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Differential Patterns of Consolidation in View of European Union Membership: East-Central and Southeast Europe

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Introduction

The 15 states of East-Central and Southeast Europe further consolidated their democracies and market economies in the period 2003-2005. This was reflected by the fact that eight East-Central European states joined the European Union (EU) on May 1, 2004. This did not only confirm their political, economic and administrative readiness for EU membership but was also a recognition of the achievements made by the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia after the end of the East-West-conflict.

Bulgaria, Croatia and Romania also intensified their relations with the EU and made progress on the way to a consolidated liberal democracy and a socially responsible market economy. The other four Southeast European states—Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia and Serbia and Montenegro—lagged behind the states mentioned above.

By providing an important objective and incentive for political and economic reforms, the prospect of EU accession distinguishes East-Central and South-East Europe from other regions of the world. However, the accession prospect can not fully explain why the changes everywhere in the region created systems which can, despite all deficiencies, today be considered market-based democracies. There are other facilitating factors which differ from other world regions. These factors include a relatively good endowment with human capital, a relatively egalitarian social structure, a broad democracy movement rooted in civil society, appropriate constitutional choices and the total de-legitimization of state socialist or other authoritarian alternatives.

All these factors were more pronounced in the East-Central European part of the region than in the Southeast European countries. Most important, however, was the greater ethnic homogeneity of East-Central European societies. This simplified the democratic and economic reforms as it provided fewer opportunities to mobilize political support based on ethnic affiliation and differences. In Yugoslavia, such ethno-political mobilization led to the collapse of the state and to wars within and between the successor states.

This report provides an overview on the state, trajectory and management of the transformation processes in the 15 East-Central and Southeast European countries. It is based on the results of the Bertelsmann Transformation Index (BTI) and the underlying country assessments which analyze each individual country in detail.

Democratic Development

Of the 15 states in East-Central and Southeast Europe, 11 may be classified as functioning, completely or nearly consolidated liberal democracies. The remaining four states are defective democracies: Albania, Bosnia and Herzegovina (in the following: Bosnia), Macedonia and Serbia and Montenegro (in the following: Serbia). These states do not significantly differ from East-Central Europe in terms of democratic participation rights and forms. Yet they perform weaker with respect to the other four criteria of democracy assessment which is primarily due to the unsolved conflicts over the future statehood of Bosnia, Macedonia and Serbia. There were also more severe constitutional conflicts between democratic institutions in all three countries and in Albania. Among the defective democracies, Bosnia is rated most negatively, because its future as a state is still uncertain and it lacks intermediary organizations which could bridge ethnic divides and constitute building blocks of pan-Bosnian democracy.

Croatia has caught up with the leading group of largely consolidated democracies; its ratings mainly improved for the criteria of political participation and stability of democratic institutions. This improvement reflects, inter alia, its successful parliamentary elections of November 2003 and its well-functioning democratic institutions.

National statehood has today been clarified in most East-Central and Southeast European countries, and state power structures are not only established but also sufficiently differentiated. The exceptions are Albania, Bosnia, Macedonia and Serbia. In some areas of Albania (e.g. Bajram Curri and Lazarat) the state's monopoly on the use of force is not fully accepted. In Macedonia, an armed group of ethnic Albanians occupied a suburb of the capital Skopje in November 2004.

In Bosnia, the state's monopoly on the use of force still rests on the presence of multinational peace troops which have been under EU command since November 2004. The affiliation with the

state nation and the inclusiveness of the nation are disputed among the larger ethnic groups and their political representatives in Bosnia, Macedonia and Serbia. All three states were theatres of ethno-politically motivated wars and violent conflicts that were only ended by military interventions of the international community. The international military and police presence in these states still represents an important guarantee against new violent escalations.

Refugees and displaced persons in Bosnia are still hindered from returning to their pre-war homes if they belong to a local minority. Having attained independence, Estonia and Latvia enforced a citizenship concept that excluded the Russian speaking residents (35-40 percent of the population) of the two former Soviet republics from citizenship. Only a small part of these groups has hitherto been granted citizenship and full civic rights. Resident non citizens may not participate in parliamentary elections in the two countries. Naturalization was particularly fraught with political obstacles in Latvia. In Serbia, violent attacks occurred against persons belonging to ethnic minorities in the province of Vojvodina.

While free elections are held and citizens enjoy essential political freedoms in all countries of the region, violations of electoral rules were observed during the most recent elections in Bosnia, Macedonia and Serbia. In Albania, the parties that lost the most recent elections claimed that the elections were manipulated.

Democratically elected representatives possess the effective power to govern. Bosnia represents a special case in this respect, as the High Representative of the international community may intervene into the work of the government if he observes a violation of the Dayton Agreement. Some international actors meanwhile criticize his powers as too far-reaching and precluding any judicial review. However, it is the political leadership of the entities constituting the Bosnian state which may be classified as veto powers in the sense of actors who restrict the exercise of democratic rule, since they have blocked the implementation of reforms time and again.

In Serbia, police and state security units linked to organized crime killed the democratically elected Prime Minister Djindjic in March 2003. In several other Southeast European countries powerful business groups with partially dubious background have emerged in the course of the economic reforms. These groups exert a considerable influence on policy making and are able to manipulate decisions according to their interests.

It has been very difficult, particularly in Southeast Europe, to create independent electronic media dedicated to the public interest. The "Rywin gate" scandal in Poland has shown that some governments also try to influence private print media. In this case, the film producer Lew Rywin offered the editor of the leading newspaper Gazeta Wyborcza to help the newspaper influencing the government's legislation to favor the paper's media holding company, Agora, and in return asked for a more positive coverage of the government's policy.

The rule of law could still be improved throughout the region. Deficiencies of the rule of law are more pronounced in Southeast Europe. This does not only concern the abuse of public office by its incumbents but also the separation of powers, the delineation of competencies and the enforcement of civil liberties. Persons belonging to the Roma minority are discriminated in nearly all countries of the region.

Conflicts between constitutional organs and disputes about the interpretation of the constitution harm the separation of powers in Albania. In Bosnia, Macedonia and Serbia, political actors tried to exert informal influence on the work of courts and administrations. In the State Union of Serbia and Montenegro, the separation of powers between republics and the Union level has not been sufficiently clarified.

The independence of the judiciary is institutionally and constitutionally secured in all countries of the region. However, there are still numerous structural weaknesses in the organization of court systems, particularly in Southeast Europe. These problems include corruption (particularly in Macedonia and Serbia), an insufficient financial autonomy of courts, political patronage dominating the appointment of judges, the abuse of judicial immunity in Bulgaria or the public critique of court decisions by politicians in Romania.

Democratic institutions are sufficiently accepted and perform well in East-Central Europe. Few frictions could be observed in the interaction of institutions. Political actors in Lithuania, for example, succeeded in solving the crisis over president Paksas by an impeachment. Paksas was suspected of privileging a dubious businessman who had financed his electoral campaign.

In Southeast Europe, however, democratic institutions perform less efficiently and effectively. Admittedly, Albania has seen much fewer instances shaped by the traditional patterns of non-recognizing and boycotting institutions. In Serbia and Bosnia, conflicts between the state/federal levels, republics and, respectively, entities hamper the functioning of democracy.

While the military, security services, big corporations and trade unions may be seen as veto players due to their power resources, they have neither questioned the trajectory of reform in principle, nor initiated a step backwards into authoritarianism. This does also apply to Serbia where the assassination of the prime minister must be assigned to perpetrators inside the army and security structures, but can not be seen as a coordinated attempt of reinstating an authoritarian system.

Nowhere in the region do we find a party system that is, in terms of stable high membership and stable distinct electoral milieus, strongly rooted in society. The Czech Republic, Hungary and Slovenia have meanwhile developed party systems that are characterized by a small number of relatively stable parties. The 2004 and 2003 parliamentary elections in Romania and Serbia led to a certain consolidation of the party systems. Most East-Central and Southeast European countries have tri- or multi-polar party systems (the effective number of parties ranges between 2.2 in Hungary and 7.9 in Bosnia). Clientelist parties with weakly developed programmatic profiles can be found mainly in Southeast Europe.

The linkages between parties and constituencies have stabilized particularly with regard to ethno-political cleavages. Parties seeking to represent the interests of distinct ethnic groups were able to successfully stabilize their constituencies. Such examples are the nationalist parties in Bosnia, the Movement of Rights and Freedoms in Bulgaria, advocating the interests of ethnic Turks, the ethnic Albanian parties in Macedonia or the parties representing ethnic Hungarians in Romania or Slovakia.

Party systems in the Baltic countries, Bulgaria, Poland, Serbia, and Slovakia are characterized by high electoral volatility. In Poland and Serbia however, high volatility rates reflect the organizational instability of parties while the cultural and ideological linkages between certain electorates and party "families" are more stable.

Support for democratic institutions is relatively high in all countries of the region, although the public opinion obtained by polls is strongly determined by the assessment of the current government and its activity. Lower support figures in Bosnia reflect a rejection of the Bosnian state mainly among ethnic Croats and ethnic Serbs. There is a closely-knit network of politically active civil society organizations in East-Central Europe, but this is mostly limited to the capitals and urban centers. Civil society in Southeast Europe has traditionally been developed more weakly.

Economic Development

The level of market economy in East-Central and Southeastern Europe largely corresponds to the level of democratic development. Three groups of countries may be distinguished on the basis of the BTI criteria. The new member states of the EU are developed market economies with well functioning institutional frameworks. Their economies show only minor deficiencies with respect to performance and sustainability.

The second group of countries consists of Bulgaria, Croatia, Latvia and Romania. Their institutional framework of market competition is still somewhat weaker and they have greater deficits in performance and sustainability. The third group includes countries which are characterized by larger defects in their institutional framework and/or deficiencies in their economic performance and socioeconomic level of development: Albania, Bosnia, Macedonia and Serbia.

Transformation Management

On balance, the East-Central and some Southeast European states demonstrated a successful reform management in the period from 2003 to 2005, with five countries among the top ten and ten countries among the top 25 performers in the BTI 2006 management index. A comparison of the BTI reform management scores suggests four groups of countries in East-Central and Southeastern Europe. The leading group consists of countries which performed well or very well on all four management criteria—steering capability, resource efficiency, consensus building and international cooperation: Czech Republic, Estonia, Lithuania, Slovakia and Slovenia. In comparison with the previous BTI ratings, Estonia and Lithuania fell back because of the weak performance of the Parts government in Estonia and the Paksas scandal in Lithuania.

This group is followed by six states where political actors scored slightly weaker four all criteria: Bulgaria, Croatia, Hungary, Latvia, Poland and Romania. Latvia and Romania were able to improve their ratings compared to the BTI 2003 because the steering capability of the (Latvian) Repse and (Romanian) Nastase government were rated higher than in the period 1998-2003.

The third group comprises Albania, Serbia, and Macedonia—states with clearly weaker steering capability, resource efficiency and consensus building. While the BTI 2003 still assigned a relatively good management performance for the Djindjic government in Serbia, the BTI 2006 rates the Kostunica government much more negatively. Bosnia's political elites are given the lowest management scores of the region, although the country report notes certain improvements. There is no doubt that democratic and economic reforms in Bosnia are taken under much more difficult circumstances than in other countries of the region.

Steering Capability

Of the 15 East-Central and Southeast European states, 11 states demonstrate a high steering capability although this is not facilitated by their political systems. The proportional electoral systems dominating in the region have led to the emergence of a multitude of parties and to complicated majority relations in parliaments, resulting in party coalitions or minority governments as the exclusive model of government. Such governments are shaped by the necessity to compromise among coalition partners, strong incentives for cooperating with opposition parties and the shift of political power from the center of government to the party leadership or the parliament.

Apart from Bulgaria, no single cabinet—conceived as a team consisting of one prime minister and an enduring coalition of parties—survived the BTI study period from January 2003 to January 2005. In a third of the countries, even three different cabinets were in office during this time. Only the Czech Republic and Hungary have been able to establish a practice of stable government since the political transition. The average duration of cabinets in these two countries was higher

than 20 months. Truly, frequent changes of government weaken the opportunities of organized interests to stall the progress of reforms. But they also restrict the strategic horizons of politicians and reduce the chances of professionalizing governance and aligning the work of the executive towards strategic priorities.

Most cabinets were formed by three and more parties, in the extreme case of Serbia's DOS coalition even by 18 parties. One-party cabinets in Poland and Romania relied on other parties to ensure a parliamentary majority. Only the Estonian (since the elections in April 2003), the Lithuanian and the Macedonian governments were able to rely on clear majorities in parliament. All other governments depended on close majorities (e.g. Czech Republic, Hungary, and Slovenia) or experienced an erosion of their parliamentary basis of power during their term of office (e.g. Albania, Bulgaria, Poland, and Slovakia).

Some of these minority governments had to negotiate support with different parties and deputies in parliament. To include the interests of numerous coalition partners, relatively comprehensive cabinets and a relatively high number of ministries were established. All these factors limited the capacity of executives to set strategic priorities, implement policies effectively and replace failed policies by more innovative approaches.

However, many governments nevertheless demonstrated high steering capability. Slovakia's Dzurinda government, for example, developed a strategy to improve the country's competitiveness and realized far-reaching reforms in the tax, pension, education and health system. In Romania, the Nastase and Tariceanu government made progress in improving tax legislation, decentralizing public administration and reforming the banking system.

The region's comparatively high steering capability may be explained by the influence of the European Union. Since all area countries intend to join the EU, and EU membership is reflecting the preferences of most citizens, governments can give high priority to accession preparation and take accession-related objectives to guide their reforms. The prospect of accession provides orientation and many reforms required for accessions coincide with measures to consolidate a market economy and the rule of law at home.

In addition, the level of structural difficulty measured by the BTI and the structural constraints of executive power are relatively low. On average the 11 most successful states benefit from relatively high levels of education and wealth, high state capacity, low conflict intensity and moderate or strong civil society traditions. Executives in these states are only weakly restricted by institutional veto points such as strong presidents, strong regions, second chambers, constitutional courts or frequent referenda.

The steering capability of governments in Albania, Bosnia, Macedonia and Serbia is rated more weakly by the BTI. Albanian parties engaged more in confronting their political adversaries than in preparing and implementing reforms. In Bosnia, reforms were initiated primarily by the High Representative whereas the political leaders of the ethnic communities frequently blocked reforms. Bosnian Serb members of the Bosnian government and the government of the Bosnian-Serb dominated entity resigned in order to protest against the integration of Bosnia's fragmented police organization.

Resource Efficiency

Estonia, Slovakia and Slovenia used the available economic and human resources particularly efficiently. These countries have made further progress in modernizing and decentralizing public administration during the study period. The Slovak government, for example, reviewed the efficiency of its ministry of finance in 2004, leading to a 30 percent reduction of staff. Although such reviews were not conducted for all ministries, such a reform constitutes a model for the

entire region. The use of resources could be improved throughout the region, as the relatively low average score for the BTI criterion of resource efficiency indicates.

Albania, Bosnia, Macedonia and Serbia are states where the use of resources has been considered particularly inefficiently. In Bosnia and Macedonia, this is, inter alia, caused by the fiscal costs of managing ethno-political diversity, for example by ensuring ethnic proportionality in public employment or by retaining relatively small-scale, inefficient administrative-territorial units. In the case of the Bosnian city of Mostar, the ratio of civil servants to inhabitants is one to 189.

Macedonia's stand-by agreement with the IMF from April 2003 envisaged reducing public service employment by four percent annually. The proportional employment of ethnic Albanians in public administration agreed in the 2001 Ohrid Agreement requires, however, new appointments.

East-Central European governments usually worked more efficiently than Southeast European governments with respect to administrative organization, budget planning and administrative personnel. Governments in Albania, Croatia, Hungary and Poland caused high budget deficits in 2004, leading to excessive state debt levels of 82 and 75 percent of gross domestic product in Croatia and Hungary. In contrast, solid public expenditure management has enabled Estonia to manage its external debt of 64 percent of GDP and its relatively high current account deficits.

Growing international attention for problems of corruption has induced all East-Central and Southeast European governments to intensify their prevention and prosecution of corruption. In the 2003-2005 period, several leading political figures were suspected or held accountable of corruption, for example the ethnic Croat member of Bosnia's state presidency, the president of the Bosnian constitutional court or Croatia's Minister of Foreign affairs.

Consensus Building

Major political actors in all states of the region agree on market economy and democracy as long-term strategic aims, but this consensus has been susceptible against ethno-political and populist protest movements in Bosnia and Serbia. Fundamental adversaries of democracy and market economy were only marginally important in all countries. However, extremist and populist opposition parties have become stronger and entered parliaments in many states. Examples are "Ataka" in Bulgaria, the Great Romania Party of Vadim Tudor in Romania, the Serbian Radical Party in Serbia and "Samoobrona" in Poland.

All governments managed to exclude, integrate or limit anti-democratic veto actors. However, market reforms particularly in Southeast European countries have created economic interest groups that base their economic power on monopoly positions and shadow economy activities, evade democratic controls and seek to influence public officeholders and administration in illegal ways.

East-Central and Southeast European elites were less successful in managing political cleavages. While all leading political actors were able to prevent an escalation of cleavage-based conflicts (Albania and Bosnia are exceptions), the BTI country reports view only political actors in the Czech Republic, Latvia, Slovakia and Slovenia as successful in bridging cleavages. The Croatian Prime Minister Sanader, for example, co-opted the party of the ethnic Serbian minority into his coalition and thus contributed to the reconciliation among Croats and Serbs in Croatia. Parties representing ethnic minorities were also involved in Bulgarian, Macedonian, Romanian and Slovak governments.

The campaign against the territorial-administrative reform in Macedonia, however, showed that the main opposition party did not fully accept the Ohrid Agreement that was negotiated in 2001 to end the ethnic conflict in Macedonia. While the referendum initiated by the campaign failed in

November 2004 due to insufficient turnout, opinion polls document that a significant part of the population rejects the change of municipal boundaries, a key component of the Albanian-Macedonian compromise from Ohrid.

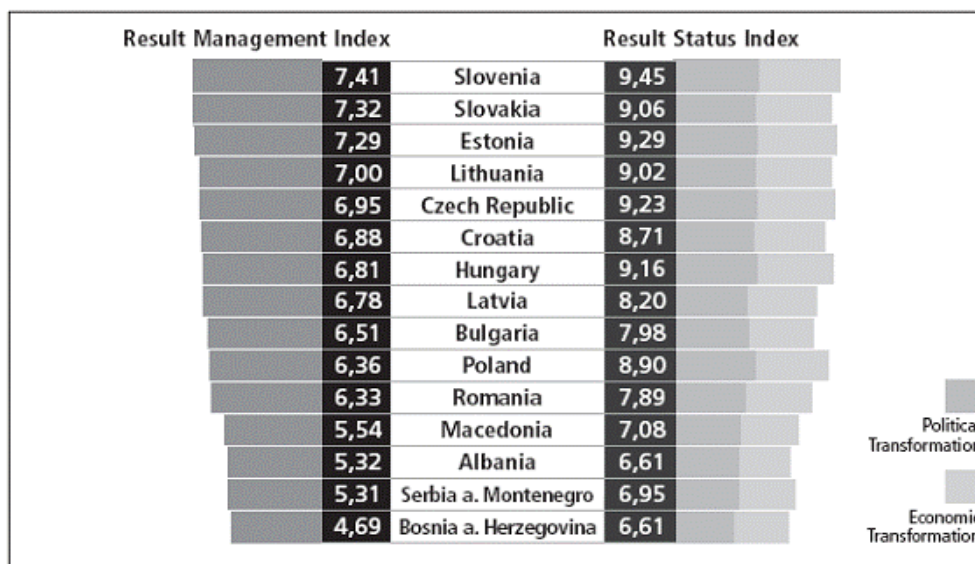
Power struggles between the Democratic Party, the Socialist Party and the split-offs from these parties delayed the reform process. Consensus building appeared to be simpler in East-Central European countries whereas political culture in Southeast Europe was shaped by confrontational behavior and zero-sum logics.

Some governments demonstrated a greater willingness to consult with civil society groups. Many of the reforms in Slovakia, for example, were encouraged by non-governmental organizations and think tanks. Many market economy and welfare state institutions, which are seen as supporting the accumulation of social capital, have exerted only modest impact on social solidarity, since they did not yet function without problems or for a sufficiently long period. Solidarity was limited to kinship, ethnic or political loyalty-based networks particularly in countries shaped by ethnic heterogeneity, legacies of civic conflict and repressive state socialist regimes.

Consensus building also implies coming to terms with the authoritarian past. This process has begun in most countries of the region, but has not yet been finished. The successor states of the former Yugoslavia are particularly in need of such a process, although, for example, Serbia's president Tadic during his visit to Bosnia in December 2004 apologized for the crimes committed in the name of Serbia.

Conclusion

The present report on the state of democratic and economic reforms in East-Central and Southeast Europe shows that democracy and market economy are more advanced in this region than in other regions of the world. The states of the region have made only minor progress since 2003, but this is mainly due to the fact that they had already reached a high level of development at the beginning of the study period.



Results of the Bertelsmann Transformation Index 2006 for East-Central and South-East Europe

The experiences made in this region show that simultaneous nation building, democratization and introduction of market economy does not necessarily engender worse results than a sequential development. Among the ten best performers in the BTI, there are five East-Central European countries that originated in 1991 as sovereign nation states: the Czech Republic, Estonia, Lithuania, Slovakia and Slovenia.

Ethnic heterogeneity complicates the management of reforms and can pose a serious obstacle on the way to democracy, as Bosnia, Serbia and Macedonia, the region's weakest performers, illustrate. The examples of Estonia, Latvia and Slovakia, however, indicate that a responsible behavior of political elites enables a country to transform itself successfully under circumstances of ethnic heterogeneity. Political elites are mainly responsible for preventing a violent escalation of ethno-political conflicts.

The BTI assessments for East-Central and Southeast Europe indicate that the levels of democratic and market development are highly correlated. Thus, there do not seem to be major difficulties with the parallel implementation of democratic and economic reforms, even if economic reforms do not result in rapid socioeconomic improvements.

The findings of the BTI document that there is not only a socioeconomic gap between East-Central and Southeast Europe, but that there is also a gap between the levels of democracy and reform management. This applies particularly to the four problem countries of Southeast Europe—Albania, Bosnia, Macedonia and Serbia—while Bulgaria, Croatia and Romania have made significant progress and have good chances to catch up with East-Central Europe.

Bulgaria and Romania signed an accession treaty with the EU in April 2005 and are envisaged to become members on January 1, 2007. Accession negotiations with Croatia were opened on 4 October 2005. Macedonia has concluded a Stabilization and Association Agreement with the Union and has applied for membership, but its prospects are much less promising than Croatia's since Macedonia's political and economic situation is still very unstable.

Albania, Bosnia and Serbia are far away from EU accession. The extent to which these countries lag behind other Southeast European applicants manifests the EU's perception of political and economic deficits. The BTI documents that there will be more reason to worry in the future, since these states may deviate from the region's overall successful path of development. Albania, Bosnia, Macedonia and Serbia score more than two points weaker than the other states of the region for all four management criteria. This means that the four problem countries lack sufficient reform and steering capacities to catch up and are likely to fall further behind in the future.

About the Author

Martin Brusis is an analyst at the Center for Applied Policy Research (CAP), University of Munich. He works on comparative government and democratization in East-Central and Southeast Europe.

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