



## Hungary & Slovakia – A Media Briefing

### THE EUROPEAN UNION AND EAST CENTRAL EUROPE: A DECADE OF ACTIVE PROMOTION OF DEMOCRACY AND ECONOMIC DEVELOPMENT

#### The Cases of Hungary and Slovakia

**Summary:** During the past decade of transition from communism, the European Union (EU) has been actively involved in stabilizing and consolidating the new democracies in East Central Europe. In the case of Hungary, one of the region's frontrunners in meeting the Union's pre-accession requirements, EU pressures and domestic developments were reinforcing each other. By contrast, Slovakia was slower in transitioning from communist rule. In this case, EU pressures have been crucial in order to change the authoritarian leadership and promote reform.

**During** the past decade of transition from communism, the European Union (EU) has been actively involved in stabilizing and consolidating the new democracies in East Central Europe. Over time, the EU has developed a comprehensive approach to mentor and evaluate these countries on their way to liberal democracy. The evolving EU relationship with the aspiring members from East Central Europe (ECE) provides a valuable lesson that can be applied by governments and international actors in the on-going effort to promote democracy worldwide.

In order to join the Union, a country must meet the following three conditions known as the "Copenhagen criteria:" 1) be a stable democracy respecting human rights; 2) be a functioning market economy; 3) harmonize its domestic laws with the body of EU law – *the acquis communautaire*. This pre-accession conditionality has been the essence of the EU's comprehensive strategy toward the aspiring ECE countries.

In March 1998, the EU formally opened accession negotiations with the ECE candidates, which made the 2004 round of Enlargement possible. The negotiations determined the conditions under which the applicants had to adopt, implement, and enforce the body of EU law. Each aspiring member had to draw up its position on 31 accession negotiation chapters, which covered diverse areas such as competition policy, the internal market, the environment, agriculture, taxation, energy, and science and research.

Although most candidate countries had to implement painful reforms with high social costs in order to fulfill the EU membership criteria, the anticipated economic and geopolitical benefits of being part of the Union made compliance very attractive.<sup>1</sup> Some ECE countries, such as Hungary, have accomplished the required economic and social reforms faster and with greater ease. Other countries, such as Slovakia, have been slower in meeting the EU's demands.

While the EU has undoubtedly bolstered Hungary's transition to liberal democracy, culminating with the country's accession to the Union in 2004, in this case the international pressures and the domestic developments were reinforcing each other. By contrast, in Slovakia, pressures to reform in order to join the Union helped marginalize domestic authoritarian politicians who were stalling change, and helped promote moderate politicians who were committed to finishing the painful economic and political restructuring of the country.

<sup>1</sup> For a more developed version of this argument see Milada Anna Vachudova. *Europe Undivided: Revolution, Democracy and Integration after Communism*. Oxford: Oxford University Press, 2004.

### HUNGARY



### SLOVAKIA



**Historical background:** Hungary was part of the Austro-Hungarian Empire, which collapsed during World War I. After World War II, the country fell within the Soviet Union’s sphere of influence. In 1956, a popular revolt calling for more political freedoms, economic reform, and withdrawal from the Warsaw Pact was suppressed by Soviet troops. As early as the 1970s, Hungary began attempts to liberalize its economy. In 1990, after the collapse of the communist regime, the first multiparty elections were held and the country transitioned to democracy and free market economy. Hungary joined NATO in 1999 and the EU in 2004.

**Political profile:** Hungary was one of the first East Central European countries to attempt economic and political reforms under communist rule. These reforms did not work at the time, but they produced a lasting desire for change and a vision for the country’s future. Demographically, Hungary is characterized by significant ethnic homogeneity. While there are large Hungarian minorities in neighboring Romania, Slovakia and Serbia, only the Roma stand out as a sizeable minority within Hungary. This ethnic configuration has contributed to marginalizing extremist politicians from the beginning of the transition process.

**Historical background:** In 1918, the Czechs and the Slovaks formed Czechoslovakia. After the end of World War II, Czechoslovakia became part of the Soviet Union’s sphere of influence in East Central Europe. In 1968, Soviet Union troops intervened to stall the liberalizing reforms known as “Prague Spring.” Upon the collapse of the communist regimes across the region in 1989, Czechoslovakia gained independence. The Czechs and the Slovaks agreed to separate peacefully on January 1, 1993 into two countries – the Czech Republic and Slovakia. Slovakia joined both NATO and the EU in the spring of 2004.

**Political profile:** During the first five years after the “Velvet divorce” from the Czech Republic, Slovakia received growing international criticism regarding the lack of respect for minority rights and democracy shown by the authoritarian prime minister Vladimir Meciar. Under prime minister Mikulas Dzurinda, who won a second term in the elections of September 2002, Slovakia forged ahead with reforms. The Dzurinda governments have embarked on measures to improve the treatment of minorities, including the granting of greater educational and cultural autonomy to ethnic Hungarians. Slovakia also has a sizeable Roma minority, which suffers disproportionately high levels of poverty and social deprivation.

**Population:**<sup>2</sup> 10,032,375

**Population:** 5,423,567

<b>Ethnic groups:</b>	<b>Religions:</b>
Hungarian 89.9%	Roman Catholic 67.5%
Roma 4%	Calvinist 20%
German 2.6%	Lutheran 5%
Serb 2%	Atheist and other 7.5%
Slovak 0.8%	
Romanian 0.7%	

<b>Ethnic groups:</b>	<b>Religions:</b>
Slovak 85.7%	Roman Catholic 60.3%
Hungarian 10.6%	atheist 9.7%
Roma 1.6%	Protestant 8.4%
(underreported)	Orthodox 4.1%
Czech, Moravian, and Silesian 1.1%	other 17.5%
Ruthenian and Ukrainian 0.6%	
German 0.1%	
Polish 0.1%	

<sup>2</sup> Source of all data and maps on this page: CIA World Factbook 2004.

**HUNGARY**

**Economy:** Hungary has made the transition from a centrally planned to a market economy with a per capita income roughly one-half that of the large European countries. Since 1989, the country has consistently demonstrated capacity for sustained economic growth. The private sector accounts for over 80 per cent of GDP. Foreign ownership of and investment in Hungarian firms are widespread, with cumulative foreign direct investment totaling more than \$23 billion since 1989. Inflation has declined substantially, from 14 per cent in 1998 to 4.7 per cent in 2003. Hungary's biggest trade partners, such as Germany, Austria, and Italy, are all part of the EU.<sup>3</sup>

**EU aid programs:** In order to bolster the economic and political transitions of the ECE candidates, the EU has launched major financial aid programs in areas such as transportation infrastructure, technological modernization, agriculture, and cross-border cooperation. For all programs, disbursement of aid is conditional upon making solid progress toward meeting the EU's accession criteria. In addition, the ECE applicants participate in a range of European community programs in spheres such as culture, education, research and development, the media, and human rights.

**Benefits for Hungary:**<sup>4</sup>

1989 – present: over 1 billion euro for large-scale reconstruction and development projects along the lines of the PHARE program

2000 – 2003: 277.8 million euro for transportation infrastructure and environmental projects

2000 – 2006: 232.2 million euro for agriculture

**GDP – composition by sector:**<sup>5</sup>

*agriculture:* 3.3% , *industry:* 32.5%  
*services:* 64.2%

**Export partners:      Import partners:**

Germany 31.9%	Germany 28.8%
Austria 12.4%	Austria 8.2%
US 6.4%	Italy 7%
Italy 4.9%	Russia 6.2%
France 4.5%	China 4.9%
UK 4.3%	France 4.8%

**SLOVAKIA**

**Economy:** After a sluggish first five years of reforms upon separating from the Czech Republic, during 2001-2003 Slovakia made excellent progress in macroeconomic stabilization and structural reform. Major privatizations are nearly complete and foreign investment has picked up. Slovakia's economy exceeded expectations in 2001-03, despite the general European slowdown. Yet, the current government faces strong challenges in 2004, such as cutting the budget deficit, containing inflation, strengthening the health care system, and lowering unemployment from the current 15 per cent. Slovakia's biggest trade partners, such as Germany, the Czech Republic, Austria, and Italy, are all part of the EU.

**EU aid programs:** Enormous investment is needed to ensure that the applicant countries will be able to upgrade their standards, especially their industrial and environmental norms, in order to be able to comply with European Community legislation when they join the Union. The 2000-2006 pre-accession aid for the countries of East Central Europe is another key element of the European Union's strategy to support the reform efforts of the applicants.

**Benefits for Slovakia:**<sup>6</sup>

2000 – 2002: 128.6 million euro for large-scale reconstruction and development projects along the lines of the PHARE program

2002: 38.1 million euro for transportation infrastructure and environmental projects

2002: 19.2 million euro for agriculture

**GDP – composition by sector:**

*agriculture:* 5.9% , *industry:* 47.9%  
*services:* 46.2%

**Export partners:      Import partners:**

Germany 36.5%	Germany 27.7%
Czech Republic 12.9%	Czech Republic 18.5%
Austria 9.6%	Russia 11.7%
Italy 5.3%	Austria 6.4%
Hungary 4.8%	Italy 5.7%
Poland 4.7%	
US 4.6%	

<sup>3</sup> Source of the data: CIA World Factbook 2004.

<sup>4</sup> Source: The Website of the European Union  
<<http://europa.eu.int/scadplus/leg/en/1vb/e40109.htm>>.

<sup>5</sup> Source of all trade data: CIA World Factbook 2004.

<sup>6</sup> Source: The Website of the European Union  
<<http://europa.eu.int/scadplus/leg/en/1vb/e40109.htm>>.

**Conclusion:** In sum, there are several important lessons to be learned from the decade of active EU involvement in mentoring and evaluating the transition to democracy and free market of the East Central European applicants.

First, through the pre-accession conditionality process, the EU has undoubtedly helped both the region's frontrunners and the slower reformers become more democratic. This is especially visible in the case of Slovakia. Freedom House, a non-governmental organization that monitors democracy world-wide, has significantly raised the rating of Slovakia since the country began the EU accession process. Recently, the rating of Slovakia has caught up with that of Hungary, which is considered to be one of the best East Central European democracies.<sup>7</sup>

Second, the EU has been successful in promoting legal reform across East Central Europe. Guaranteeing the rule of law is an important pre-condition for the entrenchment of both political and economic reforms in newly democratizing states. In this respect, the required harmonization of domestic legislation with the body of EU law, *the acquis communautaire*, has improved the quality of the rule of law in all applicant countries.

A third lesson to be learned from the EU's

involvement in ECE is the strengthening of civil society as a consequence of the pre-accession process. Needless to say, a vibrant civil society is essential for the functioning of the checks and balances in liberal democracies. In East Central Europe, civil society was severely weakened and suppressed under communist rule.

Hence, civil society has become an essential focus of the EU's pre-accession monitoring of the applicant countries. For example, the annual reports for each country include detailed evaluations and recommendations concerning the freedom of the media and the availability of sources of information independent from the government.<sup>8</sup>

In addition, the number of non-governmental organizations in East Central Europe has grown exponentially with the opening of opportunities to participate in EU-funded projects in areas such as promoting human rights, encouraging the integration of ethnic minorities, and establishing cultural dialogue among people in Europe.<sup>9</sup> This active involvement of the EU has been less crucial in cases such as Hungary, where the domestic developments were already favorable, and extremely important in cases such as Slovakia, where the initial domestic conditions were not as advantageous.

<sup>7</sup> Source of all ratings on this page: Freedom House. <<http://www.freedomhouse.org/research/nattransit.htm>>.

Slovakia's rating has increased from 4 in 1997 to 2 in 2004, where 1 is the best and 7 is the worst score.

<sup>8</sup> All monitoring reports are available at: <[http://europa.eu.int/comm/enlargement/report\\_2003/](http://europa.eu.int/comm/enlargement/report_2003/)>.

<sup>9</sup> For more information see: **Culture 2000 Programme** <<http://europa.eu.int/scadplus/leg/en/lvb/l29006.htm>>. **European Initiative for Democracy and Human Rights** <<http://europa.eu.int/scadplus/leg/en/lvb/r10110.htm>>.