continued. Against the budget deficits the government has token hard measures in recent years.

The creation of market-driven economy has been accomplished by Hungarian government amendments and the efforts at its stabilization were on the right direction. Lastly, the government has realized the creation of private market agents, which will give substance to market-driven form, but it needs improvement. These conditions

¹³⁴ Ibid. , P.20.

¹³⁵ Ibid. , P.22.

support the rapid evolution of the old Communist economy; most of the conditions are similar to the Czech Republic.

Finally, in the Commission's 1999 Regular Report about the general economic evolution of Hungary, the Commission mentioned that Hungary is a functioning market economy and the legal and institutional structures, which underpin the market economy, have been further strengthened. It should be able to cope with the competitive pressure and market forces within the Union in the medium term, provided it continues to make further progress in structural reforms¹³⁶. The following harmonization efforts of the Hungarian government helped to fulfill the economic criteria in recent years and it certainly needs new amendments fit to address new economic realities.

The privatization efforts of Hungary were realized as fast as possible. According to the Economic Intelligence Unit, Hungarian privatization continues to be a success story. The private sector generates some 75 percent of Hungary's GDP, and the government considers that its privatization program will be virtually completed by the end of 1997¹³⁷.

By the Act No.10 of 1992, declared the goals of privatization and which were; the modernization of technology, increase of working capital, import of know-how and marketing experience, support for domestic and foreign entrepreneurs, the development of the domestic capital market, and creation of work opportunities. A new Privatization Law was drafted in November 1994 and it was passed in January 1995 with ninety-nine changes¹³⁸. The new law focuses on privatization or liquidation of state owned, strategic industries-primarily mining, communications, transportation, banking and energy, instead of the 1990-95 amendments¹³⁹. The new Privatization Law was very close to the EU's Privatization Laws.

¹³⁶ Ibid. , P.28.

¹³⁷ A. Karatnycky - A. Motly - B. Shor , P.192.

¹³⁸ Ibid. , P.192.

¹³⁹ A. Karatnycky - A. Motly - B. Shor , **Nations in Transit : Civil Society , Democracy and Markets in East Central Europe and the newly independent States** , Transaction publishes , New Jersey, 1997, P.190.

Table – 18. PRIVATISATION DATA

Type of Privatization	Privatization Period	Percentage of Privatization
Housing and Land	From early 1991 to the late 1994	Approximately 97 percent
Agriculture	From late 1990 to the late 1995	94 percent
Industry	From mid-1991 to the late 1996	Approximately 70 percent
Business and Services	From early 1991 to the mid-1994	Over 70 percent of businesses and services

Source: TRANSACTION PUBLISHERS-New Brunswick (USA) and London (UK), NATIONS IN TRANSIT-CIVIL SOCIETY, DEMOCRACY AND MARKETS IN EAST CENTRAL EUROPE AND THE NEWLY INDEPENDENT STATES, 1997, Karatnycky Adrian- Motly Alexander- Shor Boris

The Hungarian banking sector was reformed after 1989. The Central Bank operates independently of the government, but its three-year term was insufficient. Instead of three years, five years would ensure more independence and stability within the central bank¹⁴⁰. By the end of 1995, the first year of the privatization of the state-owned banking sector, 58 percent of banks were privately owned¹⁴¹. This number would increase to 75 percent by the end 1997. This private share could be accepted as high for newly independent state (from 1989 to 1997)¹⁴². In addition to domestic banks, a number of foreign banks operate in Hungary including Citibank, Deutsche Bank, Hipo Bank and Bank of America, proof that banking sector conforms to international standards. As the result of post-communist privatization amendments the Hungarian banking sector rose to the maximum point of its history. For example the Hungarian banking sector showed a staggering 30 percent growth in net income, by 1996. It also continued in the year 1997.

¹⁴⁰ Ibid. ; P.194.

¹⁴¹ Ibid. , P.194.

¹⁴² Ibid. , P.194.

Table – 19. The biggest banks of Hungary (million forint)(1997)

BANKS	OWNING STATUE	CAPITAL	RESERVES	DEPOSITS
National Bank of Hungary	State-owned	10.000	43.800	4.371.800
National Savings and Commercial Bank Ltd	Private-owned since late 1996	28.000	7.841	805.339
Post Bank and Savings Bank Corporation	Owned with foreign Participation	16.450	4.183	236.773
Budapest Bank Ltd	Private-owned since 1996	19.736	2.895	174.135
Hungarian Foreign Trade Bank Ltd	Owned with foreign Participation	9.092	14.653	191.071
Creditanstalt Ltd	Owned with foreign Participation	6.115	2.253	62.167

Source: EUROPA PUBLICATIONS LTD-THE EUROPA WORLD YEARBOOK 1997, Luxembourg, page: 1577

5.6. IMPACTS OF ACCESSION ON THE MAIN EU POLICIES

5.6.1. Agricultural Policy

Hungary was one of the biggest agricultural producers and food exporters among the CEEC. As a result of these, Hungary has the largest agricultural trade surplus in Eastern Europe, in the middle of the nineties. In recent years, the Hungarian agricultural sector was entered to economic recession. Especially, the overall economic performance in Hungary continued to growth in 1998 and in early 1999 and the output of agricultural sector decreased over these two years. Thus, the share of agriculture in the economy is declining: agriculture and forestry represent less than 6 % of the GDP and employed less than 8 % of the working population. However, in 1994, agriculture

and forestry represented less than 7 % of the GDP and employed less than 15 % of the working population¹⁴³.

On the other side, the appropriation increase on the European Agricultural Guarantee and Guidance Fund was required for Hungary, which meant additional financial obligations, for England, Sweden and Austria. Concerning agricultural support, the 1999 Hungarian system has 4 categories of aids (support for market access, food safety, restructuring and modernization) with a total budget of 576 million for agricultural subsidies and 46 million for rural development measures¹⁴⁴.

Finally, Hungarian agricultural cost for the Union will be like the Czech Republic, after the decrease of agricultural share in GDP and the decrease of agricultural labor in working population. The net economic welfare will increase for Hungary, but it will decrease for European Union. The additional costs, which will be born by the acceding CEEC (including Hungary) by the EU, will increase the Union's agricultural expenditures. Thus, to meet this expenditure, the Union budget income must be increased for keeping the Union from economic recession.

5.6.2. Institutional structure

The accession of Hungary will cause a change in the structure of the Union's Institutions. Hungary's population (10.3 million) will increase the Union's from 369.267 million to 379.567 million and the Hungarian representatives will also cause a change in the representation of member states in the EU institutions. Until a new balance is set up, the decision-making process will undergo an amendment.

¹⁴³ Regular Report of the European Commission - Hungary , P.54.

Table – 20. Hungary’s approximate representation degree by the European Union institutions, due to year 1994

States	Population (million)	Qualified vote by CM	Seat number by EP	Commission Delegate
Hungary	10.3	5	25	1
EU-15	369.267	87	626	20
EU-15 +Hungary	379.567	92	651	21

CM: Council of Ministry, EP: European Parliament, EU: European Union

Source: İKTİSADİ KALKINMA VAKFI YAYINLARI, ORTA VE DOĞU AVRUPA ÜLKELERİ İLE TÜRKİYE’NİN AVRUPA BİRLİĞİ’NE TAM ÜYELİKLERİNİN AVRUPA BİRLİĞİ’NİN BÜTÜNLEŞME VE GENİŞLEME DİNAMİKLERİ YÖNÜYLE DEĞERLENDİRİLMESİ, İstanbul, 1998.

5.6.2.1. Decision - making process

The number of areas, in which majority voting will take decisions, must increase. Unanimity must be replaced by majority voting. In other words, the veto rights of the member states, which will be effective over the decision process, must be abolished. The decision-making process by majority voting needs a new adjustment. It consists of the majority voting decision of Council of Ministry must be voted by the European Parliament. This voting must use the base of majority voting. Both decision process of majority voting systems (double majority voting) must be applied and with help of this, the European Parliament will be added to the decision-making process. This addition will also cause the abolishment of old system’s limited participation negative ness, which named as European Union’s democracy deficit.

5.6.2.2. Strengthening Commission’s authorities

The Commission is the main executive branch of the Union, which also performs legislative functions. Its authority must be strengthened as soon as possible,

¹⁴⁴ Ibid. , P.54.

for the rise of its effectiveness. The membership of the Commission will also be rearranged.

Table – 21. General Data about Hungary and the EU:

INDICATORS	Hungary	EU – 15	Hungary + EU 15
Population (1)	10.3 million	369.2 million	379.5 million
Area (2)	93030 KM	3230548 KM	3323578 KM
Gross Domestic Product (3)	23.6 billion \$	7738.7 billion \$	7762.3 billion \$
Growth Rate (4)	4.9	5.61	5.565625
Inflation (5)	14.3	3.56	4.23125
Unemployment (6)	7.8	4.5	4.70625
Qualified vote by CM *	5	87	92
Seat number by EP *	25	626	651
Commission Delegate *	1	20	21

(1): Due to the year 1996, (2): Due to the year 1996, (3): Due to the year 1998, (4): Due to the year 1998, (5): Due to the year 1998, (6): Due to the year 1998, *: see table 12

5.6.3. Common foreign and security policy

Hungary continues to orientate its foreign and security policy towards the EU. It participates actively in the multilateral political dialogue within the framework of the Common Foreign and Security Policy (CFSP), including the regular meetings at political directors', European correspondents' and Working Group level. Hungary has regularly aligned its positions with those of the EU and, whenever invited, adhered to the Union's statements, declarations and demarches, including in the context of the UN and the OSCE. Thus it aligned itself with the common position on Kosova, the ban on Yugoslav flights and the oil embargo on Yugoslavia.

In March 1999, Hungary became a member of the North Atlantic Treaty Organization (NATO). In January 1999 it ratified the Treaty on Conventional Armed Forces in Europe. During the Kosova crisis, Hungary actively supported the NATO

operation against Yugoslavia. Hungarian soldiers participated in the humanitarian in Albania. Hungary also participates in KFOR and SFOR and sent in these context soldiers to Kosova.

In view of its full participation in the CFSP, Hungary still needs to make certain structural changes. In the first half of 1999 Hungary assumed the rotating presidency of the Council of Europe.

Hungary strives to contribute to regional stability through a policy of good-neighborly relations and regional cooperation, i.e. by participating in the Central European Initiative, the South East European Co-operative Initiative (SECI) and the Royaumont process and the re-launched Visegrad-4 dialogue (involving Slovakia, the Czech Republic, Poland and Hungary). Relations with Romania and, following the general elections of September 1998 there, with Slovakia improved considerably. The Basic Treaty with Slovakia, signed in 1996, is now being implemented. Discussions on a solution to the dispute over the Gabcikovo dam project are ongoing on a technical level without standing in the way of renewed bilateral relations. Hungary participates in the Stability Pact for Southeast Europe. In the first half of 1999 it assumed the rotating presidency of the Council of Europe.

CONCLUSION

All enlargement periods aimed at strengthening and stabilizing the European continent. The population, the area and the economic capacity of the Union increased with the accession of new members. The political and economic needs and requirements (interests) of states necessitated further enlargement leading to the opening of accession negotiations with twelve countries.

The enlargement to the East could create a dilemma among the supporters of enlargement. As far as economics is concerned, EU member states were concerned about the development of market economy. They have seen Eastern Europe as a large new market and they expected less competition from the East than other EU countries. Also, they expected their potential consumption and investment to be increased. Politically, their plans were that the enlarged EU would carry greater weight in world affairs and it would be the balance-keeper in the international political area. Furthermore, they expected that EU enlargement would extend the zone of stability in Europe. It was also probable that enlargement would disrupt the process of integration and the efficient functioning of the Single market.

The analytical position of this thesis supports tighter enlargement. The enlargement of the EU is the rational policy choice that will advance the interests of the Union. The supranationalism idea defenders have displayed the same optimism, forty years ago. Despite this, a dilemma can come into existence as a result of the new enlargement. The solution lies in the amendment of current laws, which regulated the CAP and the European Union institutional structure. Before the new enlargement, these areas were the most important and problematic ones. Especially the decision-making process will be functioning harder and slower than the current one, without new amendments. The veto right of the member states should be abolished. The unanimity voting system should be replaced with majority voting system; the European Parliament should be included into the decision-making process.

Apart from all these regulations, the CAP is another subject, which is still waiting for a solution. After the integration of CEEC into the EU, the CAP has been disturbed. The current shares of EU's agricultural pastry have been changed. The loss of agricultural countries (Greece, Spain, Portugal and Italy) has caused the appropriation increase on European Agricultural Guarantee and Guidance Fund, which is still providing to these agricultural countries. This fund is the biggest expenditure source of the Union Budget. The expected disadvantages, which would have occurred after the new enlargement, will require some rapid adjustments in the subject of CAP. The most important thing is the creation of an optimum balance between the old and the new members of the Union.

The new enlargement of the EU will affect the balance of power in the European Continent. The domination of the EU will increase and the areas of influence of the EU will enlarge around the world.

The area of stability and security will spread over Eastern Europe, and the stabilized areas will be enlarged throughout the world. As a result of this, the welfare level of world economy will increase after harmonization and evolution periods of CEEC.

We can expect the world economic indicators to change positively (close to the optimum point). The inflation problem will be closer to being solved. The unemployment rates will decrease after the harmonization of Eastern European Countries. The foundation of new industries and the evolution of the service sector in CEEC will cause a big decrease in unemployed labor force inside the European Union countries and in the CEEC, at the same time.

It is difficult to image the functioning of the EU after the accession of the candidate countries. Developed and less developed European countries will be united under the same formation. The effects of economic problems, which will be born after the unification of VISEGRAD countries with the Union, would be abolished among these strong economies.

As for the effects of integration on the Czech Republic and Hungary, the outlook is mostly positive. Unification will have positive effects on Czech Republic's policies and economy, except for the consumption problems in the domestic market. The state will be safe against political threats and the government will be more powerful and trustful in the implementation of its economic policies. In the 1990 elections, the slogan of the Civic Forum was 'Back to Europe' and this slogan will be realized in a few years for Czech's. They feel that their state and citizens belong to Europe and nobody can change this reality. They will come back to where they used to belong before.

The achievement of Hungary's EU membership will define the country's future, in the economic and political areas. EU membership will categorize Hungary in one of the largest developed blocks. Perhaps, there is no other state all over the world that would want to lose an amazing chance such as to participate to the economic and political unification of European countries. Economic and political problems will be solved with the help of the strong economies and policies involved in unification (including those of Germany, France, England and Italy). At the same time, nobody can doubt that Hungarian economy will create positive effects on European Union's.

The economic area will be more difficult than the political area, as in the case of Czech Republic and the competition with the external and internal forces is the biggest problem for Hungarians. Also, continuity is very important for amounting the stability of the economic conditions, that have seen achieved before. If they do not solve these problems, then Hungarian accession will add big economic difficulties and additional obligations on the shoulders of the member states of the Union. The Hungarian government needs to improve and amend seriously Economy legislation and with the help of the required improvements, Hungary's harmonization to the Union will be accelerated, during the membership period. In short, the membership status will be very necessary for Hungary's economic life.

In the political area, Hungary was harmonized into the Union with the new promulgation. There are minor discussion topics, which are still waiting for solution.

Talking about minorities' rights, they have never had such big problems as the Czech's had. The membership status of Hungarians will be more necessary to strengthen security against external threats.

Finally, Hungarians' dream of the recent years will be realized. Their dream was being of the Western Europe. They claim they have long regarded their country as the eastern outpost of Western Europe in terms of cultural pattern, religious affiliation and political structure. They have accepted this idea as the reality of their state and they will come back to where they used to belong before, like the Czech's.

The thesis' analysis of these two cases can be generalized for other Central and East European countries. Enlargement is a high priority issue for the EU. The EU is bound to integrate other European countries if it wants to preserve its weight in world economy and world politics.

Integration is also vital for Central and East European countries. The viability of their economy and security and stability of their political systems depend on the assistance of the West and inclusion into the EU.

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