

PhD Thesis Summary

**DIVERGENT DYNAMICS OF TRANSFORMATION: THE ROLE OF THE
EUROPEAN UNION**

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Motto: The only thing worse than being the member of
the European Union is not being the member of it.
/Oscar Wilde reloaded/

1 Motivation of the research

I have begun my PhD studies with the intention that my master degree was not enough, I by no means know enough and I still do not understand everything I would like to. I was still ready to discover new fields in economics.

My international interest was latently behind my choice of international specialization at the university but it came to light during my semester in Jyväskylä, Finland where I was an exchange student in 2004. Here I was not tied by the curriculum of studies but I was free to choose from countless interesting courses and I met countless interesting people from many countries. This “intellectual freedom” and multicultural environment “put me in a different context” and helped me a lot to find my field of interest. It came out, that I am interested in international issues.

Still, when I decided to start PhD studies, my willing to learn was not accompanied with a clear research agenda. I only knew that I was interested in European integration, in particular the widening of the integration. With these foundations I was “roaming about the scientific world” when the Europeanization and Croatia have found me. It would be bumptious to say that I have found my topic, but the historical fidelity requires to say that my topic has found me – with not little contribution of my supervisor László Csaba, for whom I cannot be enough grateful. After I possessed a research topic, life became easier but the long and hard road just began. What really brought me into the orbit of research was my second semester in Jyväskylä in 2007, where under ideal conditions for research I became even if not ideal but researcher. This I did not “manage” to shake off after returning home and my department accepted my newly institutionalized research days with understanding and support. My weeks in Zagreb mean also invaluable contribution, where I had the opportunity for a “real time” examination of Croatia.

All these would have been impossible to carry out without the active support, encouragement and sometimes devastating criticism of my supervisor.

2 Research question

The puzzle I have faced and aimed to resolve was that Croatia, my original object of examination, “behaves” different from the expectations. I aimed to find out whether the expectations were wrong, i.e. without any foundation, or Croatia misbehaved and if it did, what was the reason to do so. In order to solve this puzzle, I drew Slovakia into the examination as a control-case.

Some years ago one would have predicted very different scenarios for Slovakia and Croatia. The difference was twofold. On the one hand, both paths have shaped significantly different from the previous expectations. On the other hand, the paths of the two have been very different from each other, although some initial conditions seem to be highly similar.

This paper aims to examine why some countries are frontrunners in transformation and European integration and others lagging behind. Why some countries grasp the opportunity to join the European Union and others do not. Is it a conscious decision that a country takes part in the Europeanization process or rather “it just happens”? Under what conditions is a country more likely to Europeanize than the other. Why do governments implement measures in order to fulfil EU requirements and why others do not?

The final outcome is always the result of an interaction between external and internal factors. The puzzling question is which conditions play more determinant role. External or internal conditions will determine the level of Europeanization of a country? Or be more precise, what is the “good mixture” of external and internal factors that result in successful Europeanization. Is external pressure in itself able to reach Europeanization? Under what conditions is external pressure effective? Are there certain factors, which determine whether external incentives produce domestic institutional change and whether these changes are sustainable?

After such list of questions about the dynamics of Europeanization one may ask the simplest one: Is Europeanization *good*? Is it necessary in order to be a “happy country”? Is the EU anchor *necessary* for democratic transformation to market economy?

3 Method

The theoretical framework with which this paper tries to answer the above defined questions is Europeanization. The theory of Europeanization tends to explore how European factors influence domestic structures. However, this task is far from being unambiguous. As Haughton (2007:2) notes, social scientists do not have the luxury to isolate individual factors

and then re-run control-experiments to see if the result changes. As a consequence, demonstrating chains of causation is extremely difficult, if not impossible. The conclusions of the argumentation are often vague and less than robust: whether the development of a country makes it ready for EU accession or the development itself is the impact of the EU. Csaba (2009:178) points to an even broader methodological problem of social sciences: researchers (even from the same line of thought) are unable to agree even upon the meaning of basic concepts of the analysis. Haverland (2006) shows the methodological difficulties of case selection as well. Concerning the establishment of causal effect or relative importance of the EU, the author shows also evidence for biases towards EU-level explanations. The model of Cernat (2006) demonstrates that Europeanization is not the only external factor but the impact of globalization and other international organization may be also taken into account.

This study aims to discover the countries' economic and social *system*. I suppose that the answer to my puzzle cannot be found only by examining economic issues. Thus the scope of the study is widened and extended to political, social, ideological and cultural aspects. The theory of Europeanization, as I understand, provides space for this "expanded approach". In other words, the frame-theory of Europeanization can be used in all above mentioned sphere of social sciences. All the economy, politics, society, ideology and culture can be Europeanized. Europeanization pressure reaches every sphere of a country's life, the whole *system* of a country. That is why beyond the umbrella-theory of Europeanization the theory of transformation, comparative and institutional economics, public choice theory, sociology and psychology provide the framework for the analysis in order to be able to explain the overall development of my case study countries.

All in all, the approach of this study is *close* to what Kornai (1999:7-10) calls system paradigm. (1) I am interested in the system as a whole (in the Europeanization of the whole system). (2) I pay attention to the interaction between various spheres of the functioning of society. (3) I pay attention to the distinction between institutions which emerge historically and which are ad hoc construction of a bureaucratic decision. (4) I aim to search for an explanatory theory in historical terms. (5) I am interested in the transformation from "nationalist" to "Europeanist". (6) I am interested in the dysfunctional features of the system. (7) The method of my paper is comparative analysis. My starting point is that by comparing the two cases, I can understand better the factors behind each of them. Croatia and Slovakia are similar and different cases at the same time. The similar characteristics provide the possibility of comparison. They are two Central European countries with a number of common conditions. They did not follow the "mainstream" path of Europeanization, which is

also an important common characteristic. At the same time I cannot omit that the countries differ in some fundamental characteristics. However, the differences in the two countries' initial conditions *do not explain* the different outcomes of their development. This is the basis of my puzzle and this provides the possibility to compare them as the most similar cases.

Those who embark on comparing economic system, shall count with the possibility that they have to work out new theoretical categories instead of using ready-made schemes, and have to struggle for huge methodological difficulties (Kornai 1983:7). Moreover, understanding the economy as a system is far from being an unambiguous approach. *Lévai* (2006) presents a competing theory about how the system is understood, based on the system's theory. *Lévai* (2006:23) argues that historicism, analytical structuralism and functionalism and holism are the principles of any social sciences using the system approach. The transdisciplinary (not inter- or multidisciplinary) paradigm that provides the common language and methodology for all social sciences is the theory of complexity¹. *Eucken* describes two opposing systems: the centrally directed economy and exchange economy. At the same time, *Wallerstein* argues that there is no socialist system in the world-system since the world economy is a capitalist one (Bara et al. 2007:25-27).

The comparative economics also define itself as a discipline that examines economic systems, in which not only the elements are important but also their relations. The definition of the economic system makes it possible to see the economy as a whole and as the most important subsystem of the society. It is also possible to examine the impact-mechanism of the elements and their role in the system. According to Bara et al. (2007:6-7) the conceptual framework of the comparative economics is Kornai's system paradigm. Concerning methodology, comparative economics does not consider economic system and institutions² as given.

Altogether, this study does *not follow strictly* either Kornai's or *Lévai's* approach. The study does not attempt to unite the system paradigm with Europeanization or the system's theory with Europeanization. However, as noted before, I understand Europeanization as an inter/transdisciplinary theory where the economic, political and social system of the countries is seen as a whole. Although Europeanization may be seen as an episode in system's theory, the architecture of connection is not trivial and may be the subject of another examination.

As mentioned above, the method of the study is comparison. I compare the institutions/systems of the two countries according the principles of Europeanization. In both

¹ The theory of complexity is the deterministic school of system's theory which generalizes nonlinear relations (*Lévai* 2006:29).

² Which can be seen as systems as well, cf. *Lévai* 2006.

countries five aspects of Europeanization (market economy, democracy, acquis communautaire adoption, European identity and common foreign and security policy) are examined. The in-depth case studies are compared according to the keywords of Europeanization theory (misfit, perception, adaptation pressure and responding capacity). The comparison of the two countries is embedded in the context of Central and Eastern and Southeastern European countries. I argue that we can only understand the development of the two case study countries when I expound them in relation to the peer transformation countries. The case studies are composed on a “two countries–four cases” basis. This means that both case study countries are examined in two periods in order to explore the different mechanism during the two regimes. Both periods are examined according to the five aspects of Europeanization. The comparative section is also composed on a “two countries–four cases” basis. Here the results of the previous case studies are elaborated. The countries and cases are compared according to the keywords of Europeanization.

4 Answers to research question and theses

4.1 External and internal factors

1. thesis: In order to reach successful Europeanization, internal conviction is inevitable. Just like external pressure. The impulse from outside is able to put domestic processes and structures into new context, and move them out from dead-lock. The responsive capacity of a country depends on the will and determination of the political elite. The political elite will commit themselves to changes only if its costs are lower than its benefits *for the elite*.

My results show that the outside pressure of the EU and other international organizations cannot induce deep reforms without the inside will of the political elite and the population, i.e. without sufficient responsive capacity. The external incentive is necessary³ but not sufficient condition of changes. In other words changes do not appear automatically in the presence of external Europeanization pressure. At the same time, my results confirm that although international assistance in itself is insufficient, it is crucial and contributed to successful transformation (cf. Åslund 2007:297). Where the state is captured and vested interests block

³ As a matter of fact the whole concept of Europeanization is empty without the importance of external pressure, since Europeanization pressure is seen as an external impact on national economic, political and sociological structures.

important reform steps, the outside pressure is often the only chance to break this dead-lock, even if these countries look first resistant.

The experience of Slovakia shows both the importance of external anchor of discipline and that the will of change should come from inside. The EU can anchor a process effectively only if it goes with an inside will of changing. The outside pressure is not enough to achieve deep changes in economic, political and social structures. At the same time the impulse from outside is able to put domestic processes and structures into new context, and move them out from dead-lock. Examining the policy turn in Slovakia, Fisher, Gould and Haughton (2007:996) describe what the most commonly accepted view about Slovakia is: “While international pressures certainly played a role as well, they were less important than domestic political factors”. “Less important” definitely does not mean “not important” though. For small and open economies like Croatia and Slovakia, the international commitments cannot be ignored.

On the one hand, both in my case studies the evidence is that internal factors show the way for policy makers. Countries are fundamentally determined *by their own (inner) factors*. External factors, let it be Europeanization pressure, is able to play secondary role only. On the other hand, Europeanization theory tends to explore how domestic structures are *influenced* by European pressure. The case studies have showed that both countries have been influenced. However, we have also seen that Europeanization process is not automatic in a sense that the receiver has to lie back and wait for the result. In the studied countries the intensity of influence varied during time and depended on domestic political attitude.

“Real change comes from within” – from the political elite. As Dollar and Svensson (1998:4) point out regarding World Bank-supported reform programs, the governments willing to reform cannot be created but only identified. Some of the countries do not see Europeanization as a beneficial opportunity and thus they do not grasp it. The decision, whether to grasp the opportunity or not is the result of the decision of the political elite. However, this cost–benefit balance of the political leaders is often different than that of the whole economy and society. The determination of the elite depends highly on its perception, latitude and social basis. The scope for action of the decision-makers is not infinite but determined by deep identity questions, history and culture. These rather stable informal institutions cause path dependence and burden the scope for action of decision-makers. This set of initial conditions should be taken for granted (cf. Hodgson 2006).

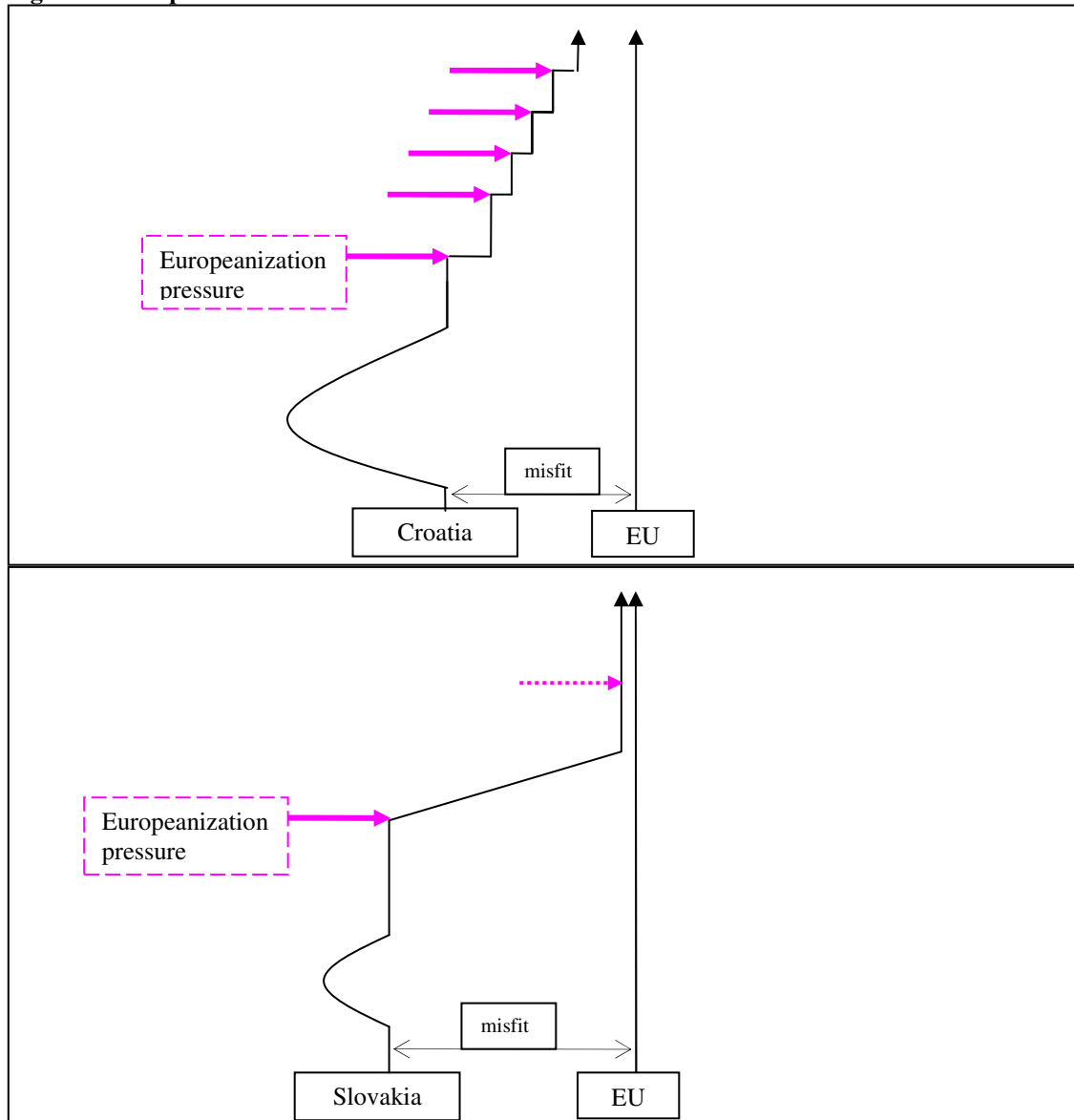
4.2 Rethinking the theory of Europeanization

4.2.1 The size of the misfit

Even though the size of the misfit is an important dimension, it cannot explain the outcome of the Europeanization process. The size of the misfit does not tell everything about the circumstances, how the misfit is perceived.

The initial misfit was much larger in Slovakia than in Croatia. However, this relative position changed soon. The misfit grew enormous and the Croatian situation became totally incompatible when the war broke out. It is also visible in the transformation indicator scores that in Slovakia the structural change started quicker and with larger steps, i.e. the country could “work off” its drawback compared to the more favourable Croatia. Still, the misfit in Slovakia in economic terms started to reduce quicker than the misfit in political terms. In Croatia the misfit continued to be irreconcilable until the end of the war, and even further on until the consequences of the war meant the main obstacle in the EU–Croatia relations. Referring back to the competing theory of Green Cowles, Caporaso and Risse (2001:222) and Knill (2001:201-202), I have suggested that the case of Slovakia confirms the former theory. In Slovakia the misfit was huge enough in 1998 that it worked as a stimulus. That is it confirm the hint that “the greater the misfit, the more likely Europeanization to occur”. At the same time, the case of Croatia confirms the suggestion of Knill (2001), i.e. Europeanization is more likely to occur when it requires minor or incremental changes. In Croatia Europeanization has occurred in minor and incremental steps. The evolution of the misfit and the influence-mechanism of Europeanization in the two countries are illustrated in Figure 1. The highly different Europeanization paths of the two countries confirm both theories. The cases have showed that the two theories do not expel each other but rather complement. The often contradictory behaviour of the countries cannot be explained by one single theory.

Figure 1: Europeanization in Slovakia and Croatia



Source: own construction

4.2.2 Misfit versus adaptation pressure

2. thesis: Misfit in itself does not induce adaptation pressure in economic, political and social structures unless the misfit is perceived and acknowledged.

As it was described in the theoretical chapter, Börzel and Risse (2000:5) identify two conditions of Europeanization (misfit and responding factors). They argue that if there is a misfit between European (Union) and domestic structures, it constitutes adaptation pressure. The second condition is the existence of factors that foster a respond to the adaptation pressure.

My cases showed that it is far from being automatic. The European and domestic structures may be compared according to several aspects. In my study I have used five aspects of Europeanization and identified misfits. The presence of misfit can be identified more or less objectively. Whether the misfit creates adaptation pressure, is dependent on more subjective factors. The misfit in itself was given in both of my case studies. The outcome, i.e. whether the responding factors appeared – the second condition of Europeanization according to Börzel and Risse (2000) – depended on how the political elite related to Europeanization processes. The keyword in exploring the willingness of the political elite proved to be *perception*. Perception is a rather subjective term. The same misfit may be perceived and interpreted in a different way depending on the approach of the political elite. If the elite is pro-Europe, the misfit may appear as a challenge to solve and it induces adaptation pressure. On the contrary, if the elite is counter-Europe, the misfit may appear as undesirable external influence and it induces resistance rather than adaptation pressure. In other words the elite serves as a filter between the European and domestic structures. Often key personalities of the elite function as a filter of the EU pressure⁴. Both countries show evidence for “leader matters”. As Colombatto (2003:13) writes, the leader, i.e. the ideological entrepreneur is able “to transform latent or shared beliefs into an institutional project and possibly enforce it”. Franjo Tudjman and Stjepan Mesić in Croatia, while Vladimír Mečiar, Mikuláš Dzurinda, Ivan Mikloš and Robert Fico in Slovakia played determinant role in changes of direction. Although they have connected to parties and movements, their personality determined the frame of reference for their countries.

To sum up, I argue that the adaptation pressure only show up when the misfit is perceived and acknowledged. Therefore I introduce an additional condition. The first condition continues to be the misfit or incompatibility between domestic and European institutions, policies or processes. Second, this misfit should generate adaptation pressure when the misfit is *perceived*. Perception is the additional condition. The third condition continues to be the existence of factors (actors or institutions) that foster a respond to the adaptation pressure.

4.3 EU membership vs. Europeanization

3. thesis: The presence of Europeanization impact is *inevitable*; the countries under Europeanization pressure have to count with it whether they choose positive or negative respond. Europeanization pressure does not appear ineffective even in the absence of

⁴ I am grateful to my opponent István Benczes for calling my attention to this fact.

internal response. This indirect Europeanization impact possesses different degree of efficiency, sometimes even opposite to the intended impact.

The rules of the European Union are relevant and important whether the country intends or objects to join the club, and moreover when it is a member already. The regulations of the European Union affect also those who are not members of it. This external barrier plays stronger or weaker role in every actor's behaviour that gets into contact with the EU⁵.

The economies of both countries have showed strong integration with the EU market regarding both trade and FDI flows since the beginning of their transformation. Europeanization does not only mean political decisions and that is why it does not only develop along politics. My arguments are based on the fact that politics and economy is highly interrelated. The two determine each other, usually the former determine the latter. That is why economic cosmopolitanism and political nationalism do not fit to each other. In other words economic cosmopolitanism requires the give-up of political nationalism. There is a trade-off between the two (Gligorov 2004b:94-95). At the same time, several examinations show that the logic of economy goes beyond politics. The logic and dynamics of market actors are inevitable and geographical proximity builds trade links well before politics or even against politics. Piazzolo (1996:1-2) shows that Eastern Europe⁶ trade reorientation towards the Western Europe has been driven by market forces and politics give only an institutionalised framework to trade structures that were created by market dynamics. Therefore, the political actions towards integration only follow the facts created by the market. My two cases show that during the "nationalist" period their economic integration intensity was poorer than that of the Europeanizing peer countries. This fact supports Gligorov's argument. At the same time, even if their economic integration intensity was poorer, it was a decisive extent and it did not moved tight together with politics and international relations.

Continuing the previous argument, "geography matters" (Krugman 2003). The geographical proximity determines the scope for action for a country. In case of Croatia this proximity

⁵ Györffy (2008b:983) finds that the regulations of the Economic and Monetary Union were neither necessary, nor sufficient conditions of a successful fiscal consolidation in the EU-15. Even if the EMU regulations enforce fiscal consolidation, its sustainability will be weaker compared to countries where consolidation occurred purely from internal commitment. In case of the Eastern European countries, the relation of internal commitment and external pressure is different than in the old member states described above. Unfortunately we do not have the possibility to examine the development of these countries *in the absence* of EMU regulations. Only in this case could we disregard the effect of them. At the same time, the rules of the club consist of its members' own rules, i.e. the club itself does not exist in a vacuum, apart from its members (Wallace-Wallace 2000:6). Thus the members' own rules may overlap with the club's rule as well.

⁶ Piazzolo examined the ten "Europe Agreement countries". Sigér (2006) found similar results for the Western Balkan countries.

strengthened the feeling of “being European” without being EU member and it counter-motivated the country towards reforms. In case of Slovakia the geographical proximity strengthened the “herd effect”: fear of staying out while all the peer countries join.

As Vachudova (2005:5) points out, the fact that a country is a credible future member state of the EU, makes the country subsequently exposed to the pressure of Europeanization. This perspective also strengthens the position of liberal and pro-EU forces against illiberal ones. Probably that is why sooner or later most political actors see the benefits of moving their political agenda toward a direction that makes the country compatible with EU membership. The author concludes the above mentioned by examining six countries⁷, including Slovakia. Fisher (2006:20) extends this reasoning to Croatia. Furthermore my examination tends to confirm it as well.

4.4 Transformation and Europeanization

My two case study countries made a detour from the “mainstream” path of transformation and Europeanization. Both Croatia and Slovakia made an attempt to separate the two processes. However, the experience of the countries has showed that where and when the process of Europeanization was lagging behind, the transformation did as well.

I raised the question at the very beginning of my study whether Europeanization is good and whether EU anchor is necessary for democratic transformation to market economy? The cost-benefit analysis that was conducted in this study concluded that “Europeanization is good”. The calculation shows that Europeanization is desirable; the benefits of the process overreach its costs in the long term.

The transformation paths of the two countries highlight that price stability is necessary but not sufficient condition of growth. Structural reforms are essential. However, it is not trivial whether a country is able to carry through an adequate set of structural reforms, which leads to economic growth and development. Among others Csaba (2007b:374) and Åslund (2007:3) found that the EU offered clearly better solutions for transformation than any home-made solutions in any transformation country. That is, the EU anchor impressively contributed to the success of the transformation countries in Central and Eastern European countries.

The transformation and European integration are two overlapping processes, which enhance each other. Croatia and Slovakia made an attempt to be exception. However, the success of

⁷ Czech Republic, Hungary, Poland, Bulgaria, Romania and Slovakia

their decision was not confirmed. The experience of the countries also highlight that even the possibility of separating the two processes is rather limited.

4.5 The power of initial conditions

4. thesis: A set of initial conditions may be “corrected” by policy decisions. Concerning this level of (mostly formal) institutions, the will of the prevailing political elite is able to overwrite path dependence and initial conditions.

Croatia is a textbook example of path dependence, where “the institutional framework makes it difficult to alter the direction of an economy once it is on the particular institutional path. The organizations of the economy and the interest groups they produce are the consequence of the opportunity set provided by the existing institutional framework. The resulting complementarities, economies of scope and network externalities reflect a symbiotic interdependence among the existing formal rules, the complementary informal constraints and the interest of members of organizations created as a consequence of the institutional framework” (North 1997:15). Croatia also shows what Sajó (2008:690) describes as the operating problems of the state reflect the operating problems of the society. The organizations of the state, the institutions of society and the majority of the citizens do not operate according to norms accepted by social consensus and laid down in legislation because in the short term they have no incentive to do so, even though this behaviour creates disorder and is damaging for the society as a whole. Path dependence and thus the lock-in and institutional inertia root in the legacy of Yugoslavia and in the circumstances created by the armed conflict.

Slovakia is a textbook example of “policies matter”. That is, the effects of unfavourable initial conditions may be compensated by a larger amount of structural reforms (Havrylyshyn et al. 1998:34). The initial conditions also matter, but their impact weakens in time (de Melo et al. 1997; Soós 2000:274). The case of Slovakia also confirms the finding that although institutional change is path dependent, policy decision may overwrite this dependence to some extent, partly with the help of an external anchor such as the perspective of European Union membership (Di Tommaso et al. 2007).

The original expectations drafted that according to the identity, historical and cultural heritage of Central Europe and the legacy of the Habsburg Empire, Croatia and Slovakia “should have moved” together with the Central and Eastern European countries towards the European Union. However, in both countries this heritage was covered up by the legacy socialism.

Croatia has had to count with the legacy of Yugoslavia: insider approach, crony capitalism, openness in trade but closeness in institutions. Croatia also has had to count with legacy of the Balkan: predominance of national consciousness and corruption. The Croatian experience was also determined by an armed conflict. Slovakia has had to count with the Czechoslovak legacy: high level of etatism and redistribution, strict socialist economy. Slovakia also has had to count with the lack of experience of independent statehood, and the impact of this fact to the national identity.

The predominance of national consciousness is experienced in both countries but in Slovakia it is not the burden of European Union membership any more. The Habsburg legacy has been in the subconsciousness of Slovakia and the experience of lag in Europeanization “re-activated” the legacy. In Croatia it seems to be more forgotten or deeper in the subconsciousness of the country. The realization of expectations based on these deeper (i.e. older) roots of the Croatian identity, historical and cultural heritage seems to be only delayed but not overwritten – I argue. The legacy of the communist past diminishes with time (Csaba 2007b:68) but as Hodgson (2006) concludes, some deeper-rooted conditions determine the long-time prospects of a country⁸. As it is shown in my analysis, the power of initial conditions is stochastic rather than determinative. The Croatian example shows that it can be almost forgotten and the Slovak experience shows that it can be revived.

Based on long-term determinants both countries’ development point towards Europeanization and both countries have experienced a detour. The detour of Slovakia has been smaller and shallower, while Croatia’s has been much deeper and long-lasting. In Slovakia the detour did not interrupt so much the organic development and the Dzurinda administration as able to activate the dynamism and trend of the transformation and Europeanization path. The country was able to change rather quickly and deeply. Croatia locked in a stagnating and inertial path and the motivation to change was rather ambiguous and came relatively late.

4.6 Timing

5. thesis: Timing is fundamental. The invited country may not have the chance to decide *when* it prefers to accept the invitation. Once the possibility was not utilized, it is doubtful when the next will come because the preferences of the European Union may change with time.

⁸ Hodgson identifies among others ethnic fractionalization, western Christendom and limited historical and cultural legacy of nationhood as long-term determinants.

It is not possible to join the club at any time: whether then and there, or the possibility may swim away. It is fundamental whether the applicant applies to a booming or busting European Union. This throws new light upon the debates of rashness of EU or euro integration. The latest developments of the European Union show that Slovakia changed „on time”, could catch up with the Visegrád group and join the European Union in 2004. In case of Croatia the “enlargement train has gone”, i.e. the enlargement conditions of the European Union have changed considerably since the signing of the Nice Treaty that created the framework for the enlargement rounds in 2004 and 2007. Croatia has already reached the point when the decision-makers see the benefits of turning towards European Union membership. Even if Croatia fulfils the three Copenhagen criteria, the European Union itself has to fulfil the fourth one. Without the European Union’s ability to receive a new member state, the preparedness of a candidate has no worth. Fulfilling the fourth Copenhagen criterion became more fragile than ever before.

4.7 The importance of an armed conflict

6. thesis: War matters for economic, political and institutional dynamics. An armed conflict changes fundamental rules of the society, creates special conditions, where the exception becomes the rule. The end of the war does not mean the end of this special period and it can create path dependence in economic, political and institutional dynamics.

Not only the armed conflict matters, but the post-war period as well. First, it takes time to get back to “normal life” not only in economic but more in social and psychological terms. Second, the war influences the dynamics of interest groups. It serves as a basis of reference for several groups long after the end of the armed conflict and put nationalism in different costume. In other words, the war can create special burden and path dependence. Still, the long-lasting impact of the war is not universal; it depends on the context of the country.

Porter (1994:3) summarizes the basic characteristic of the armed conflict. Whatever causes war, is by definition a more basic causal agent than war itself. The war is never the prime driving force but a secondary phenomenon. The war may not be seen as an exogenous force in states and societies, it derives rather from inside. To say that war causes given political effect is only simplification. What really happens is that state leaders, governments and populations, which are waging war, cause those effects. War may transcend its original causes and become a powerful force for change in its own right. Thus the rich and complex spheres of the society and state often evolve at least partial independence from the war.

Concerning the development of state, the effects of the war fall into three categories: (1) formative and organizing effects, (2) disintegrative effects and (3) reformative effects. The first group of effects stands for the extraordinary activism of the state as a catalyst of collective action. State waging war remakes, reinvents and reorders itself. It becomes more organized, more rational and more centralized. It gets better equipped to exert power and dominium at home. The formative and organizing effects advance state formation and increase the power, authority, size, capabilities and jurisdiction of the state. The second group of effects diminishes, limits or dilutes the power, size, authority and capacity of the state. These destructive forces may overwhelm and negate the organizing impetus of the armed conflict. That is, war sometimes breaks states instead of makes them. The third group of effects refers to the experience that unmasks the defect of a given political system more intensely than in peacetime. Both the defeat and a hard achieved victory may force nations to confront the need for reform. The mechanism of this reform impetus is the destruction or weakening of entrenched social strata and institutions that act as barriers to reform, or creating or energizing new groups of the society like veterans, war heroes or taxpayers (Porter 1994:11-19).

The effect of nationalism span all the above three categories. War is a powerful catalyst of nationalism because it fills the collective consciousness of peoples with a sense of their national identity and at the same time it links this identity closely with the state itself. Nationalism magnifies the unifying effect of the war and promotes a sense of shared destiny. However, the violence of a war in most cases does not directly cause these effects. They rather spring from the collective responses of human beings to the violence. As a consequence, referring to the war as a willful agent of action is misleading. It is rather a phenomenon that serves to elicit human action (whether positive or negative) (Porter 1994:19-20).

The case of Croatia is an example for formative and organizing effects of war. The new state of Republic of Croatia was created at the expense of an armed conflict. The territory of the former Yugoslav member republic was attacked and partly occupied by the Serbian army (former Yugoslav National Army). The Serbian enemy unified state and society. This process was accompanied by centralization and the growth of the government. "War makes death and taxes" (Porter 1994:14) has been certainly valid in case of Croatia. The expenses of the war increased taxes considerably, including inflation tax. The war created an opportunity for leadership. General Franjo Tudjman was seen as "state-maker". He led his country during the

war and became the architect of domestic politics in post-war times as well up until his death in 1999.

The above mentioned effects do not cease to exist in the post-war period. This is called “ratchet effect” by Porter (1994:14). Ratchet effect occurs when the fast growth of government and large scale tax increase, which appear during the war, level off in post-war times much higher than they were before the armed conflict. In other words, the size of the government and the level of taxes do not get back to their pre-war level but settle on a higher level. The population accepts centralization, large government and high taxes during the period of war and the acceptance remains after the crisis as well.

The Yugoslav war of secession serves also as an example for disintegrative effects from Yugoslavia’s point of view. Yugoslavia (understood as a federal state of six republics) disappeared from the map of Europe as a result of the armed conflict.

In Croatia the end of the war did not result in major reform measures. Partly because the aftermath of the war lasted until 1998 when the territorial integrity of Croatia was re-established. Instead of the reformative effects, Croatia has showed rather long lasting formative and organizing effects of the armed conflict side by side with nationalism. The evolution of the post-war reformative effects was also hindered by the contradictory legacy of the war: whether Croatia was the innocent victim of the Serbian aggression or (beside the homeland war) Croatia was also an aggressor in the war against Bosnia and Herzegovina. I argue that this “unclosedness” of the armed conflict contributed to the long-lasting formative and organizing effects of the war. It burdened the quick reorientation of the country towards European integration. Moreover, the consequence of the war (the cooperation commitment with the ICTY) occurred as the major obstacle in this process.

4.8 Finding the good mixture

7. thesis: The *same* external pressure may induce *different* internal response and thus different outcomes. The same external pressure may fertile domestic factors if they are compatible, but may induce resistance if they are incompatible. The “good mixture” of external and internal factors that results in successful Europeanization may depend on whether (1) the external pressure finds linkage point with the internal factors (actors and institutions), (2) the external factors are able to compete with initial conditions and path dependence and (3) the internal response arrives on time.

My research question aimed to find the “good mixture” of external and internal factors that result in successful Europeanization. We have seen that the development of countries is determined fundamentally by their own factors. At the same time every country under consideration is under the influence of several external factors, including the European Union’s impact. This external influence is inevitable, i.e. it is given for the countries. As a result, in a given country the internal factors alone cannot determine decision-making. The final outcome comes from the reaction of internal and external factor.

I have argued that the European Union offered clearly better solutions for transformation than any domestic solutions. Moreover, my cost-benefit analysis has showed that the potential benefits of European Union membership overweight its costs. That is why I have considered Europeanization as desirable and argued that the European Union anchor impressively contributed to the success of the transformation countries in Central and Eastern Europe.

The “good mixture” I am searching for is the combination of external and internal factors when the external factors fertilize that domestic ones, consequently when the benefits of EU membership overweight its costs, and when the EU anchor contributes to the success of the transformation.

The “good mixture” has thus two main elements, the external and the domestic factors. At the beginning of this study I have confirmed that the external factors originating from the European Union can be considered as same factors in case of Croatia and Slovakia (and every other Europe Agreement countries). If the same external factor is given and the outcome is different in two cases, the cause of the difference may be found in different domestic reactions. In other words the external impact is filtered by domestic actors, re-interpreted and internalized. As a result, the final impact of external factors may be different than the original impact was.

Whether the original intention of the external actor (namely the European Union) results in successful Europeanization, may depend on three factors. First, the original intend has to find fruitful linkage point with the domestic factors. If the linkage point does not exist, or they “do not fit” each other properly, the original intend will be distorted and it does not reach its aim. Second, the implementation of any external policy is the domestic arena of interests. As a result, the external factors shall be able to find their way in this arena. They may face resistance in form of initial conditions of the country. Initial conditions may cause path dependence, in which case the external factor “has the duty” of moving the domestic processes to another path. Third, the domestic response to external impetus may be rewarded

by the external actor. If the two previous conditions are realized late, the reward by the external actor does not occur.

As I stated at the beginning, Europeanization is understood as an umbrella theory covering every social science. Similarly, the above train of thoughts about the impact mechanism of external and internal factors – that is, as a matter of fact, the impact mechanism of Europeanization – is also considered as valid in every segment of social science.

5 Summary and research potentials – used and unused

As noted at the beginning of my study, the concept of Europeanization comes from European studies, but my approach has been a broader, inter- or transdisciplinary approach where the economic, political and social system of the countries is seen as a whole. Csaba (2009b) highlights that the field of European studies covers a variety of disciplines, mainly legal and political approaches, while economics is also exported into the European studies framework. Since my findings spring from economics, I integrate the findings of the field of economics to European studies. Thus – according to my intentions – I both contribute to the field of economics and European studies. As I have argued at the beginning of my paper, a pure economic approach does not provide enough broad scope to understand transformation and European integration. Even the international economic relations between the European Union and third countries are organized mainly on the basis of political priorities, not to mention the decisions about enlargements that have always been political decisions (cf. Balázs 2003).

The presented cost-benefit balances of Europeanization have suggested positive balance. Beyond this promising outlook what determines success? I have found the determinant role of perception, and political and institutional dynamics induced by perception. I have showed two dissimilar paths of this. I have also confirmed that informal institutions dominate formal ones (cf. North 1992). Formal institutions were presented by EBRD indices, while informal institutions were introduced by, among others, Eurobarometer surveys.

My research is only a thin slice of Europeanization, even though it desired to be a comprehensive approach. As every research approach, it leaves many doors open for further examination.

The five aspects of Europeanization in my study were chosen according to the scope and profile of this study and according to my research question. Still, other aspects of

Europeanization can be examined to test similar research question. I suggest that similar results would appear.

The war of Yugoslav succession proved to be a determinant factor in the development of the Croatian economy and society. The frame of this study did not allow a detailed examination on the relation of war and economy, and its impact on Europeanization processes. I limited to the most important factors only. However, it is certainly an interesting and not fully explored topic, and as a result, a potential direction for further research.

Europeanization as a theory is relatively young and it stands in the crossfire of discussion. The application of Europeanization in economic theory is even younger. That is why this direction of academic discussion is certainly open and has the potential of further research. Europeanization may be also seen as an episode in system's theory. The architecture of connection is not trivial, and it was not the aim of this study to find it out. Thus I leave open the question of linkage of Europeanization and system's theory and consider it as a topic for further research.

As it was described previously, Croatia has been the original object of the author's curiosity and Slovakia was chosen as the best control case. The method of case selection was the most similar cases but the most divergent Europeanization dynamics. My detailed case studies confirmed the selection method. As a further research direction, the comparative study may be extended by third country, namely Romania. The case of Romania would provide further example of how Europeanization dynamics may change according to external impetus. The most important lesson of the Romanian story is that one "wasted" decade does not automatically result in a second "wasted" decade.

My study leaves the question open whether the European Union is the *cause* of a successful regime change (cf. Csaba 2004 or Åslund 2007) or rather the European Union is the *result* of a successful regime change (cf. Balázs 2003). I have argued that the EU works as an anchor thus my study tends to confirm the first argumentation. Still, the second one is the approach of the European Union itself: the EU sets membership as a prize of successful regime change. Since the European Union is the origin of Europeanization pressure, its approach determines Europeanization process, especially EU conditionality. Thus my study tends to confirm the second argumentation as well. As a result, I do not take a stand on either approach, although my research contributes to the debate.

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