THE CONVERGENCE ANCHOR: PRAISING THE PROSPECT OF EU MEMBERSHIP

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In the 1990s, I moved to one of the three most beautiful cities in the world. Forty years of communism had left the golden city of one hundred spires in a sorry state. The magical baroque churches of Old Town, the palaces along the Vltava and the exquisite residential mansions scattered around the seven hills have all been terribly neglected. What a shock it was the first time I boarded a plane in Los Angeles (where I finished my PhD) and landed in Prague (where I was about to teach Transition Economics at the PhD level to a class-room chockablock of former nuclear engineers and rocket scientists in my very first full-time academic job).

But Prague, as it has always been, was nothing but irresistible. Businesses and tourists start to flock as soon as it became crystal clear that the country was veering West. The reconstruction was swift. It was almost immediate. By the mid-1990s, (downtown) Prague was pretty much alone among transition countries in having been clearly returned to former glory.

Despite living in Prague, the focus of my research was not Czechoslovakia, Czech Republic or Czechia, but Hungary and Estonia instead. Long frequent work visits to Tallinn and especially to Budapest ensued. I thank the bureaucracy: data sets were great, access not. These repeated long visits made me appreciate the myriad contrasts between these countries. Today I find such contrasts, small and large, extremely useful to think about the role the European Union (EU) played in these countries' development. Thinking about those days in those three beloved cities, I remind myself of how much uncertainty surrounded "EU accession" in the early and mid-1990s. There was not much clarity, to put it mildly, about the timing, process and identity of future members.

In the early 1990s, a much optimistic forecast was that some Visegrad countries would join the EU before the turn of the century. By 1997, the educated expectation was that the first candidates would join by 2002. The year after, when the Russian crisis erupted, I was at a conference in Varna and vividly recall the alarm of Bulgarian high officials about how much events in Russia could permanently dent their country's chances of joining the EU. It was only in the early 2000s that a final decision was taken about 2004 as the official year for a first wave.

Related to the uncertainty about the timing, there was also uncertainty about the process. The early 1990s were ambitious times at the European Community: lest not forget the concurrent deepening (Single Market) and broadening (Sweden, Finland and Austria as incoming members) with the reunification of Germany, the collapse of the USSR, and the Gulf and Balkans conflicts in the background. Mid-decade the Commission takes full charge of the accession process and puts in place a system of monitoring the transition of an unprecedentedly large set of candidates.

In addition to when and how, uncertainty about who also lingered. A hypothetical experiment may conveniently sum this up. Imagine what would be the answer if one had in 1997 asked the following question in Prague, Budapest, Tallinn and Sofia: "what do you think are the chances that your country will be a full member of the EU by 2004?" My guess is that the average response from Wenceslas Square would be 70% while that from Erzsebet Ter would be 65%. In late 1998 the average response in Sofia would perhaps not be too far away from the one in Tallinn, with both surely indicating probabilities well below these Visegrad levels.

The Copenhagen criteria and the Commission managing and monitoring the accession process were effective in utilizing this triple uncertainty (how, when, who) as leverage to accelerate the pace of transformation in Central and Eastern Europe.

One can argue that the prospect of EU membership (the risk of delayed membership or even the threat of exclusion) was instrumental because it prompted rapid institutional transformation. Many have argued that the prospect of EU membership and membership itself is a major source of benefits in terms of productivity, migration, technology, trade and capital flows. In my mind, however, the longer-lasting benefit from the EU accession process has been the extraordinarily rapid institutional transformation we witness in the run-up to 2004.

This hypothesis has two halves and both are difficult to test. The first is perhaps the trickier: were institutions the main channel? This depends, however, on whether the prospect of EU membership actually accelerated institutional transformation.

Yes, it did: the prospect of EU membership turned out to be a major driver of institutional change. But can this be gauged? From 1997 onwards, the EU implemented a system of regular standardized monitoring of a range of institutional arenas which corresponded, to a considerable extent, to the individual chapters of the *acquis communautaire*. The *Progress Towards Accession* reports that the European Commission published every year for every candidate country offers a unique vintage point. Quantifying these annual reports yields a longitudinal dataset that captures changes in the nature, direction and speed of convergence of these key institutional areas. These reports provide invaluable details of the national paths in meeting the institutional requirements of EU membership from the transplantation of laws and regulations to the creation of regulatory organizations endowed with necessary powers, resources and personnel.

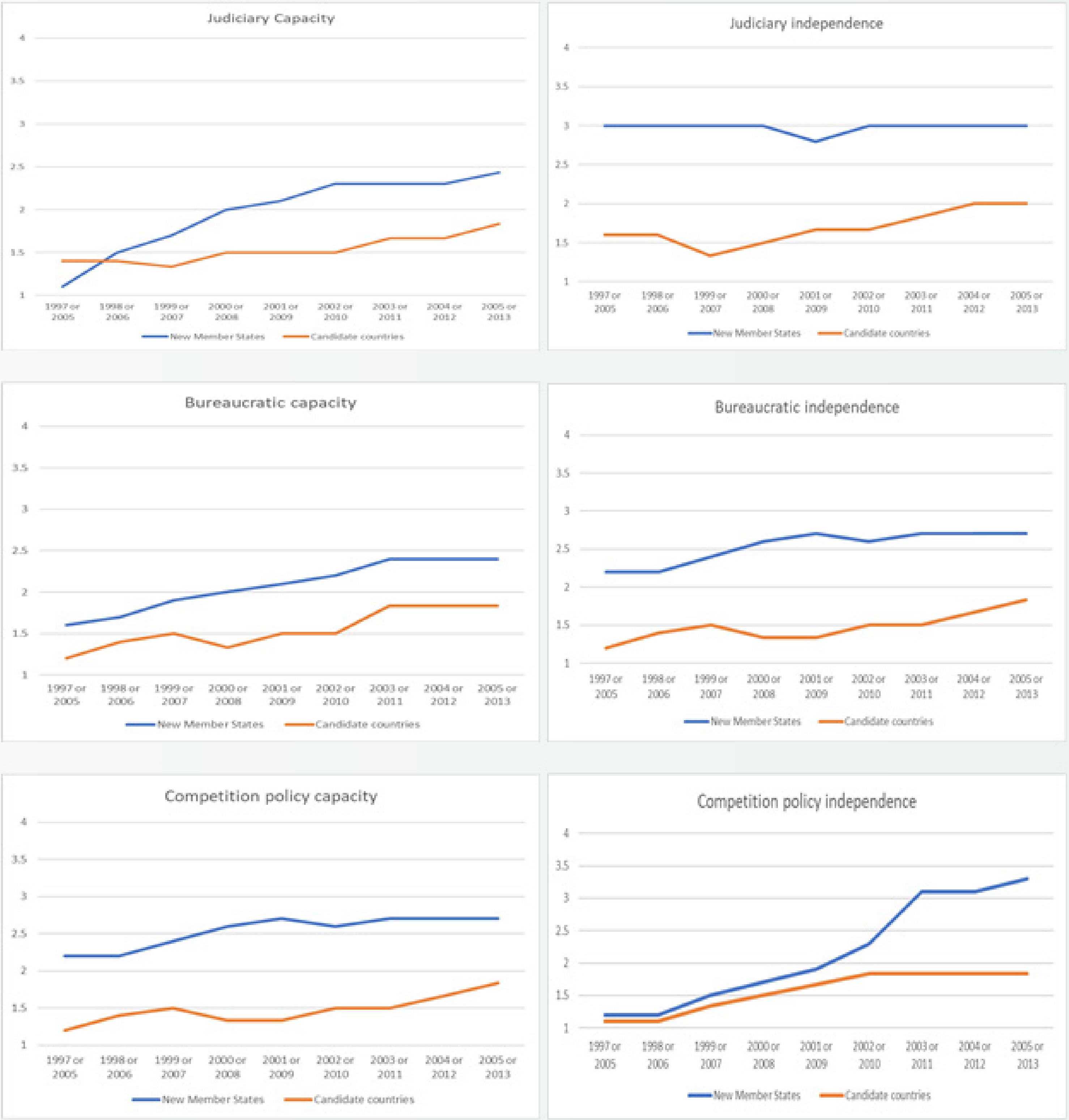
The Figure below summarises this quantification. It displays the yearly averages of six key measures, namely the capacity and independence of the judiciary, of the bureaucracy, and of competition policy for all (post 1995) 17 EU candidate countries. These are categorical variables taking values between 1 and 4; with 4 indicating levels of institutional development comparable to those of EU Member States and 1 reflecting severe deficiencies in moving towards EU norms. We divide the countries in those that joined the EU (New Member States, NMS) and those that have not (Candidates.) For most of the former, data are available yearly between 1997 and 2005, while for the latter between 2005 and 2013. In the figure, we overlap these nine-year windows.

Essentially what this rich data set shows is rare empirical evidence of a powerful EU anchor. The prospect of EU membership seems to have been a formidable driver of institutional change among candidate countries, early and late alike. Moreover, the prospect of EU Membership fostered the narrowing of the gap between these countries' levels of institutional development and that of EU existing members. In this sense, it has worked by anchoring convergence.

Figure 1. The Institutional Lift from The Prospect of EU Membership:

Yearly Averages for New Member States (1997-2005) and Candidate Countries (2005-2013) of Six Key De Jure (Independence) and De Facto (Capacity) Institutional Dimensions

Source: [Bruszt and Campos (2019)]



The EU convergence anchor seems to have been especially powerful regarding the independence of competition policy authorities and judiciary capacity, both increasing dramatically in a relatively short period of time. There seems to be also strong evidence of the effects the prospect of EU membership has had in terms of the capacity and independence of the civil service (bureaucracy) as well as regarding competition policy capacity. On the other hand, progress seem to have been relatively slower regarding judiciary independence. This is interesting: it can be either because most of the relevant changes took place at the very beginning of the transition (and hence outside of the window of time used in this analysis; notice that such a caveat needs also be considered for all institutional dimensions) or because this was indeed lagging (as students of populism in Central Europe may nowadays fear).

It really cannot be stressed enough that the changes in institutions documented above happened over nine years, not nine decades, and they were not preceded by a violent or long inter-national war. This makes these changes truly unprecedented and extraordinary.

There are at least four other aspects worth mentioning because they raise interesting questions for future research. Firstly, the levels at the end of the time-windows for NMS and Candidates tend to be higher for *de jure* (independence) than for *de facto* (capacity) dimensions. One wonders how big such a gap would be for the older EU members. Secondly, neither NMS nor Candidate groups seem to have reached average EU levels (a score of 4) in any of these six institutional dimensions. On the one hand, this attests to the quality of the data and to the political nature of the accession decision, on the other, it highlights the need for a fuller political-economy understanding of the accession process. Thirdly, although there is surprisingly little difference between NMS and Candidates at the outset, the speed of convergence of the latter group has been much slower. This may point towards variation in the credibility of the prospect of EU membership anchor over time, of which we still know little. Last, but not least, these reports stop once a country joins the EU. Yet the impression one gets is that progress has slowed after accession or, put differently, once a country is inside the EU, the impact of this anchor fades or even disappears. Future research would do well to try find ways of mapping and understanding the dynamics of key institutional features in new, old and future EU members.