

# POLITICS IN CENTRAL EUROPE

*The Journal of the Central European Political Science Association*

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A comparative analysis of the Baltic countries  
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# CONTENTS

## ESSAYS

Liutauras Gudžinskas

**Trends in confidence in public institutions: A comparative analysis of the Baltic countries** 7–33

Krisztina Juhász

**Assessing Hungary's Stance on Migration and Asylum in Light of the European and Hungarian Migration Strategies** 35–54

Marek Neuman

**The Visegrád Group as a Vehicle for Promoting National Interests in the European Union: The Case of the Czech Republic** 55–67

Milan Vošta and Aleš Kocourek

**Competitiveness of the European Automobile Industry in the Global Context** 69–86

## REVIEW

Olga Brunnerová

**Nowa Huta: Generations of Change in a Model Socialist Town** 89–92

GUIDELINES FOR AUTHORS

93–97

# ESSAYS

# Trends in confidence in public institutions: A comparative analysis of the Baltic countries

LIUTAURAS GUDŽINSKAS



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**Abstract:** *The paper focuses on the variation of institutional confidence in the Baltic countries. Within of framework of qualitative comparative framework, it employs a historical approach to detect causes of divergence of trust in rule of law institutions between Estonia vis-à-vis other two Baltic states. While it observes a range of variables that could affect the differences, it emphasises the role of political leadership during critical junctures, which might explain both why Estonia forged ahead at the outset of the post-communist transformation and most recent positive developments in the Baltic countries since the financial crisis in 2008–2010.*

**Key words:** *trust, courts, legal system, Baltic countries, Estonia, Latvia, Lithuania*

## Introduction

The post-communist Central and Eastern European (CEE) countries that joined the European Union (EU) have experienced extensive transformative changes. By establishing liberal democratic institutions and a free market economy, these countries have moved decisively towards practically implementing the principle of equal opportunities for all. Nevertheless, not all expectations have been fulfilled so far. The overall convergence of the CEE countries with Western European states is uneven and does not necessarily reflect progress. Patterns of political patronage persist, and the situation is worsening in some cases. Furthermore, widespread social and economic inequality in the region has been reinforced by the global financial turmoil that extended from 2008 to 2010.

While GDP per capita remains the most common indicator when assessing the success of development, it provides only a partial picture. Other measures

are often invoked, either separately or in conjunction with GDP per capita, to ensure a more precise evaluation of general conditions in a country. Some of these measures have a broadly economic character (for example, economic inequality and the unemployment rate) while others stem from a “capabilities” approach (i.e. life expectancy, infant mortality, literacy, etc.) or concern subjective evaluations of well-being (happiness-related studies and the like). To a significant extent, these alternative measures of successful development aim to evaluate the sustainability of economic progress as well as resilience in the face of various shocks and crises. Given the political and economic fluctuations in the world today, this type of analytical approach is indeed timely.

This article focuses on yet another indicator that may evidence the successful overall transformation of so-called transition societies. This indicator is the social phenomenon of trust, and more specifically, confidence in state (public) institutions. While this factor is not entirely independent (i.e. it may be tied to certain parameters of governance quality and to various structural features of society), it may have a crucial role in solidifying social support for democratic rule itself. Moreover, it may be essential if we are to ensure efficient solutions to the collective action problems that contemporary democracies face.

Among the post-communist EU member states, Estonia stands out as an exceptional case, which since its EU entry has enjoyed the highest level of confidence (and also exceeded the EU average) when it comes to the country’s courts and other key administrative institutions. Furthermore, in contrast with other CEE societies, the number of Estonians who have faith in the court system has constantly exceeded the number of their compatriots who lack this trust. To explain this phenomenon, I compare the Estonian system to the most similarly designed systems in the region, i.e. those of the other two Baltic countries, Latvia and Lithuania. Formerly part of the Soviet Union, these Baltic countries have been relatively successful in transforming themselves into liberal democracies and integrating within the Western transatlantic community. All these states share many other structural features (e.g. state size, geographic location, economic model, etc.) and have engaged in cooperation in the international arena. At the same time, there are notable differences among them. In this article, I focus on divergence and fluctuations in institutional trust from the outset of the post-communist transformation of these countries. In contrast with most other comparative analyses in this area, I use a qualitative methodological approach, which may be understood as a systemic process analysis or theory-informed application of the process-tracing technique (Hall 2003).

This study consists of four parts. In the first section, I lay out key theoretical propositions regarding trust in state institutions and the causal relationship between this variable and other factors. The second section provides an extensive literature review of comparative research on the causes of trust-related trends in the CEE and Baltic countries; this allows me to delineate this article’s contribu-

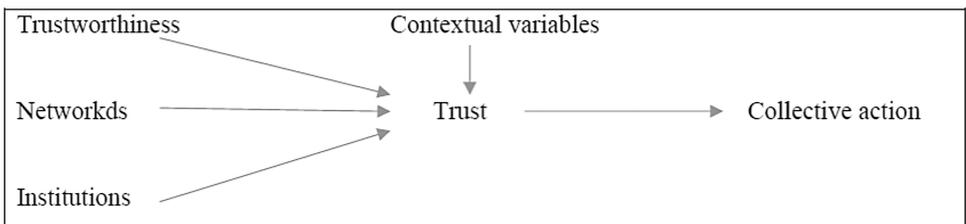
tion to the ongoing debate. In the third part, I present and analyse noteworthy empirical data from these countries. This leads to the fourth section, which provides an interpretation of the data against the background of theoretical insights. At the same time, I consider the prospects for further research and what they may tell us about the development of the entire CEE region.

## Theoretical background

Trust is defined as “a particular level of the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action” (Gambetta 2000). In this sense, trust describes a trinomial relationship, i.e. a trustor, X, expects that a trustee, Y, will perform a particular action, Z, in an efficient and honest way. It follows that one cannot place trust in another entity entirely, but only concerning a particular activity or group of activities.

Furthermore, we may use the model set out by Ostrom and Ahn (2009) to delineate the relationship between forms of social capital, trust and collective action (p. 23); see figure 1. According to this model, trust does not itself constitute social capital but serves as a link between particular kinds of such capital (i.e. trustworthiness, networks and institutions) and collective action. This model can help to us locate the phenomenon of confidence in the state in a general theoretical framework about trust.

**Figure 1: Trust, forms of social capital and their link to achieving collective action**



Source: Ostrom-Ahn 2009

The most basic form of social capital is trustworthiness. In today’s society, however, the occurrence of this phenomenon is limited. In cases of this kind, the trustor requires considerable information about the trustee, its main patterns of behaviour and its history of cooperation. Since human interaction is far more wide-ranging today than once was the case, this type of trust is usually reserved for those who are closest to us or with whom there is an extensive cooperation history. According to Hardin (2006), there are three sources of trustworthiness: (1) the encapsulation of interests; (2) positive and reassuring psychological character traits in the trustee; (3) and moral convictions (a belief that the trustor

tee will cooperate because of its moral nature). Hardin focuses chiefly on the first source of trustworthiness since this lays the ground for the operation of networks and institutions as the other key forms of social capital. This approach is also compatible with rational choice theory.

The encapsulation of interests refers to the trustor's assumption that its interests are bound up with the interests of the trustee. In particular, the trustor holds that the trustee is interested in continuing the cooperation. There are three ways in which these interests may be bound up. First, there may be a wish to maintain the relationship because of its practical value. Second, there may be a motive of love or friendship. And third, there may be a desire to build one's reputation more generally – a goal that may be harmed by inappropriate action (Hardin 2006: 20). This reputation, thus, provides an incentive for behaving in a way that will also validate future action. As such, it transcends a single interpersonal relationship. The better the reputation an entity has, the more likely it is that other actors will be willing to cooperate with it (Hardin 2006: 24).

The other two forms of social capital have more bearing than the first one in cases of cooperation where we do not have enough information to infer the trustworthiness of the actors with whom we interact. These are, in other words, situations of “cooperation without trust” (Cook – Levi – Hardin 2005). In today's complex world, these kinds of interactions predominate. Every day we meet and need to cooperate with people we either do not know sufficiently well or interact with only once. In such cases, where cooperation must happen in the absence of trust, we require specific networks or institutions to ensure the trustworthiness of our cooperating partners.

These characterisations are also relevant when it comes to confidence in politicians and the representatives of state institutions. In most cases, the positions are not equal in these relationships, and we lack sufficient information about the true motivations and nature of these actors. Networks – and institutions in particular – are therefore crucial for ensuring our confidence in these individuals.

The distinction between networks and institutions recalls the well-established debate over whether civil society or the performance of government is essential for the effective functioning of democracy. Robert Putnam (1993) makes the case that civic associations (and networks more generally) are vital for sustaining effective democratic rule. In his view, the greater the social capital of this kind, the more likely it is that people will be able to cooperate in controlling the actions of government and so ensuring an essential public good – efficient and transparent governance. Based on this reasoning, we may assume that vibrant civic networks and a general sense of trust within a society are independent variables, while confidence in administrative and pluralist (democratic) institutions is an outcome.

This approach has, however, come under substantial criticism. Opponents have pointed out that certain networks do not necessarily care about ensuring

that the public good extends to everyone. In fact, the core function of these networks is usually to improve the welfare of their members exclusively even if this may harm the interests of society as a whole (this recalls the debate over the prevalence of “bridging” vs. “bonding” social capital). It is instructive here to remember the notorious role played by the “early winners” of the post-communist transformation in Russia (Hellman 1998) and elsewhere: in these cases, specific networks of influential political and economic actors managed to seize significant state assets, which had the dramatic effect of undermining solidarity and trust within these transition societies.

As such, there is a case for an alternative (top-down) interpretation of the preconditions for effective democracy that puts the emphasis on the role of institutions. According to this approach, one key factor in explaining trust is the quality of governance (Kumlin – Rothstein 2005; Rothstein – Stolle 2008; Rothstein 2011). If state administrative bodies are impartial, non-corrupt and competent, we may expect that people will not only have confidence in these public institutions but the general sense of trust will be enhanced. This assertion is compatible with the model presented above (figure 1), which implies that we may trust a person despite lacking sufficient information about them if they face effective sanctions for breach of contract. It follows that the fair and proper functioning of state administrative institutions (i.e. the institutions responsible for upholding the rule of law, i.e. the courts, police, public prosecutor’s office, etc.) is particularly important for fostering trust in a society. Proponents of this approach also maintain that if welfare policies (social security, education, healthcare, etc.) are implemented fairly and efficiently, particularly at the local level, people will be more willing to pay taxes to finance them. Even left-leaning citizens are more prone to evading welfare-related taxes and other state duties if they believe the misuse of state funds is likely because of the incompetence or corruptibility of state representatives (Rothstein 2011; Svallofors 2013).

For this purpose, the distinction between state (administrative) and partisan (representative) institutions is also important. We might predict that voters will not trust a parliament or other partisan political institutions that are controlled by a party or politicians with ideas contrary to these voters’ own convictions. It is, however, far more worrisome when voters lack trust in supposedly neutral state (administrative) institutions.

Against this backdrop, political leadership may play an essential part in guaranteeing trust throughout a society. On the one hand, this leadership may be a source of satisfaction among citizens or even national pride if there are tangible achievements in the state’s overall development, and this will, in turn, affect confidence in public institutions. On the other, the activities and leadership of politicians are among the main contributors to the quality of governance. If, however, politicians prove to be corrupt, prone to patronage and involved in public scandals that compromise their integrity, this may have a profoundly

negative impact on not only their personal reputations but also citizens' trust in the whole political system (including state and administrative institutions).

Finally, alongside networks, political leadership and the quality of governance, there are several contextual variables that may influence general trends around trust within a state and society. Eric Uslaner (2008; 2009) emphasises the significance of inequality in triggering mistrust among the public, which may then have implications for the spread of corruption. According to this premise, outside of issues related to the fairness of the legal system and regulatory burdens, the roots of corruption are largely non-institutional. As such, the key factor is economic inequality, which breeds a general atmosphere in which people mistrust one another. This explanation may be especially apt in post-communist societies, which, despite their overall economic progress, have experienced widening inequality since the beginning of their transformation.

According to Uslaner (2009), inequality encourages corruption since people tend to believe that the system is biased against them and that they must depend on some other entity. Furthermore, they are pessimistic about the future, which in turn undermines the incentives for behaving honestly with others. The pursuit of fairness in the court system also comes under enormous pressure under such conditions.

Other structural factors that distinguish members of a society may also shape general trends regarding confidence in the state. In the case of the Baltic countries, we should particularly consider the role of ethnic divisions. This ethnic heterogeneity is especially significant in Latvia and Estonia where the Russian-speaking population forms a large part of the population and is the main source of the cleavage in party politics. Given the existence of sizeable minorities (totalling up to 10% of the overall population) that have not yet been granted full citizenship rights in these two countries, we may assume that there are acute societal tensions that could crucially influence perceptions of the fairness and effectiveness of state institutions. On the one hand, members of these ethnic minorities may feel more disenchanting and suspicious of a state that does not guarantee equal political and civil rights among the population. On the other, nationals may be more supportive of the institutions of their newly independent democratic states, perceiving them as a key tool for securing both domestic ethnic dominance and independence from Russia as a former colonial power in the region. On this basis, we may expect to observe greater confidence in state institutions among the national majorities in Latvia and Estonia than is the case in Lithuania where the ethnic split is far less politically salient. Indeed, partly because of Lithuania's relatively homogenous population, the normative evaluation of the country's communist regime – and not its ethnic divisions – is the most critical factor shaping current party politics (Ramonaitė et al. 2014). Given this background, we may hypothesise that *institutional identification* with the former communist regime (rather than with the present democratic

system) affects overall trends in confidence in the institutions of the newly democratic states.

## Literature review

Comparative sociological surveys that collect data on institutional confidence have been conducted in the CEE countries since the start of the post-communist transformation. Of the earliest of these surveys, the European Value Survey, New Europe Barometer and New Baltic Barometer must all be mentioned. Since the EU's eastern enlargement in 2004, trust in various institutions in the CEE countries has also been measured in standard annual Eurobarometer reports. Moreover, the European Social Survey provides valuable comparative data on the topic. As this empirical material has gradually increased, analyses have begun to consider the causes of variations in trust across the CEE countries. Most of these efforts have tried to evaluate which of the three general emphases mentioned above, i.e. quality of government, general sense of trust or socio-structural features, is most useful for explaining societal attitudes to both partisan and administrative institutions.

Based on their research into trends in institutional confidence in the young CEE democracies from 1991 to 1998, Walter Mishler and Richard Rose (2001) concluded that the most influential factor vis-à-vis trust in institutions was the perception of their impartiality and transparency. Other important variables explaining variations were positive evaluations of macroeconomic indicators and the presence of sufficient institutional guarantees of personal freedoms (Mishler – Rose 2001). In a later publication including more recent New European Barometer data, the same authors confirmed that politicians and civil servants could most efficiently boost institutional confidence by eradicating corruption and improving the macroeconomic situation (Mishler – Rose 2011).

Jonas Linde (2012) also analysed data from New Europe Barometer along with Transparency International's Global Corruption Barometer. On this basis, he asserted that while the average level of public support for democracy in the CEE countries was around 60%, only 30–40% of people were satisfied with the operation of democracy. Linde also found a strong correlation between satisfaction with the functioning of democracy and public perceptions that representatives of state institutions treated all citizens fairly and that the corruption level was low.

Meanwhile, Gabriela Catterberg and Alejandro Moreno (2006) observed trends in trust in both partisan and administrative institutions across eighty societies, including three Baltic countries, based on the data from the World Value Survey and European Value Survey (1981–2000). According to these authors, the most critical factors affecting institutional confidence were the general level of trust, people's perceptions of their own financial capabilities and their

interest in politics and assessment of whether the government was responding to everyone's interests or favouring elite groups (Catterberg – Moreno 2006).

Kadri Lühiste (2006) also reported several findings concerning trends in institutional confidence from the 2001 New Baltic Barometer survey. In particular, she found evidence of a strong correlation between trust in political institutions and the general level of trust in a society. Lühiste also confirmed the relationship between this kind of trust, satisfaction with economic conditions in a country and the perceived level of corruption. By analysing data from the European Social Survey 2004–2005 across twenty-four countries, including some states from the CEE region, Kimmo Grönlund and Maija Setälä (2012) also explored the relationship between overall trust and confidence in institutions such as parliament and the legal system. While these authors confirmed the existence of this link, they singled out the fight against corruption as the primary factor contributing to institutional trust. Moreover, they maintained that a key issue here was the degree of civil servants' impartiality when dealing with citizens (Grönlund – Setälä 2012).

Commenting more recently, Tom van der Meer and Armen Hakhverdian (2017) have noted that the reduction of public sector corruption has been far more influential in increasing trust in political institutions than relevant changes to macroeconomic indicators such as economic growth, unemployment, inflation, the budget deficit or income inequality. This finding is consistent with the central insight of the quality-of-government theoretical framework, which holds that an institution's processes affect public trust more than that institution's actual output (Rothstein 2011).

Analysing data from the European Social Survey in 2010, Zsolt Boda and Gergö Medve-Balint (2014) also conclude that there is no significant difference between Western European countries and CEE countries as regards the link between personal wealth and trust in institutions. On the whole, however, these authors note quite a strong tie between income inequality and the degree of institutional confidence (Boda – Medve-Balint 2014). Finally, in an analysis of trust in the court system across forty-two countries based on World Value Survey data (1995–2002), Marc Bühlmann and Ruth Kunz (2011) demonstrate that confidence in the court system mostly depends on the actual independence of judges from political interference. This finding supports the idea that only courts that are adequately protected from political influence can garner public trust in their impartiality and competence.

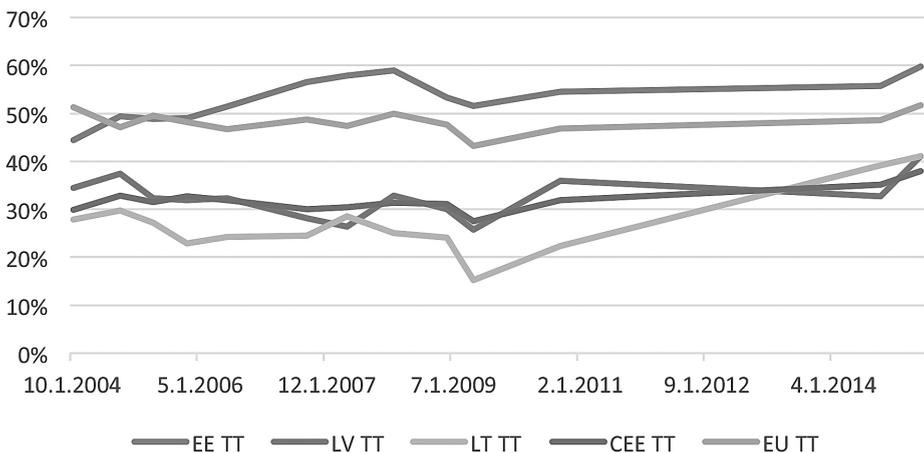
To summarise this literature review, we may conclude that there is extensive evidence to confirm the impact of the quality of government on trust in partisan and administrative institutions in the CEE region, including the Baltic countries. This study aims to deepen this causal inquiry by establishing when and how the Baltic states began to diverge as regards public confidence in courts and other administrative institutions.

## Empirical trend

Several surveys consider trends in confidence in various public institutions in the Baltic and other CEE countries. The Eurobarometer results cover the longest time period, drawing on data collected twice yearly since 2004. Of the state (administrative) institutions for which public confidence is measured, the most relevant ones for our purposes are the legal system and the police. The data clearly shows the superior position of Estonia in comparison with its Baltic and other post-communist counterparts when it comes to confidence in both of these institutions (see figures 2 and 3).

Moreover, the results indicate that Estonia has the best results concerning trust in the police and the legal system across any of the post-communist EU member states. In this respect, the country exceeds the regional average by around 20% and even surpasses the EU average slightly. Meanwhile, confidence in these public institutions in Lithuania and Latvia stands at around the CEE regional average. On this count, however, it must be noted that the Lithuanian indicators have seen more fluctuation. Before 2008–2009, the country’s results were below the mean rates for other post-communist EU member states. Since then, however, they have improved steadily and come to exceed the CEE average. This progress in the space of a few years is quite remarkable. Lithuanians’ trust in the legal system has increased by 17% while their confidence in the police has risen by as much as 31%. In contrast, in Latvia and most other CEE states, the confidence level has declined or had more limited progress over this period.

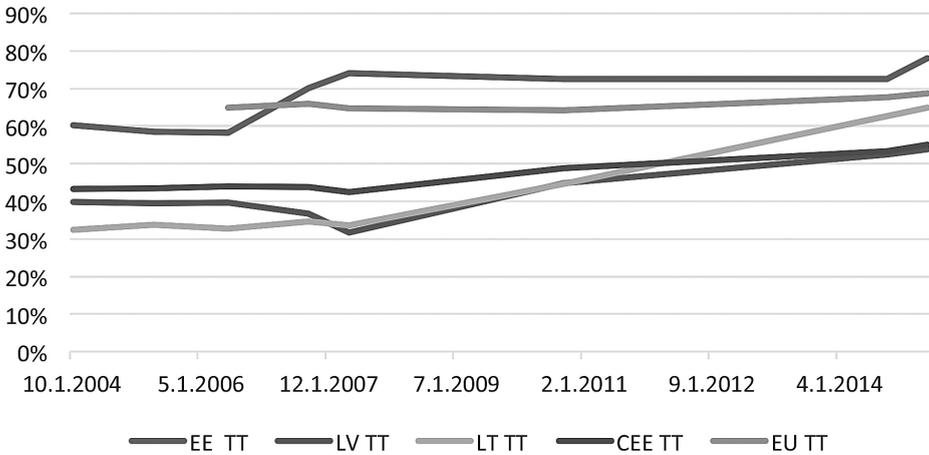
**Figure 2: Trust in the legal system in the Baltic countries**



Source: Eurobarometer, 2004–2015.

Abbreviations: EE – Estonia, LV – Latvia, LT – Lithuania, CEE – Average rate for the post-communist EU-11, EU – European Union, TT – Tendency to trust.

**Figure 3: Trust in police in the Baltic countries**



Source: Eurobarometer, 2004–2015

Abbreviations: EE – Estonia, LV – Latvia, LT – Lithuania, CEE – Average rate for the post-communist EU-11, EU – European Union, TT – Tendency to trust.

Other European surveys reflect similar trends. According to the European Values Survey (EVS), for instance, in 2008, Estonians had the highest level confidence in the legal system (54%) and the police (68%) among all of the post-communist EU member states. The average results for these institutions in the region were 37% and 51%, respectively; see table 1.

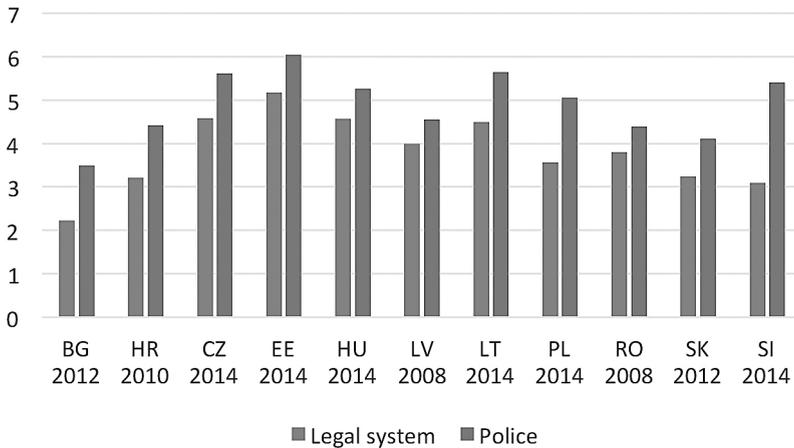
The European Social Survey (ESS) also confirms these observations; see figure 4. Although this survey has not always included all CEE countries, the trends again appear similar to those detected by the previously mentioned polls.

**Table 1: Confidence in administrative institutions in the EU-11 MS**

Confidence	Justice system, %			Police, %		
	1990	1999	2008	1990	1999	2008
Bulgaria	45	28	18	46	47	33
Croatia		35	19		53	37
Czech Rep.	44	23	35	39	33	42
Estonia	33	32	54	19	34	68
Hungary	60	45	39	51	45	51
Latvia	36	47	44	20	40	54
Lithuania	39	19	25	28	26	45
Poland		42	44		55	58
Romania	48	40	42	45	45	55
Slovakia	45	36	36	40	44	53
Slovenia		44	47		50	67
Average	44	36	37	36	43	51

Source: European Values Survey

**Figure 4: Trust in administrative institutions**



Source: European Social Survey

When asked to rate their trust in the legal system and the police on a scale from 0 (no trust) to 10 (complete trust) in the seventh and last ESS wave (2014), Estonians recorded average scores of 5.2 and 6, respectively, which were the highest ratings among the CEE countries. In the five previous ESS waves in which Estonia participated (i.e. the surveys since 2004), trust in the legal system in the country varied from 4.9 to 5.2 while it ranged from 5.5 to 6.2 for the police; these were again the highest scores in the CEE countries across any of these surveys. In Lithuania, in contrast, the level of popular confidence in administrative institutions in 2010 was one of the lowest for the CEE countries (Lithuania's legal system and police received only 3.1 and 4.5 points, respectively). Since then, there has been notable progress, with trust in the legal system rising to 4.5 points and trust in the police reaching 5.7 points in the most recent (2014) ESS survey. This trend aligns with similar developments in the Eurobarometer surveys mentioned above. In the case of Latvia, on the other hand, the only measurable (ESS) data comes from 2008. As such, we cannot infer very much about the development of trust in public institutions in this country based on the ESS.

So far, we have mostly discussed fluctuations in trust since the 2004 EU eastern enlargement. On this basis, we may deduce that Estonia's relative strength in achieving public trust in the country's administrative institutions stemmed from processes already evolved before the EU accession. In fact, however, previous EVS waves (1990 and 1999; see table 1) would suggest that Estonia did not have any such advantage. Furthermore, in 1990, Estonians had the *lowest* level of confidence in the country's public institutions of the citizens of all CEE nations,

with similar scores to those in the other two Baltic countries. Arguably, this was connected with the fact that the Baltic nations (unlike the other CEE states) were not entirely free at the time; as such, citizens of the Baltic countries usually associated these administrative institutions with the repressive Soviet apparatus.

By 1999, however, the situation had changed, and these shifts in trust ratings might, thus, reveal how the fledgling Baltic states succeeded in ensuring citizens' confidence in administrative and other public institutions. At the very least, the findings from the 1999 EVS wave indicate that both Estonia and Latvia were achieving better results at this point than their southern counterpart. Confidence in the justice system in Lithuania had dropped by a dangerous 20% from the 1990 result, while it remained virtually unchanged in Estonia and had actually increased by 11% in Latvia. In the case of confidence in the police, the level in Lithuania remained more or less the same as that in 1990, while both Latvia and Estonia saw notable increases of 20% and 15%, respectively (see table 1).

To assess the divergences across the Baltic states in the 1990s in greater depth, we require more comparative data from this period. Some evidence is offered by regional surveys such as the New Baltic Barometer (NBB), which was conducted repeatedly throughout that decade.

The importance of this survey lies not only in its early date but in the opportunity it provides to assess political and social attitudes across different ethnic groups. The first NBB wave, which was conducted from September to October 1993, revealed substantial differences both among the nationals of the different Baltic states and between those groups and ethnic minorities; see table 2.

**Table 2: Trust in state and administrative institutions**

	Est	Latv	Lith	Average	Est Ru	Lat Ru	Lit Ru	Lit Pol
<b>Courts</b>	58	54	45	53	52	47	52	57
<b>Police</b>	46	38	44	42	38	37	49	51
<b>Army</b>	69	63	53	62	41	39	50	62
<b>State security</b>	49	34	36	40	34	31	44	41

Source: New Baltic Barometer, September–October 1993.

NB: The figures provided are the sums of those reporting considerable or some trust in the relevant institutions.

This data shows that as early as 1993, Estonians had greater confidence in the state and its administrative institutions than was the case for respondents from the other Baltic nations. Furthermore, Lithuanians scored lower than other Baltic nationals when it came to trust in the courts and the army. The differences among the Baltic nations concerning confidence in the police were not as notable as those related to the courts and the military. Nevertheless, both Latvians and Lithuanians reported far less trust in state security than was the case in Estonia. At the same time, Latvians' confidence in the courts and the army was closer to the level in Estonia than the one in Lithuania. Other important differ-

ences concerned the trust of Russian-speaking and – in the Lithuanian case – Polish-speaking residents in administrative institutions. These differences were most substantial in Estonia, where they applied especially to confidence in the army and state security (with ethnic minorities reporting lower levels of trust than Estonian nationals by 15% and 18%, respectively); the effects were less marked for confidence in the courts (6% lower for ethnic minorities) and the police (8% lower for ethnic minorities). In Latvia, similar trends were observed for the level of confidence in the courts (7% lower for ethnic minorities) and in the army (14% lower for ethnic minorities). In Lithuania, in contrast, these proportions were inverted; in most cases, respondents from ethnic minorities reported a higher level of trust in the state and its administrative institutions than the levels for nationals.

A similar survey was conducted in November 1996; the results are set out in table 3.

**Table 3: Trust in administrative institutions**

	<b>Estonians</b>	<b>Est Ru</b>	<b>Latvians</b>	<b>Lat Ru</b>	<b>Lithuanians</b>	<b>Lith Ru</b>
<b>Courts</b>	63	44	50	53	31	40
<b>Police</b>	57	38	41	45	34	33
<b>Army</b>	40	16	36	28	27	24
<b>Civil service</b>	72	32	41	52	46	44

Source: New Baltic Barometer, November 1996.

*NB.* Figures indicate respondents who declared complete and general trust.

Compared with the earlier survey, these findings revealed a wider gap between Estonians and the nationals of the other two Baltic nations. Moreover, there remained a split between Estonia’s Estonian- and Russian-speaking populations when it came trust in administrative institutions. Meanwhile, except in the case of the civil service, Latvians appeared to be more inclined to trust in administrative institutions than was the case for Lithuanians. On the other hand, in both Latvia and Lithuania, ethnicity did not seem to have a significant impact on confidence in these institutions.

The results of the 1993 and 1996 NBB surveys suggest that Estonians were already becoming more trustful of their administrative institutions in the early phases of transformation. This would seem to contrast with the picture for residents of the other two Baltic nations. However, another report from November–December 1992 indicates a rather different situation. These findings are summarised by Anton Steen (1996); see table 4.

**Table 4: Confidence in institutions (%)**

Institutions	Estonia	Latvia	Lithuania	Average
Legal system (courts)	23	21	23	22
Police	28	24	32	28
Civil service	29	19	25	24

Figures for the categories “quite a lot of confidence” and “a great deal of confidence” are combined; November–December 1992

Source: Steen 1996: 211

As the table shows, there appear to have been no significant differences among the Baltic populations regarding trust in administrative institutions (putting aside the somewhat lower results for Latvia in general). Moreover, Steen (1996) argues that “the group with the lowest confidence in institutions comprises people with higher education. No other independent variable has such a systematically negative effect on confidence in institutions” (p. 223). As such, he interprets this data as confirmation of the hypothesis that people with a higher education are better informed about the state of affairs in their country, and thus, more critical of its institutions. This conclusion is similar to the one reached by Miller (1993), who asserted that as early as 1990, younger people, and particularly those with a higher education, felt alienated from the Soviet system in Lithuania (as well as in Russia and Ukraine) (cf. Steen 1996: 217).

The autumn of 1992 was indeed still early days in the formation of the new states and, thus, despite the democratisation that was already under way, residents may have eyed administrative institutions suspiciously as means of continuing the former regime. Nevertheless, as we have seen, the NBB suggests that there were notable improvements in Estonia in 1993 regarding the level of confidence in the country’s administrative institutions and that this contrasted with the situation in the other two Baltic countries. This leads us to the question of what exactly happened during this period in this northernmost Baltic state.

## Discussion

In the first part of this study, I outlined three main lines of argument about the factors that may influence trends around confidence in institutions. One set of reasons emphasises political and institutional variables that fall under the general category of *quality of government*. This describes a mostly top-down process in which a key factor may be the success of political leaders in imposing reforms that lead to transparent, fair and efficient institutional operations. These actions may, in turn, encourage people to give more credit to a new reformed mode of governance. Conversely, if a government is corrupt and serious scandals rock the entire political system or it is beset by shocks and crises, this may seriously undermine confidence in representative and administrative institutions. Another explanation stems from a bottom-up approach. This stresses the role

of *networks* in actually controlling the government and so ensuring trust in its institutions, including those responsible for maintaining order within a society. The strength of civil society is usually associated with a high level of overall trust in the community as well as egalitarian values that promote horizontal relationships both among a nation's people and between them and the state. Last but not least, there are important *structural differences* in a society which may also affect how people trust each other as well as whether they feel fairly treated by state institutions. Among these divisions, we should highlight both economic inequality and the degree of ethnic fragmentation. In many post-communist societies, there is also a salient split between supporters of the current democratic regime and those who remain nostalgic for the former one. Significantly, this division may point to profound socio-psychological alienation within certain segments of society vis-à-vis the current political system. This could itself negatively affect confidence in administrative and other public institutions.

In this section, I present some evidence to determine which of these explanations is most appropriate for analysing trends in confidence in administrative institutions in the Baltic states. To evaluate the top-down approach, as set out above, we must pay heed to the period when the noted divergences occurred. While the picture is fragmented due to a lack of regular comparative surveys at that time, there is a good reason to focus on the 1992–1993 period. As we have observed, it was precisely at this time that Estonians became more trusting than people in other Baltic states of their country's administrative institutions. According to the premises set out above, there must have been some essential reforms to these institutions which made them more transparent and efficient, and thus, also more trustworthy. In fact, there is some evidence to support this explanation.

When Mart Laar's government came to power in Estonia after the first post-independence parliamentary elections in September 1992, sweeping reforms began across many public sectors. Although Laar is famous worldwide for his "economic shock therapy" and its achievements, his government also introduced radical changes to the legal system and its operations. To begin with, the entire judiciary was appointed anew. Although this reform had been outlined earlier, the appointment process only commenced after the 1992 parliamentary elections. Given the staunchly anti-communist ideology of the parliamentary majority, the key political criterion for the approval of Supreme Court judges was their non-involvement in political cases under Soviet rule. The newly formed Supreme Court was then authorised to nominate the remaining magistrates to be appointed by the President. At the same time, the reform increased the actual number of judges. Previously there had been eighty-three judges in Estonia. As of 1 May 1994, however, a total of 154 judges had been appointed, and there were still some vacancies to be filled (Kalniņš 2015:13–14). According to the account of the then chairperson of the Riigikogu Legal Committee Daimar Liiv: "[B]y the end of 1995 maybe a half of [former Soviet judges] stayed [in their positions].

The idea was that they were not establishing the culture for the judiciary. The culture was established by the Supreme Court” (quoted in Kalniņš 2015:13–14).

There were also corresponding developments in the civil service. Alongside the replacement of its Soviet-era cadres (under a reform admittedly somewhat less radical than the one to the legal system), there was a clear political will to downsize and simplify the overall government machinery. Under a 1992 coalition agreement, the primary tasks for government reformers were reducing the large number of ministries, bringing various subordinate organisations under ministerial control and slashing the public sector by one third (Sarapuu 2012: 812). While the actual implementation of these goals was not entirely consistent, the initial 1993–1995 structural reform led to the de-institutionalisation of the entire public administration system, thus helping to break ties with the Soviet past. This also had critical implications for the reshuffling of personnel. In 1994, employees under the age of thirty comprised 31% of staff at the Ministry of Finance, 28% of staff at the Ministry of Justice and the Ministry of Defence and 48% of staff at the Ministry of Foreign Affairs (Randma 2001: 43). It has been claimed that fewer than half of the government’s employees in 1992 remained in the same occupation in 1997 (Titma et al. 1998: 126). According to one account from 2007, the overwhelming majority (77%) of Estonian civil servants entered the service during the independence years and so were not part of the Soviet administrative system (Tõnnisson – Randma-Liiv 2008: 103).

The initial “de-sovietising” reforms to the governing system also made it more receptive to international influences which could then shape its development (Sarapuu 2012). Indeed, of the post-communist CEE countries, Estonia implemented the most radical reforms, and to a large extent, these were based on a New Public Management (NPM) approach (Nemec 2008). Generally, NPM-based policy changes met with only mixed success in the CEE region (Dreschler 2005; Nemec 2008). However, in the Estonian case, combined with the de-sovietisation of judicial and administrative personnel at the start of the transformation process, these reforms lifted the country to the top of the corruption control rankings in the CEE region and beyond (as evidenced by the measures of both Transparency International and the World Bank). The Estonian advantage over the other two Baltic countries was striking from the time of these states’ inclusion in these rankings. In the 1999 Corruption Perception Index, for instance, Estonia claimed twenty-seventh place of the ninety-nine countries analysed, while Latvia and Lithuania were ranked only fiftieth and fifty-seventh respectively (Transparency International 1999).

Neither Lithuania nor Latvia saw an overhaul of their civil service and legal systems at the outset of the transformation process of the kind that occurred in Estonia. The different composition of the political leadership in these states may explain this situation. After the first post-independence democratic parliamentary elections in Lithuania in October 1992, the former communist forces headed

by Algirdas Brazauskas won a decisive victory, claiming an absolute majority in parliament (*Seimas*). While these forces followed the advice of the International Monetary Fund and other international institutions and so carried out neoliberal economic reforms at a similar pace to those in Estonia, they were (quite understandably) not as keen to pursue the de-sovietisation of the state apparatus. In fact, Estonia was itself ruled by governments with a similar profile, headed by Tiit Vähi and subsequently Mart Siimann, in the 1995–1999 era. These regimes were, however, both too short-lived and not reactionary enough to reverse many of the effects of the reforms of the earlier period (Kalniņš 2015: 29). In Latvia, on the other hand, right-centrist political forces prevailed in the country from the time of regained independence, exercising even more power than they did in Estonia without any strong opposition from the left. Nevertheless, the degree of state capture and oligarchisation in Latvia was notably higher than that in any other Baltic state (Auers 2015), and this may itself have seriously impeded the building up of trustworthy public institutions. The roots of these developments trace back to the early 1990s when informal politico-business networks (such as “Club 21”) critically shaped the evolution of Latvia’s political parties, thus undermining the impartiality of privatisation and other essential economic reforms (Bennich-Björkman 2006). Another important factor aiding the spread of corruption in Latvia was the limited political competition. This resulted mainly from the ethnic split, which restricted the powers of the opposition parties to control the government (Grzymala-Busse 2007).

As the data in the second part of this study suggests, for most of the time since the start of the transformation process, Lithuania has recorded the lowest levels of confidence in its administrative institutions across all the Baltic countries. Nevertheless, there has been a steady increase in Lithuanians’ trust in both the national courts and the police since 2009. While a deeper causal inquiry remains necessary, we may surmise that one potential explanation is the impact of measures taken by President Dalia Grybauskaitė to increase the transparency and effectiveness of the legal system and other administrative institutions. In fact, this goal has been one of Grybauskaitė’s top priorities since the start of her rule. A political independent, Grybauskaitė was initially elected with a huge majority back in 2009 and she has continued to enjoy convincingly high approval ratings in her second term of office since 2014. While reforms to the police and public prosecutor’s office initiated by her appointees have met with some controversies (though mostly of a managerial kind), the President has persistently worked to promote an image of herself as a non-partisan guardian of the rule of law and an active fighter against political corruption. In line with legislative initiatives to eradicate corruption in areas ranging from the energy sector to party financing, Grybauskaitė has put some effort into improving the reputation of the court system. According to data from the President’s office, during the first six years of her rule (2009–2015), seventeen judges were dis-

missed for discrediting the good name of the judiciary; in comparison, there were only fourteen such cases for the entire 1990–2009 period (Office of the President of the Republic of Lithuania 2015).<sup>1</sup> In this semi-presidency, the President, who enjoys a high approval rating and significant powers (though not the right to dismiss the Prime Minister), is proving to be a key part of the overall checks-and-balances system. In elitist post-communist societies where there is significant distrust of pluralist institutions such as political parties and parliament, a directly elected president who keeps parliamentary democracy in line may be the main way of ensuring the political stability and legitimacy of the state and its institutions.

As we have seen, one alternative to the quality-of-government approach asserts the importance of civic networks and cultural features that foster more trustworthy institutions. It should, however, be emphasised that these two approaches are not necessarily in conflict. To the contrary, they may prove to be complementary and offer a more encompassing understanding of how trust may be developed in post-communist societies where the state must be rebuilt as a “ship in an open sea” (Elster – Offe – Preuss 1998).

Indeed, there is some evidence that even at the start of the post-communist transformation, Estonian society had certain traits that made it more amenable to evolving trust in liberal democracy and its public institutions than the other two Baltic states. Analysing data from 1990 World Value Survey (including the EVS results cited elsewhere in this study), German researcher Katrin Mattusch (1997) summarises:

Lithuanians [...] take guidance from traditional values in family life, are personally orientated, fairly authoritarian, have high demands of equality for the community, believe that one can achieve little in life and society by her/his efforts and are less disposed towards capitalist ideas of property and distribution. Estonians are more secularised; they conceive family roles in a less traditional way and display the individualistic, autonomous, and achievement-orientated understanding of their role in society. They have interiorised to a lesser degree the requirements of equality (although they accustomed themselves to the socialist provision state too). They provide more support for the capitalist ideas of management and differentiation. On all of these fundamental value ideas, Latvians take the middle position between Lithuanians and Estonians. It seems that this culture is characterised by the mixture of different traditions (pp. 81–82; translation in Norkus 2011: 29–30).

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1 See <https://www.lrp.lt/lt/spaudos-centras/pranesimai-spaudai/prezidente-skaitys-sesta-metini-pranesima/22880> (7 June 2017).

Zenonas Norkus (2008; 2012) has traced the origins of these attitudes back to the eighteenth and nineteenth centuries when the Lutheran Pietist Herrnhuter movement extended its missionary activities across Estonia and some parts of Latvia. Following a classical Weberian Protestant thesis, Norkus contends that these culturally rooted values allowed Estonians to adapt faster and more effectively to the rules of market capitalism than was the case for the residents of the other two Baltic nations after the breakdown of the Soviet Union. These insights may also shed light on the variations across Baltic societies regarding their abilities to build a reliable and inclusive democratic state. We may expect that when emancipation-based values are more widespread in a society, there will be more support for liberal democracy and the institutions responsible for its implementation. Additionally, as the people living in these more liberated circumstances feel freer of various exclusionary frameworks, there should also be a higher level of overall trust in the society, which, according to Putnam's (1993) original interpretation, is conducive to the proper functioning of democracy.

A 1995 NBB survey showed that the differences among the Baltic nations concerning overall levels of trust in society followed the direction of their confidence in state institutions, albeit to a lesser extent. Lithuanians reported the lowest level of trust in their dealings with other people (with a result of only 15%), while Estonians and Latvians were more trustful of others, with scores of 23% and 24%, respectively. Even so, it should be noted that there were no great differences between the nationals of Baltic states and their Russian-speaking ethnic minorities. In fact, in both Latvia and Lithuania, these Russian-speaking residents proved to be slightly more trusting than nationals. The 1996 NBB findings showed similar trends. On the other hand, the surveys conducted in 2001 and 2004 revealed a different situation. According to these investigations, Lithuanians had the highest levels of trust among residents of the Baltic states (44% in 2001 and 54% in 2004) followed by Latvia (39% and 42% respectively) and Estonia (31% and 44%). The levels of trust reported by Russian-speaking ethnic minorities were similar to those of nationals.

In contrast with the findings of NBB surveys from the 1990 s, a rather dramatic upswing in societal trust was evident across all three Baltic countries during the first half of the 2000 s. We may hypothesise that this was triggered by rapid economic growth and successful integration into key Euro-Atlantic organisations, which should have reduced the tensions within these societies. However, as we have seen, attitudes to the democratic regime and its institutions tended to be far stickier. Latvia's position was also rather puzzling. If individualist values are important for developing democratic and market institutions, then we might expect Latvia to fare better than Lithuania with regard to both economic growth and state transparency. This, however, was not the case.

One potential solution to this conundrum is offered by Li Bennich-Björkman (2007), whose analysis also suggests how we might combine cultural and

institutionalist approaches to explain variations in institutional trust across the Baltic countries. Bennich-Björkman contends that the type of regime in power may have a long-term impact on the evolution of its public networks. At the same time, however, she shows that these networks also play a role in building up the new state when windows of opportunity open up. To make the case, Bennich-Björkman starts from the interwar period, connecting a rather mild version of Konstantin Päts's dictatorship, which was installed in 1934, with vibrant civic traditions and a relatively developed economy. This makes for a rather stark contrast with Lithuania, where Antanas Smetona's more repressive regime had ruled the mostly agricultural and conservative country since 1926. This comparison overlaps with the even more historicist account put forward by Norkus (see above). Bennich-Björkman, however, focuses on how these civic traditions in interwar Estonia were translated into public life under Soviet rule. In her view, since the time of Khrushchev's *détente*, a gradual revival has been under way of various mostly informal civic organisations which originated in the academic circles of Tartu University and among the members of Tallinn's intellectual strata and were responsible for Estonia's cultural heritage, language, natural world, etc. Furthermore, Bennich-Björkman (2007) shows how the resulting underground movements such as *Tõru*, *Kodulinn* and *Noor Tartu* consequently formed a viable counter-elite including figures such as Mart Laar, Trivimi Velliste, Marju Lauristin and the like, who then effectively led the reformist post-independence agenda. In Lithuania, there were also signs of influential anti-Soviet resistance networks. However, these networks were more dispersed (in addition to some secular cultural non-governmental movements, the Catholic Church played an important role). Moreover, they were subdued by local Communists, who oversaw an intensive industrialisation and urbanisation programme, and thus, enjoyed greater public support than existed in any other Baltic country.

The Latvian case was perhaps the most dramatic. Since the country's socio-economic development and political regime in the interwar years more closely resembled the Estonian path than the Lithuanian one, we might expect there to have been a similar re-emergence of underground civic movements to the one seen in Estonia when the most brutal period of Stalinist rule eventually ended. This, however, did not happen. Instead, these Latvian networks were more controlled and repressed by the Soviet regime than was the case in any other Baltic country. According to Bennich-Björkman, this was an effect of Soviet attitudes to Latvia. In fact, the country was the site of the Soviets' most extensive purge of national Communists in the 1960 s, and they also founded a military centre for the whole Baltic region there, thereby implying Latvia's fundamental strategic importance to the Kremlin and its tighter control over the state (Bennich-Björkman 2007). This would have clear repercussions after the collapse of the Soviet Union. In contrast to their Estonian counterparts, Latvian reformist

forces were less organised and united, thus creating more opportunities for pragmatic actors to take the lead in the overall transformation process and so subvert it partly to serve their particular interests (Bennich-Björkman 2006).

A third and final line of reasoning based in our conceptual model analyses the role of contextual factors, focusing on the main societal divisions and their impact on variations in trust in these post-communist countries. I have concentrated on three politically salient cleavages for the purpose of this inquiry: socio-economic inequality, ethnicity and evaluations of the post-communist past.

Starting with the last of these divisions, the 1993 New Baltic Barometer reveals rather stark differences among the Baltic nations regarding their support for the democratic regime. Among ethnic Lithuanians, there was an even balance between democrats (i.e. those who approved of the current regime and disapproved of the system before independence) and reactionaries (i.e. those with the opposite positions), with each camp receiving 27% of support. Among nationals from the other Baltic states, the democrats prevailed over the reactionaries. In Estonia, the results for the two sides were 41% versus 14%, while in Latvia, the gap was smaller: 27% to 20%. Among ethnic minorities, this results clearly went against the democrats, with the biggest proportion of reactionaries found in the Latvian Russian population (39%) and the Lithuanian Polish population (42%) (NBB 1993 – SPP-222). In consecutive NBB surveys (conducted in 1995, 1996, 2001 and 2004), similar trends remained in place. Lithuanians were the most sceptical about the advantages of the current democratic regime over the former communist system, while Estonians had the fewest reservations. It was not until 2004, the year when Lithuania's EU and NATO membership was confirmed that the country's democrats (32%) outnumbered its reactionaries (16%). Nevertheless, Lithuanians still lagged rather significantly behind Estonians, of whom 48% were democrats and 13% had a negative assessment of the regime change. On the other hand, among Latvians, the gap between democrats and reactionaries widened slightly, with results of 36% vs. 19%. For the ethnic Russian minority in all three Baltic countries, the reactionary position continued to prevail over the pro-democrat one; the difference was biggest in Latvia (13% vs. 38%) and narrowest in Lithuania (11% vs. 21%), while in Estonia, it was 11% vs. 29%.

The differences observed in the ratio of democrats to reactionaries across the Baltic countries generally aligned with trends in trust in administrative institutions at that time, and could also be explained based on divergences in the communist heritage of the Baltic countries. As we have noted, the strong presence in Lithuania of residents who favoured the communist regime allowed ex-communist forces to regain power as soon as 1992. This, in turn, impeded more radical public sector reforms of the kind seen in Estonia. Even so, the last NBB survey (conducted in 2004) revealed that the balance between democrats and reactionaries in Lithuania appeared to be shifting, which might suggest that

other causal factors had assumed greater importance concerning confidence in state institutions and other political attitudes. Nevertheless, at least as far as party politics and voter behaviour are concerned, this cleavage regarding the evaluation of the post-communist past is still seen as a dominant force in Lithuania (Ramonaitė et al. 2014).

Another societal division that is of paramount importance in the Baltic countries – and in Latvia and Estonia especially – is ethnicity. Since all NBB surveys addressed this particular cleavage, we can learn quite a lot from their results (as discussed above). As we have noted, only the Estonian findings appeared to support the importance of this factor for explaining confidence in administrative institutions. Meanwhile, in Lithuania, there was no evident difference between respondents of various ethnic minorities when it came to their trust in administrative institutions. The situation of Latvia was, however, more ambiguous. While the 1993 NBB survey exposed a difference in how Latvians and Russian-speaking residents evaluated the trustworthiness of administrative institutions, the same pattern did not recur in 1996. Arguably, since the lustration of the staff of Latvian institutions was more limited than in the Estonian case, neither ethnic Latvians nor the country's Russian-speaking population had clearly formulated opinions about institutional fairness and competence. Nevertheless, NBB surveys showed there were significant differences between nationals and non-nationals across all three Baltic countries concerning their attitudes to the current regime's performance and its comparison with the former system. In these cases, ethnicity may have played a significant role in shaping how Baltic residents judged the overall regime change.

Last but not least, we have seen that income inequality in a society may also affect the trust relationships within it. According to the model proposed by Eric Uslaner (2009), since income inequality influences trust in general, it is also an indirect trigger for corruption, which could then contribute to even greater inequality. Based on this causal chain, we may also deduce that inequality could negatively affect confidence in administrative and other state institutions. Here Gini index scores do indeed show certain differences within the Baltic region. According to the Eurostat data, Estonia had the lowest average Gini index (32.3) of all the Baltic countries for the 2005–2014 period – in contrast, Lithuania's result for the same period was 34.7, while for Latvia, it was 36.3. If we compare the evaluations of only these three Baltic countries, we find that they generally correspond with the rankings for perceived corruption and confidence in administrative institutions. At the same time, the three Baltic states rank among the most unequal societies in the EU; their Gini indices exceed not only the average EU Gini index (30.6) for 2005–2014 but also the average result for the post-communist EU member states over this period (30.5). While this outcome might be expected to some degree for Lithuania and even more so for Latvia, it is harder to explain the Estonian case with our

theoretical model. A more balanced picture emerges, however, if consider the United Nations Human Development Index (HDI), and particularly the Income-adjusted Human Development Index (IHDI), which evaluates both the scope of public goods like education and health and their distribution in a society. In this regard, Estonia's 2014 ranking (0.861) is far higher than the results for most of the post-communist EU member states (their score was 0.834 on average). Meanwhile, Lithuania's score (0.839) comes close to the CEE average, and Latvia receives only 0.819 (UN 2015). Assuming a gradual easing in the ethnic and historical tensions in the Baltic countries, the income gap may be one of the biggest hurdles to consolidating state institutions and maintaining citizens' confidence in them in the future.

## Conclusions

In the wake of global terrorism, the refugee crisis and rising political extremism, confidence in state administrative institutions and their fairness and professionalism is an essential asset. Such trust is needed both for guaranteeing social stability and the prospects for sustainable growth.

The experiences of the Baltic countries provide an interesting case study that illustrates the challenges of building up trust in transition societies. Despite the relative success of these states in achieving their main transformation goals, a lack of citizen confidence in public institutions is usually cited as a key obstacle to fighting the grey economy and developing inclusive public policies.

Notwithstanding their similar circumstances, each Baltic country has pursued its own path in seeking to create a reliable and capable state. The results have also been different. Estonia is widely seen as one of the biggest transition success stories since the third wave of democratisation began, and this is also reflected in the numbers. For more than a decade, Estonia has enjoyed one of the highest levels of public confidence in state administrative institutions of all the post-communist EU member states. Moreover, the country has also surpassed the EU average in this realm. From the data we have observed, we may conclude that Estonia's divergence from the other Baltic countries was already under way at the outset of the transformation process. The critical juncture was the first post-independence parliamentary elections in the autumn of 1992, when anti-Soviet forces claimed a decisive victory. Headed by Mart Laar, the new government quickly embarked on a reshuffle of the state administration and legal system so as to cut ties with the former regime and its organisational culture. Together with early market reforms, these changes seem to have been fruitful. In this regard, top-down factors such as political leadership and timely governmental reforms have each played a role.

It is, however, also important to consider the impact of the former regime. Had the Soviets repressed underground civic movements in Estonia as they did

in Latvia, the Estonian counter-elite would likely have been less united and more vulnerable to external pressures from business and other interest groups. The communist heritage must also be seen as an essential factor in the Lithuanian experience. For socio-economic and historical reasons, Lithuania's communists had more legitimacy in the eyes of the national public than their equivalents in the other two Baltic countries. This, in turn, allowed the communists to win the first post-independence parliamentary elections. Moreover, it has enabled them to run the country for most of the time since then. The permanent confrontation between left and right forces in the country's parliament reflects this key cleavage in Lithuanian party politics, i.e. the different attitudes to the communist past. Given this background, it may be argued that this persistent internal split has had a profound effect on popular support for liberal democracy and its implementing administrative institutions. This may also explain why for the entire first decade after independence, Lithuania's residents were the least trusting of all their administrative institutions among the populations of the Baltic countries.

In the other Baltic states – and in Latvia particularly – ethnicity has played a key role in structuring party politics. Even so, Estonia is the only country where there was a clear and observable link between ethnicity and the confidence expressed in administrative institutions in the 1990 s. This may have been a consequence of the more radical de-sovietisation approach applied during the restructuring of the state apparatus. Arguably, this boosted the confidence of ethnic Estonians concerning administrative institutions but it did not affect the Russian-speaking population in the same way.

Nevertheless, given the strong economic performance and major international achievements of the Baltic countries in the 2000 s, we might expect these identity tensions to become less salient. In this respect, we may observe a rather significant increase in overall trust in these societies. This should, in turn, bring other factors to the fore. On the one hand, there has been a steady rise in confidence in administrative institutions in Lithuania since 2009, coinciding with the initiation of law enforcement reforms by the then newly elected President Dalia Grybauskaitė. On the other, Baltic societies continue to be largely unequal and affected by the net emigration rate and poverty in some parts of these states. If these issues are not tackled seriously, they may become a growing source of major source of political instability.

What lessons can we draw from the Baltic states for other countries in the region and beyond? Against the background of our general theoretical framework and the medium-term literature on the development of institutional confidence in the CEE region (to which this article has sought to contribute), we have seen the pivotal role of political leadership in raising the quality of government, notably at critical junctures (as in the case of Estonia). Where, however, this does not happen and some windows of opportunity close, competitive party politics and the balance of power between parliamentary government and a directly

elected president, as seen in Lithuania, may also provide a way forward, at least in the medium or long term.

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# Assessing Hungary's Stance on Migration and Asylum in Light of the European and Hungarian Migration Strategies<sup>1</sup>

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**Abstract:** *The European Union and its member states are facing one of their biggest challenges in recent years due to the surge in migration. This crisis saw more than a million migrants and refugees cross into Europe in 2015. Solutions and policies have been advanced at both the European and national levels, keeping in mind that migration policy is an area of shared competence under Article 4 of the Treaty on the Functioning of the European Union (TFEU). On 13 May 2015, the EU adopted the European Agenda on Migration, which set out immediate and medium-term actions designed to tackle the crisis more effectively. Earlier, in October 2013, the Hungarian government adopted its own migration strategy. The first part of this study provides some insight into the aims and measures contained in the European and Hungarian migration strategies. In the second part, I focus on the steps taken by the Hungarian government regarding asylum policy and crisis management. I conclude that the actions and communications of the Hungarian government are contrary to both these strategic documents.*

**Keywords:** *Hungary, European Union, migration, quota system, referendum*

## Introduction

In 2015, Europe and the European Union experienced an extraordinary wave of migration stemming from conflict or crisis zones like Syria, Afghanistan, Iraq, Libya, Eritrea and Somalia. While this situation did not begin in 2015,

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it reached its peak in that year. After the Lampedusa tragedy in October 2013, members of the European Union including Italy, Malta and Spain had called for common European measures, but no significant steps were taken. In 2014, however, the new Jean-Paul Juncker-led European Commission announced ten priority areas, including migration, and Dimitris Avramopoulos was appointed as Commissioner for Migration, Home Affairs and Citizenship. Another tragedy that saw the deaths of more than 800 people on the Mediterranean Sea in February 2015 led to the development of common European steps to handle the migrant crisis. As a result, on 13 May 2015, the European Commission adopted a strategic document, the European Agenda on Migration, which proposed several immediate actions along with other medium- and long-term measures.

The year 2015 was also an extraordinary time for Hungary with regard to migration. The number of asylum seekers who crossed Hungarian borders irregularly during the year reached 177,135, up from 42,777 in the previous year and 18,900 in 2013 (Central Hungarian Statistics Office, 9 May 2016). Faced with the extreme level of this intake, the Hungarian government introduced several measures which proved contrary both to the plan under the European Agenda on Migration and to the government's own migration strategy adopted in 2013.

The first part of this article surveys the goals and measures contained in these strategic EU and Hungarian government documents. In the second part, I turn to the concrete steps taken by the Hungarian government since the spring of 2015, including its anti-migrant-and-asylum-seeker poster campaign, its national consultation on migration, the decision to erect a barbed wire fence at Hungary's southern border and amendments to asylum and criminal laws. Finally, in the concluding section, I argue that the Hungarian government's actions contradict the goals and measures under the European Agenda on Migration and the Hungarian migration strategy as well, in some cases, as European and international obligations.

## **European Agenda on Migration**

The immediate actions under the European Agenda address the need for a swift and resolute response to the humanitarian tragedy unfolding across the entire Mediterranean region. The medium- and long-term measures mainly deal with the origins of the migration crisis and aim to strengthen common immigration, asylum and border management policies. The following table summarises the immediate, medium- and long-term measures identified in the European Agenda on Migration:

**Table 1: The Hungarian Strategy on Migration**

<b>European Agenda on Migration</b>	
<b>Immediate Actions</b>	<b>Medium- and Long-Term Measures</b>
<p><b>Saving lives at sea:</b></p> <ul style="list-style-type: none"> <li>The budget for the Triton and Poseidon Frontex missions is tripled in 2015 and 2016.</li> </ul>	<p><b>Reducing the incentives for irregular migration:</b></p> <ul style="list-style-type: none"> <li>Bilateral and regional cooperation frameworks on migration should be established across origin and transit states; these should include common efforts to combat criminal smuggling networks and to develop return and re-admission processes.</li> <li>With a budget allocation of EUR 96.8 billion over the 2014–2020 period, cooperation assistance outside the EU, particularly development-related cooperation, will play an important role in tackling the root causes of migration.</li> </ul>
<p><b>Targeting criminal smuggling networks:</b></p> <ul style="list-style-type: none"> <li>Common Security and Defence Policy (CSDP) operations should identify, capture and destroy vessels used by smugglers.</li> </ul>	<p><b>Border management – saving lives and securing external borders:</b></p> <ul style="list-style-type: none"> <li>Strengthening Frontex’s role and capacity is crucial for ensuring safer external borders.</li> <li>The “Smart Borders” initiative aims to increase the efficiency and safety of border crossings through better use of relevant information systems (EURODAC, Visa Information System and Schengen Information System).</li> </ul>
<p><b>Responding to high volumes of arrivals within the EU/ relocation:</b></p> <ul style="list-style-type: none"> <li>Proposed legislation will activate the emergency plan under Article 78(3) of the Treaty on the Functioning of the European Union, including a temporary distribution system for persons in clear need of international protection. The goal is to assist Italy and Greece and ensure the fair and balanced participation of all member states.</li> <li>A permanent relocation system is proposed for emergency situations.</li> </ul>	<p><b>Europe’s protection duty – establishing a strong common policy on asylum:</b></p> <ul style="list-style-type: none"> <li>The EU needs a clear system for receiving asylum seekers inside its borders, and member states must implement this system fully and coherently.</li> <li>The “Dublin System” should be revised to ensure a more balanced allocation of responsibilities when examining asylum applications.</li> <li>The role of the European Asylum Support Office should be enhanced.</li> </ul>
<p><b>Developing a common approach to the protection of displaced persons in need/resettlement:</b></p> <ul style="list-style-type: none"> <li>Developing an EU resettlement scheme is recommended. This should support the global relocation of displaced persons who are in clear need of international protection from outside the EU.</li> </ul>	<p><b>New policy on legal migration:</b></p> <ul style="list-style-type: none"> <li>The EU needs to identify economic sectors that face, or will face, recruitment problems or skill gaps.</li> <li>The European Blue Card scheme should be evaluated and overhauled.</li> <li>Visa policy should be updated by revising the Visa Code and establishing a new type of travel visa.</li> </ul>

<p><b>Working in partnership with third countries to tackle migration upstream:</b></p> <ul style="list-style-type: none"> <li>• The EU should provide help to origin and transit countries via development and protection programmes, particularly in Africa and the Middle East (EUR 30 million is allocated for this purpose under the 2015/2016 EU budget with complementary contributions to be made by member states).</li> <li>• A pilot multi-purpose centre should be set up in Niger to ensure the provision of information, local protection and resettlement opportunities for those in need.</li> </ul>	
<p><b>Using EU tools to help frontline member states/ Developing a hotspot system:</b></p> <ul style="list-style-type: none"> <li>• The European Asylum Support Office, Frontex and Europol will work on the ground with frontline member states to swiftly identify and register incoming migrants and record their fingerprints. Hotspots will play an essential role in the relocation and resettlement processes.</li> </ul>	

The Hungarian government adopted its own migration strategy on 4 October 2013.<sup>2</sup> This strategy had two objectives:

- To set out in a single document all the relevant circumstances to be considered during national legislative work related to migration, with due respect to the rules and recommendations of the European Union; and
- To foster open-minded and receptive social attitudes towards migration (Government Decree 1698/2013. (X.4): 4).

According to the strategy's principles, Hungary should:

- support all forms of regular migration;
- honour its European and international undertakings and ensure international protection to asylum seekers;
- contribute to the integration of regular migrants and persons afforded international protection;
- provide effective help and protection to stateless people;
- make a determined effort to eliminate illegal migration and abuses regarding residency; and
- ensure the availability of credible information about migration to the Hungarian public through effective communication aiming to decrease prejudice and stereotypes (Government Decree 1698/2013. (X.4): 5).

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<sup>2</sup> Government Decree 1698/2013. (X.4)

Given the subject matter of this study, my focus is solely on the sections of the strategy that cover illegal migration and international protection. Concerning illegal migration, the document states that Hungary must deal with dual challenges as a transit country since, on the one hand, more economically developed EU Member States provide a serious incentive for migrants to cross the country and, on the other, the shortcomings of Greece's migration system (the latter is alluded to but not named) increase migration pressures on Hungary. Citing the Hungarian security strategy, the document points out that migration is a natural but complex phenomenon incorporating economic and demographic advantages and public and national security risks (Government Decree 1698/2013. (X.4): 41). The migration strategy stresses the need to ensure that extremist groups do not exploit existing prejudice and the lack of appropriate information about migration in Hungarian society (Government Decree 1698/2013. (X.4): 46). The aim instead is to provide new, more humane detention centres that enable free movement with strong external security and include appropriate facilities for vulnerable persons such as unaccompanied minors, pregnant women and sick and old people (Government Decree 1698/2013. (X.4): 49–50).

On the issue of asylum, the strategy's starting point is the solidarity of Hungary with foreign persons who are threatened with persecution for reasons of race, ethnicity, religion or politics. As such, the country undertakes to receive and protect those who have fled from war or other serious harm or who are stateless. Municipalities, it notes, should be motivated to receive asylum seekers and to allow the building of refugee camps on their land. To this end, the document introduces a quota system and other incentives designed to increase municipalities' readiness to receive asylum seekers (Government Decree 1698/2013. (X.4): 62). At the same time, it holds that as a matter of international solidarity, Hungary supports other countries that are suffering under the pressures of extraordinary migration; the country undertakes to set up and maintain national relocation and resettlement programmes (Government Decree 1698/2013. (X.4): 63). A key goal here is the development of more transparent procedures that will ensure these routes are accessible to all asylum seekers and that international protection is available to all in need (Government Decree 1698/2013. (X.4): 64).

## **The Hungarian government's actions and communications during the migration crisis**

### ***Anti-migrant campaign and the national consultation on migration***

In the spring of 2015, an anti-migrant billboard campaign began to present openly hostile and exclusionary messages about immigration to the Hungar-

ian public. Given the messages on these billboards (“If you come to Hungary, you must respect our culture,” “If you come to Hungary, you must abide by our laws,” “If you come to Hungary, you cannot take our jobs”) and the fact that all of them were written in Hungarian, it is safe to conclude that Hungarian people were the target of the campaign.

In May 2015, the government also launched a national consultation on immigration and terrorism. Nearly 8 million constituents received a consultation paper along with a letter from Prime Minister Viktor Orbán. In the letter, the PM recalled the terrorist attack on the editorial staff of *Charlie Hebdo* in January 2015. At the same time, he drew a direct causal link between immigration and terrorism and noted that the European Union and Brussels had failed to tackle illegal immigration in an appropriate way. Alongside the threat of terrorism, Orbán stressed that immigrants were crossing the border illegally and pretending to be refugees when their real goal was accessing social benefits and job opportunities; as such, he claimed that they were a threat to the jobs and livelihood of the Hungarian people. Since European responses to immigration had proven ineffective, the PM stated that Hungary had to do things its own way (National Consultation on Immigration and Terrorism/Letter of Prime Minister Viktor Orbán, 9 May 2016). At a press conference on 27 July 2015, Hungarian government spokesperson Zoltán Kovács outlined the results of the consultation. According to his statement, 1,254,000 of nearly 8 million consultation papers had been returned to the government while an additional 58,000 had been submitted online. The vast majority of respondents, Kovács claimed, concurred that the threat of terrorism was on the rise and that Brussels’s immigration policy had failed and a stricter immigration policy was needed. More than 93 per cent, he said, were in full agreement that instead of immigrants, Hungarian families should receive funding.

This consultation was the target of considerable criticism. Some of these critiques concerned the cost of the consultation process, which totalled almost 1 billion forints (960 million). Others pointed out that the results were not representative since only 1.25 million of 8 million surveys had been returned. In an open letter protesting the consultation, forty-five social scientists stated that the process had been manipulative and the Hungarian government had used a public opinion poll as a shield for political communication. The main aim, they noted, was political mobilisation against migrants and refugees (hvg.hu 2016).

In fact, the Hungarian government proceeded to use the results of the consultation to legitimate its actions. These included the building of a barbed wire border fence and the amendment of the country’s Asylum Act, the Criminal Code and the Criminal Procedure Act.

## ***The barbed wire border fence***

Due to the increase in migrants and asylum seekers crossing the Hungarian border from Serbia in the first half of 2015,<sup>3</sup> on 17 June 2015, the Hungarian government decided to close its “green” border with Serbia. Under the government’s decree, a 175-km long and 4-metre high steel and barbed wire fence was to be erected along the border with Serbia as a temporary solution to the crisis.<sup>4</sup> On 6 July 2015, Hungarian parliament amended the State Border Act to allow for the acquisition of land ten metres from the state border for the building and maintenance of a barbed wire border fence with due compensation to the landowner concerned. On 13 July 2015, the Hungarian army began to build a sample section of the fence in Mórahalom;<sup>5</sup> this 175-metre long section was finished five days later on 18 July. While the original plan had been to finish building the fence by 30 November 2015, PM Viktor Orbán brought the deadline forward to 31 August during a speech he gave in Bálványos. The green border between Hungary and Serbia was finally sealed off on the evening of 14 September 2015. The following day, Hungarian Foreign Minister Péter Szijjártó announced the government’s plans to build a fence along the Hungarian–Romanian border, and three days later, on 18 September, PM Viktor Orbán revealed that a 41-km long barrier would also be erected on the Hungarian–Croatian border. Work on that fence began the same day.

The decision to build a barbed wire border fence triggered heated reactions both from within Hungary and in the international community. Aside from the governing parties (Fidesz Hungarian Civic Alliance–the Christian Democratic People’s Party, Fidesz–KDNP), only the far right radical Jobbik supported this plan. In contrast, the so-called democratic opposition parties – the Hungarian Socialist Party (MSZP), Democratic Coalition (DK), Politics Can Be Different (LMP), Together (Együtt) and Dialogue for Hungary (PM) – all condemned the border closure. Turning to international reactions, the day after the Hungarian announcement of the border wall, on 18 June 2015, the Serbian Prime Minister Alexandar Vucic expressed his shock and surprise. Building walls, he said, was not the solution and Serbians did not want to live in Auschwitz. A spokesperson for the European Commission, Natasha Bernaud said: “We have only recently taken down walls in Europe; we should not be putting them up” (Anastasijevic 2015).

As for the statistics on irregular border crossings, immediately before the wall was built, i.e. during the summer of 2015 and up to mid-September, between 1500 and 3000 migrants crossed the border from Serbia daily. After the

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3 More than 57,000 asylum seekers entered the country in the first half of 2015 according to the Director of the Office of Immigration and Nationality. <http://24.hu/belfold/2015/06/17/iden-57-ezer-menekult-erkezett-magyarorszagra/> (18 May 2016)

4 Government Decree 1401/2015. (VI. 17.)

5 Mórahalom is a small city close to the southern border of Hungary.

border closures (and bearing in mind that Hungary's border with Croatia was shut down in the same way in October 2015), the number of irregular border crossings dropped dramatically. In contrast, the number of migrants intercepted for illegal border crossings has recently been put at between 150 and 250 per day, a rate very similar to the one in the spring of 2015.<sup>6</sup>

### ***Amendment to the Asylum Act and related rules***

Hungarian parliament made two amendments to the Asylum Act in 2015, with the first coming in July and the second in September. Both these amendments introduced provisions that undermine the availability of asylum in Hungary. As such, they are contrary to EU law and the guidelines of the European Court of Human Rights and the United Nations High Commissioner for Refugees (UNHCR).

In July 2015, the Hungarian Asylum Act<sup>7</sup> and its implementing regulation, the Government Decree on Asylum<sup>8</sup> were amended. Furthermore, the Hungarian government approved a list of “safe” countries of origin and “safe” third countries.<sup>9</sup> These new rules entered into force on 1 August 2015, bringing several worrying changes:

- Government Decree 191/2015 (VII. 21) identifies Serbia as a safe third country for asylum seekers, resulting in the quasi-automatic rejection<sup>10</sup> of over 99% of asylum claims since almost all asylum seekers enter Hungary from Serbia. Both the Hungarian Supreme Court (Kúria) and the UNHCR have found that Serbia is not a safe third country for asylum seekers.
- The amendment to the Asylum Act allows for the accelerated processing of cases where a “safe” third country is available to the asylum seeker.
- The judicial review of Office of Immigration and Nationality (OIN) decisions is also problematic since in most cases this process does not automatically suspend the enforcement of decisions (Hungarian Helsinki Committee: No Country for refugees 2015: 1–2.).

On 4 September 2015, Hungarian parliament again made comprehensive amendments to the Asylum Act under hastily adopted legislation. The new

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6 See the Hungarian police website reports on the daily number of intercepted migrants: [http://www.police.hu/hirek-es-informaciok/hatarinfo/elfogott-migransok-szama-lekerdesez?honap\[value\]\[year\]=2015 & honap\[value\]\[month\]=3](http://www.police.hu/hirek-es-informaciok/hatarinfo/elfogott-migransok-szama-lekerdesez?honap[value][year]=2015 & honap[value][month]=3)

7 Act LXXX on Asylum, 2007.

8 Government Decree 301/2007 (XI.9.)

9 Government Decree 191/2015 (VII. 21)

10 Under Section 51 (2) (e) of the Asylum Act, “[a]n applicant’s application will be deemed inadmissible if a third country qualifying as a safe third country exists for him or her.” [http://helsinki.hu/wp-content/uploads/Asylum\\_Act\\_updated\\_14-September2015.pdf](http://helsinki.hu/wp-content/uploads/Asylum_Act_updated_14-September2015.pdf) (10 May 2016)

rules, which entered into force on 15 September, included the following problematic changes:

- A “border procedure” was introduced after the sealing off of the Hungarian–Serbian border by the barbed wire border fence. Under section 71/A (3) of the Asylum Act, the OIN must decide on the admissibility of asylum claims within eight days; this is an extremely short time frame for the examination of all required circumstances. Based on the interviews conducted by the members of the Hungarian Helsinki Committee and the Council of Europe Commissioner for Human Rights, in practice, the OIN decides on claims within a few hours and without examining their merits (Hungarian Helsinki Committee: No Country for Refugees 2015: 3 and Third Party Intervention by the Council of Europe Commissioner for Human Rights 2015:4). Furthermore, according to the Asylum Act, the border procedure is not applicable to asylum seekers with special needs, however since there is no established protocol for early identification of vulnerable people in the Hungarian asylum system, this procedural safeguard is not effective. Another problem is the lack of any permanent professional legal advice service in transit zones where processing occurs. According to the Hungarian Helsinki Committee, OIN staff in the Rösztke transit zone have refused access to Committee members even though they represent the only Hungarian NGO providing free legal assistance to asylum seekers (Hungarian Helsinki Committee: No Country for Refugees 2015: 4).
- There are also questions about the effective judicial review of negative decisions on asylum because of several provisions of the Act: 1) the seven-day time limit for submitting appeals is considered exceedingly short by both the Hungarian Helsinki Committee and the Council of Europe Human Rights Commissioner; 2) the eight-day time limit for judicial reviews also appears short given the requirements under the EU Asylum Procedures Directive, i.e. “an effective remedy provides for a full and *ex nunc* examination of both the facts and points of law”; 3) there is no requirement for the personal involvement of asylum seekers during the judicial review process; 4) appeals against border processing decisions may be heard by judges’ clerks who have not been appointed judges, and thus, do not enjoy judicial independence and have less judicial experience; and 5) since 15 September 2015, judges (and judges’ clerks) have not been allowed to amend first-instance administrative decisions and may only overrule those decisions and refer them back for re-processing.
- The amendment to the Asylum Act introduces “mass migration crisis” provisions that allow the police and the army to be involved in the asylum process (See section 80/G of the Asylum Act).

Alongside the protests and criticisms from the Hungarian Helsinki Committee, the Council of Europe Commissioner for Human Rights and the UNHCR,<sup>11</sup> the European Commission also launched infringement proceedings against Hungary in December 2015, having found that the Hungarian legislation was in some instances incompatible with EU laws, in particular, the reframed Asylum Procedures Directive<sup>12</sup> and the Directive on the Right to Interpretation and Translation in Criminal Proceedings.<sup>13</sup> Regarding the asylum process, the European Commission has concerns that there is no opportunity to raise new facts and circumstances during the judicial review phase and that Hungary does not automatically suspend the implementation of decisions in the case of an appeal; asylum seekers are, thus, basically forced to leave the country before the deadline for lodging their appeal expires or before the appeal itself is heard. Additional problems include the fact that judicial decisions can be made by judges' clerks during the border procedure and that in-person hearings for applicants are only optional during judicial reviews. As regards the right to translation and interpretation during criminal proceedings, the Commission is concerned that this is not respected or safeguarded during fast-tracked criminal proceedings on irregular border crossings (European Commission – Press release Brussels, 10 December 2015).

A further amendment to the Asylum Act which entered into force on 5 July 2016 allows police to return all asylum seekers to so-called transit zones if they are captured within eight kilometres of the state border. The UNHCR and human rights organisations claim that these new rules do not endure the principle of non-refoulement and mean that asylum in Hungary is inaccessible. In particular, they note that 15–20 asylum seekers are let into transit zones daily while hundreds remain in front of the fence, sometimes waiting for weeks in fairly bad conditions.

### ***Amendment to the Criminal Code and the Criminal Procedure Act***

In parallel with the construction of a barbed wire border fence and amendment of asylum rules, Hungarian parliament modified the Criminal Code<sup>14</sup> and the Act on Criminal Procedure.<sup>15</sup>

The amendment to the Criminal Code introduced three new crimes:

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11 Even before the amendment of these asylum rules, the UNHCR had expressed concerns. In particular, it noted that the new asylum system would make it impossible for people fleeing war and persecution to seek safety in Hungary. See: Baloch, Babar (2015): 'UNHCR urges Hungary not to amend asylum system in haste', UNHCR website, <http://www.unhcr.org/559641846.html> (18 May 2016)

12 Directive 2013/32/EU

13 Directive 2010/64/EU

14 Act C of 2012

15 Act XIX of 1998

- Prohibited crossing of a closed border (Section 352/A): The basic offence of unauthorised entry into Hungarian territory protected by a closed border is punishable by up to three years' imprisonment. The aggravated forms of the crime attract the following sanctions: a) imprisonment for between one and five years if the offence is committed while armed or using a weapon or taking part in a riot; b) imprisonment for between two and eight years if the offence is committed while armed, using a weapon and taking part in a riot; or c) imprisonment for between five and ten years if the offence results in death.
- Causing damage to a closed border (Section 352/B): In the absence of another more serious offence, damaging or destroying a facility or instruments that provide state border security is punishable by between one and five years' imprisonment. The aggravated forms of the offence trigger the following penalties: a) imprisonment for between two and eight years if the offence is committed while armed or using a weapon or taking part in a riot; b) imprisonment for between five and ten years if the offence is committed while armed, using a weapon and taking part in a riot; and c) imprisonment for between ten and twenty years if the offence results in a death.
- Obstructing construction of a border fence (Section 352/C): In the absence of a more serious offence, this crime is punishable by up to one year of imprisonment.

Besides establishing these three offences, the amendment to the Criminal Code tightens penalties for crimes related to people smuggling in both the basic and aggravated forms.

Moreover, the amended Criminal Procedure Act introduces special rules applicable to the above crimes associated with the closed border. According to those rules:

- In the event of a mass migration crisis, criminal proceedings for border closure-related offences take priority over all other criminal proceedings. The Szeged Regional Court has exclusive jurisdiction over these fast-tracked proceedings and judges are to be appointed by the National Office of the Judiciary;
- As a general rule, courts should mainly order the house arrest of defendants, and this penalty should be applied in immigration or asylum detention centres; and
- Pre-trial detention should also take place in asylum or immigration facilities and in police lock-up.

Like the amended asylum laws, these new criminal regulations have attracted much criticism. The following points should be emphasised:

- Probably the most fundamental concern is the fact that the new closed border-related offences criminalise migrants and asylum seekers without making any substantive decision on their asylum claims. In this respect, they are contrary to Article 31 of the Convention on the Status of Refugees, which states: “Contracting States shall not impose penalties, on account of their illegal entry or presence, on refugees who, coming directly from a territory where their life or freedom was threatened in the sense of article 1, enter or are present in their territory without authorisation, provided they present themselves without delay to the authorities and show good cause for their illegal entry or presence.” As we have seen, the fact that Hungary considers Serbia to be a safe third country contradicts the practice of other EU Member States as well as the recommendations of the UNHCR<sup>16</sup> and even the Hungarian Supreme Court’s own guidelines.<sup>17</sup>
- As mentioned above, many actors including the European Commission are concerned about breaches to the right to translation and interpretation in the new fast-tracked criminal proceedings. The Hungarian Helsinki Committee points out: “There is no statutory requirement to provide a written translation of either the indictment or the sentencing part of the ruling, which is [a] direct violation of the relevant EU directive and of the right to [a] fair trial in accordance with the European Convention on Human Rights” (Hungarian Helsinki Committee 2015: 3).
- Since closed border-related crimes take priority over all other offences, we may expect that other criminal proceedings will be delayed. In this regard, the European Court of Human Rights has already ordered Hungary to pay compensation several times because of the duration of its criminal proceedings. The new rules will clearly only worsen the situation, slowing down other and, in most cases, more serious criminal proceedings.

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16 In 2012, UNCHR recommended that Serbia not be recognised as a safe third country. [source]?

17 In December 2012, the Supreme Court provided its opinion on several questions related to the application of the safe third country concept. In this statement, the Supreme Court stressed that when reviewing administrative decisions on the application of the safe third country concept, courts should *ex officio* consider accurate and credible country information at their disposal at the time of the decision. In this context, the country information provided by United Nations High Commissioner for Refugees must always be taken into account. If there is no UNHCR country report available about a given country or that report is out-of-date, both the administrative authority and the court should specify this fact in their decision. The conclusion that a UNHCR country report is out-of-date must be justified in detail. Further, the Supreme Court added that the overburdening of a third country’s asylum system may render that country incapable of respecting the rights of asylum seekers. Such a third country should not be regarded as safe for asylum seekers. For an unofficial translation of this opinion, see: <http://helsinki.hu/wp-content/uploads/HU-Supreme-Court-on-S3C-Dec-2012.pdf> (18 May 2016)

## ***Detention conditions and the closure of Debrecen refugee camp and asylum detention centre***

Recurring criticisms of the increased use of detention for asylum seekers and the usually poor conditions in asylum detention centres have also been raised by the UNHCR, the Council of Europe Commissioner for Human Rights, the Hungarian Helsinki Committee, Human Rights Watch and the Migrant Solidarity Group of Hungary (MIGSZOL). Even before the current crisis and the amendments to the Criminal Code and the Criminal Procedure Act, the UNHCR had observed that Hungary was treating asylum seekers like criminals, using detention as a standard rather than an exceptional measure for those who crossed the border irregularly. According to an Asylum Information Database's (AIDA) report on Hungary, between January and September 2015, the country detained 1,860 asylum seekers. As of 2 November 2015, 52 per cent of applicants for asylum in Hungary had been detained. On the same date, the number of asylum seekers who were being detained (441) exceeded the figure being accommodated in open reception centres (412) (AIDA Country Report on Hungary, November 2015: 59). Moreover, it was not only single men but families with children and vulnerable people (pregnant women, sick and disabled people and unaccompanied minors) who were being detained and kept behind bars typically for four to five months (UNHCR 2012).

The Council of Europe Commissioner for Human Rights has also emphasised the problem of the arbitrariness of detention orders. In particular, there are no clear criteria as to why some people are detained while others are sent to open reception facilities or allowed to continue on their journey to other EU member states (Third Party Intervention by the Council of Europe Commissioner for Human Rights 2015: 6).

Another pressing problem concerns the conditions in most asylum detention facilities and open reception centres. Human rights organisations such as Human Rights Watch, the Hungarian Helsinki Committee and MIGSZOL report regularly on the inadequacy of these conditions, drawing on interviews with asylum seekers and their own visits to open camps and detention centres. Key issues here include:

- Overcrowding in detention and open facilities. While three detention centres (Békéscsaba, Debrecen and Nyírbáto) had a combined capacity of 472 places (Asylum Information Database Country Report on Hungary November 2015: 59), 2393 asylum seekers were detained there in 2015 (Office of Immigration and Nationality Kiadványfüzet, 2014–2015). The government's decision to close the biggest refugee camp (830 places) and its detention facility in Debrecen at the end of 2015 only worsened the situation. Another refugee camp in Nagyfa (300 places) stopped operat-

ing in February 2016, and a new camp was opened in Körmend near the Austrian border in May with a capacity of 300–500 persons.

- There is no psychosocial support available in any of the detention centres; open air spaces are typically very small and insufficiently equipped (Asylum Information Database: Conditions in Detention Facilities).
- In Békéscsaba and Nyírbátor, detained asylum seekers are handcuffed while being escorted from the detention centre to a court, hospital or bank (Asylum Information Database: Conditions in Detention Facilities).
- In Békéscsaba, some toilets lack doors and some taps are non-operational, meaning that access to hot water is not ensured (Asylum Information Database: Conditions in Detention Facilities).
- Detainees in the Nyírbátor detention centre have complained of bedbug infestations (Human Rights Watch: Hungary: Locked Up for Seeking Asylum 2015).

### ***Hungary and the compulsory quota system***

Under the European Agenda on Migration, the European Commission had proposed temporary and permanent mandatory distribution schemes for the benefit of persons in clear need of international protection; the aim was to ensure the fair and balanced participation of all member states in this common effort. On 27 May and 9 September 2015, the Commission approved its first and second implementation packages under the Agenda, including proposed legislation on the relocation of 40,000 and 120,000 people, respectively, based on the emergency response system under Article 78(3) TFEU.<sup>18</sup> In line with the Commission's proposals, on 14 and 22 September 2015, the Council decided to take provisional measures concerning international protection for the benefit of Italy and Greece.<sup>19</sup> Importantly, this emergency relocation system is temporary and Council Decision (EU) 2015/1601 only applies for the two years until 26 September 2017. Under this temporary system, 1294 persons should be relocated to Hungary during the two-year period, as described in the annexes of the decision. Nevertheless, as of 2 October 2016, 6013 people had been relocated from Italy and Greece to other member states, but Hungary and Poland had not received any asylum seekers (European Commission 2016).

From the very beginning, the Hungarian government rejected the Commission's emergency relocation proposals and the Council's decision. In November 2015, Hungarian parliament authorised the government to seek a review of the

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<sup>18</sup> This provision holds that in the event that one or more member states faces an emergency situation due to the sudden influx of nationals from third countries, then based on a proposal from the Commission, the Council may adopt provisional measures for the benefit of the member state(s) concerned. When taking such action, it must first consult European Parliament.

<sup>19</sup> Council Decision (EU) 2015/1523 and 2015/1601

legality of Council decisions from the European Court of Justice (ECJ). On 4 December 2015, Hungarian Justice Minister László Trócsányi announced that the government had launched legal action contesting the Council's decisions.<sup>20</sup> Speaking during the parliamentary debate on the ECJ application and again at a press conference, Trócsányi noted that Council decisions are imposed norms which lack any kind of social legitimacy since most of Europe's population does not agree with them. Furthermore, these decisions, he said, contain multiple legal errors including their violation of the principle of subsidiarity and disregard for the rights of national parliaments vis-à-vis European legislation. Hungary has also raised questions about the existence of a proper legal basis for the Council's decisions (Trócsányi 2015).

Alongside the preparation of this suit against the quota decisions, at the beginning of November 2015, the governing party Fidesz started a petition campaign entitled "Save the Country!" against the mandatory quotas. On 30 November 2015, government spokesperson Zoltán Kovács stated at a press conference that more than 900,000 people had signed the petition, a result which, he claimed – together with the findings of the national consultation on migration and terrorism – showed that 85 to 90 per cent of the public were against the mandatory distribution scheme (Kovács 2015). Nevertheless, as with the results of the national consultation, these were questions of representativeness: Of the 8 million voters at issue, only 1.25 million had returned the consultation paper (and not all of them had replied as directed) while only 900,000 had signed the Fidesz petition.

Furthermore, the European Agenda on Migration had suggested establishing a mandatory permanent relocation system, and the Commission adopted a detailed proposal to that effect on 9 September 2015. According to this proposal:

Such mechanism should be rapidly triggered in respect of any Member State that experiences crisis situations of such a magnitude as to put under significant strain even well prepared and functioning asylum systems, also taking into account the size of the Member State concerned. The proposed relocation mechanism aims, on the one hand, to ensure, in situations of crisis, a fair sharing of responsibilities between Member States for large numbers of applicants in clear need of international protection, and, on the other hand, the proper application of the Dublin system including the full protection of the rights of applicants for international protection (European Commission 2015: 2)

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<sup>20</sup> Hungary is not the only member state which is contesting the Council's decisions in the European Court of Justice. On 30 September 2015, the Slovak government also decided to take legal action and, on 2 December of the same year, it lodged its petition.

As its response to the emergency relocation scheme would suggest, the Hungarian government was opposed to any kind of permanent mandatory distribution system for people in need of international protection. Speaking at a press conference on 24 February 2016, Prime Minister Viktor Orbán announced the Hungarian government's decision to call a referendum on the "compulsory resettlement quotas," noting that the head of Cabinet had already referred the referendum question to the National Election Commission for confirmation. The PM stated: "This means that the government holds that the right to decide on compulsory resettlement quotas may not be taken away from Hungarian parliament. No one besides ourselves – that is, the elected members of Hungarian parliament – may decide on this issue.[...] To date, no one has asked the European people whether they want, accept or reject the introduction of compulsory quotas.[...] I am convinced [...] that introducing compulsory resettlement quotas without the consent of the people is nothing less than an abuse of power"(Orbán 2016).

On 29 February 2016, the National Election Commission confirmed the referendum question in its decision 14/2016. The endorsed question read: "Do you agree that the European Union should have the power to impose the compulsory settlement of non-Hungarian citizens in Hungary without the consent of the National Assembly of Hungary?" At the same time, four petitions for the review of this administrative decision were lodged with the Supreme Court of Hungary, which decided on these filings on 3 May 2016. The Supreme Court considered three issues during these appellate proceedings:

- whether the referendum question referred to commitments under international agreements
- whether the question fell within the remit of Hungarian parliament
- whether the question was unambiguous

The Supreme Court found that the question complied with the Hungarian Constitution and the Referendum Act and it approved the relevant National Election Commission decision (Kvk.IV.37.222/2016/9.sz decision of the Kúria/the Hungarian Supreme Court).

The referendum was held on 2 October 2016, and the results showed that 98 per cent of participants had answered no to the question. Nevertheless, the process was declared invalid since only 41 per cent of votes were valid. That invalidity was largely due to the campaigns of democratic opposition parties and civil society organisations, who had urged Hungarians not to participate or to vote invalidly.

It is worth noting that the idea of holding a referendum on the quota system had originally been raised by Jobbik in October 2015. At that time, however, Lajos Kósa, the leader of Fidesz's parliamentary group said at a press conference that this was a question about Hungary's international commitments and, as

such, it could not be the subject of a referendum under the country's constitutional rules (Mandiner 2016). Later, Jobbik suggested that instead of holding a referendum, Hungary should amend its Constitution in order to prohibit the resettlement of migrants without the consent of Hungarian parliament (Thüringer 2016).

Given this background, the next developments were most interesting: Prime Minister Orbán announced an amendment to the Constitution as a result of the otherwise invalid referendum. The core of his statement was as follows:

Foreigners may not be placed in Hungary. Foreigners – with the exception of citizens of the European Economic Area – are allowed to live on Hungarian territory based on applications which are individually assessed by the Hungarian authorities under the procedures defined in laws accepted by Hungarian parliament.

In other words, the ideas for both the referendum and the constitutional amendment were taken over from Jobbik.

## Conclusions

Having reviewed both the proposals of the European Agenda on Migration and the principles and plans under Hungary's own migration strategy, it is quite clear that the measures taken by the Hungarian government since the beginning of 2015 contradict both these documents. Furthermore, in some cases, the Hungarian measures even flout European and international commitments:

- The xenophobic tone and messaging of the anti-migrant billboard campaign, the national consultation and the 2016 referendum campaign were contrary to the aims and objectives of Hungary's migration strategy, i.e. fostering open-minded and receptive social attitudes to migration and ruling out the potential use and exploitation of prejudice and lack of appropriate information about migration among the Hungarian population;
- The amendments to the Asylum Act and other associated rules contravene both European and international asylum policy standards since they mean that asylum and international protection in Hungary is barely accessible to asylum seekers, the non-refoulement principle cannot prevail and the special needs and treatment of vulnerable persons are not guaranteed;
- The criminalisation of asylum seekers who enter the country irregularly is contrary to the Convention on the Status of Refugees. At the same time, breaches of the right to translation and interpretation in fast-tracked criminal proceedings are out of step with the Directive on the Right to Interpretation and Translation in Criminal Proceedings (Directive 2010/64/EU);

- Hungary’s opposition to the relocation scheme (quota system) at once undermines solidarity among member states and contravenes the Hungarian and European strategies on migration since both these documents see this scheme as an important part of immigration and asylum policy.

Confronted with these facts in a June 2015 interview, government spokesperson Zoltán Kovács replied that the previous migration strategy was out-of-date and had been overtaken by circumstances: “It has to be amended obviously. The government has still not given a formal order, but it will happen at one of the forthcoming government sessions” (Pintér 2015). It must be emphasised that there is still no new migration strategy in force in Hungary. It is also worth noting that the previous strategy was adopted in October 2013, when, as the document itself states, the increasing pressure of migration from the Balkans, North Africa and the Middle East was quite obvious (Government Decree 1698/2013. (X.4):42).

Instead of this Hungarian strategy on migration and the European Agenda on Migration, something else seems to be taking the place of Hungary’s immigration and asylum policy. The Hungarian government’s unilateral and widely criticised steps stem from its rivalry with far right populist party Jobbik and its wish to put certain themes on the political agenda. The price is the Hungarian government’s failure to honour its international and European commitments when it comes to immigration and asylum.

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# The Visegrád Group as a Vehicle for Promoting National Interests in the European Union: The Case of the Czech Republic<sup>1</sup>

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**Abstract:** *This contribution asks whether sub-regional integration projects such as the Visegrád Group may be understood as mechanisms for pursuing one Group member's national interests while it stands at the European Union's helm. I assess this question based on the case of the first Visegrád Group member to assume the EU Council presidency: the Czech Republic. Examining three specific policy areas – the reinvention of the EU's Eastern neighbourhood policy; the strengthening of EU energy security; and the incorporation of a stronger human rights and external democratisation approach into EU foreign policy – this case study presents a mixed picture. It confirms the potential of the Visegrád Group to be a vehicle for furthering the national preferences of one Group member while it holds the rotating EU Council presidency. Whether or not this potential is fully realised will depend primarily on the degree to which the interests of the four Visegrád countries converge.*

**Keywords:** *European Union, Council rotating presidency, Visegrád Group, the Czech Republic, agenda- setting, Eastern Partnership, energy security, human rights, democracy promotion*

## Introduction

When in 1991, three countries – Czechoslovakia, Hungary and Poland – formed an informal alliance designed to foster their integration into NATO and EU structures, very few analysts could foresee that twenty-five years later, the

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1 The author would like to thank prof. Lyubov Shishelina and two anonymous reviewers for their valuable feedback.

Visegrád Group (V4) would still be around. While the V4's initial *raison d'être* was achieved with the accession of its – by then four – members to NATO in 1999 (the Czech Republic, Hungary and Poland) and 2004 (Slovakia) and to the European Union in 2004 (all four countries), the four states decided to cooperate on issues relevant to all of them by exerting influence jointly from within the ranks of NATO and the EU (Dangerfield 2008). In the case of the European Union in particular, the V4's coalition potential has frequently been emphasised since Bratislava, Budapest, Prague and Warsaw regard each other as natural partners on many topics and believe in pursuing certain policies together (Falkowski 2003; Gyárfášová 2003). While these countries are clearly far from being homogeneous and a coordinated approach is barred on a number of issues, the EU's Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP) have been highlighted as the areas with the greatest potential for coordination vis-à-vis the European Union.<sup>2</sup>

This article assesses whether the Visegrád Group has indeed capitalised on its potential as a coalition within the realm of EU foreign policy-making. Rather than focusing solely on the negotiation stage of EU foreign policy-making, however it asks whether the V4 may also serve as a vehicle for promoting the national interests of the V4 member that holds the rotating EU Council presidency. Traditionally, the country at the EU's helm has been expected to refrain from advancing its national interests during its six-month long mandate; instead, it should act as an honest broker among the other member states, observing the norms of impartiality, neutrality and efficiency (de Bassompierre 1988; Hayes-Renshaw and Wallace 1997; Schout 1998). More recent accounts of the rotating Council presidency suggest, however, that the presiding country may find numerous ways to alter the EU's political agenda by way of its agenda-setting, agenda-structuring and agenda-excluding powers (Elgström 2006; Princen 2007; Schalk et al 2007; Tallberg 2003). This article aligns itself with this more recent understanding of the rotating Council presidency, adopting Tallberg's (2003) argument that the presiding member state is a strategic actor "seeking to satisfy national preferences within the confines of [its] formally delegate role" (p. 5). The question that, thus, arises is whether regional integration efforts such as the Visegrád Group can (at least partially) override the formal requirement of diminished agency of the member state that holds the rotating presidency.

The first V4 member state to hold the Council presidency was the Czech Republic, which performed this role in the first half of 2009. It is, thus, the Czech state that forms the focus of this study. To answer the question of whether – and how – the Czech Republic made use of the V4 to further its own national foreign

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2 "Declaration of the Prime Ministers of the Czech Republic, the Republic of Hungary, the Republic of Poland and the Slovak Republic on the Cooperation of the Visegrád Group Countries after their Accession to the European Union," available at <http://www.visegradgroup.eu/documents/visegrad-declarations/visegrad-declaration-110412-1> (accessed 12 November 2016)

policy preferences, this contribution proceeds as follows<sup>3</sup>: after briefly discussing the priorities of the Czech presidency, it turns to three empirical areas and assesses whether the V4 served as a vehicle for installing Prague's preferences at supranational EU level. Moreover, it explores whether the Czech Republic subsequently tapped into the V4's coalition potential when negotiating specific policies in Brussels. This research article adopts the methodology of a qualitative case study. In this regard, each area of inquiry is structured so as to determine the relationship between the Czech Republic and the other V4 countries both before the Czech Republic's Council presidency and during the presidency itself. To improve analytical clarity, each inquiry also has a similar structure: it first examines the rationale behind the forming of a (national) preference vis-à-vis the V4 and then addresses the promotion of that preference (possibly in conjunction with the V4) before concluding with a brief overview of the Brussels-based negotiations (by, with or without the V4). To pursue this methodology, I traced the relevant processes out in detail. This work was enabled by both primary and secondary literature research and supported by the conducting of some thirty (30) semi-structured interviews. The interviewees were drawn predominantly from a pool of Czech policy-makers based in Prague or in EU institutions in Brussels. To remedy any possible bias associated with interviewing policy-makers from one member state only, I also conducted interviews with policy officers from other member states, most of whom were located in Brussels. Aside from these first-hand participants in foreign policy-making within EU institutions, several interviewees were representatives of the civil society or academic sectors either in the Czech Republic or other EU member states. To preserve anonymity where required, the interviewees are identified in this study by way of letters (e.g. A, B, etc.). Ultimately, this comprehensive approach allows me to answer the main research question, i.e. whether the Visegrád Group may be understood as a mechanism for pursuing national preferences while one V4 state holds the rotating EU Council presidency.<sup>4</sup>

## The Czech Republic's Council Presidency

Prague started to prepare for its Council presidency in 2007, that is, some one-and-a-half years before assuming the EU helm on 1 January 2009. This preparation was not limited to the strengthening of bureaucratic capacities and consisted largely of the formulating of a coherent work programme that would

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3 For a more detailed analysis of the Czech Republic's integration efforts in Central Europe in general and within the Visegrád Group in particular, please refer to Waisová (2011).

4 While at first sight this question may appear less relevant in the post-Lisbon era given the introduction of a permanent president of the Foreign Affairs Council (High Representative of the European Union for Foreign Affairs and Security Policy), the complex nature of EU foreign policy-making leaves much room for input from the rotating Council presidency. In particular, the rotating president still presides over all of the working groups of the Council of Ministers, including COREPER I and II and COPS.

define the Czech Council presidency. The outcome of this all-encompassing domestic deliberation process was a programme whose theme, “Europe without Barriers” outlined the presidency’s three main priorities: the economy, energy and the European Union’s role in the world.<sup>5</sup> In economic terms, the Czech Republic aspired to promote a free market economy and steer against the protectionist measures that could prove very popular with some individual EU member states at a time when the EU financial crisis was in full swing. From an energy perspective, Prague sought to strengthen the EU’s energy security, an issue it took to be increasingly pressing given the 2006 Russia–Ukraine energy crisis. Regarding the third priority – the EU’s position in the world – the Czechs aimed to tap into their own transition experience and promote transition processes in the EU’s immediate neighbourhood in the east.

Most of this Czech presidency preparation period coincided with the country’s occupancy of the Visegrád Group’s rotating presidency. Standing at the V4 helm in the period between June 2007 and June 2008, the Czech Republic, thus, had the opportunity to test the responsiveness of its closest partners when it came to the Czech EU Council presidency’s priorities. It soon became clear that the four V4 countries had established common ground on the topics highlighted by the Czech Ministry of Foreign Affairs (MFA) along with the importance of promoting democracy and human rights in the EU’s immediate vicinity.<sup>6</sup> This last point, while not specifically mentioned in the Czech Republic’s EU Council work programme, was nonetheless central to Prague’s foreign policy. In fact, human rights promotion and external democratisation may at first glance seem an odd concern for the Czech state given the constraining effects that frequent references to human rights and democracy abuses may have on the fulfilment of other Czech foreign policy goals. Nevertheless, for Prague, this issue remained paramount. According to Gabriela Dlouhá, the former director of the MFA’s Department of Human Rights and Transformation Policies, the emphasis that Czech foreign policy put on these concepts was not only normative but also instrumental to all of the country’s foreign policy interests.<sup>7</sup> The Czech Republic promoted human rights, she notes, not because “we are incorrigible idealists or battered dreamers, but because these are a part of the world’s legal structure”<sup>8</sup> and, as such, represent the very foundations of prosperity.

These three foreign policy issues – the reinvention of the European Union’s policy on the East European neighbourhood; the strengthening of EU energy security; and the incorporation of a stronger human rights and external

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5 “Work Programme of the Czech Presidency: Europe without Barriers,” available at [http://www.eu2009.cz/assets/news-and-documents/news/cz-pres\\_programme\\_en.pdf](http://www.eu2009.cz/assets/news-and-documents/news/cz-pres_programme_en.pdf) (accessed 20 November 2016)

6 “Czech Presidency of the Visegrad Group (June 2007–June 2008),” available at <http://www.visegradgroup.eu/documents/presidency-programs/2007-2008-czech-110412> (accessed 18 November 2016)

7 “Interview B,” (Prague: Ministry of Foreign Affairs, 2010)

8 “Interview B,” (Prague: Ministry of Foreign Affairs, 2010)

democratisation dimension into EU foreign policy – take centre stage for the remainder of this study. While Prague evidently agreed with its V4 partners about the need to promote these goals at supranational level, it remains to be seen whether the Visegrád Group served as a vehicle for promoting these preferences and advancing them during the policy negotiations. The implication here is that relying on a regional integration framework *within* the European Union might enable a presidency-holding country to bypass the rather stringent rules associated with the rotating Council presidency, and in particular, the requirement that the president act as an honest and neutral broker. The Czech Republic arguably took the first step towards such an outcome in 2007 when it pleaded for stronger communication among the V4 actors in Brussels in order to coordinate positions on “virtually all important European issues” (Kořan 2010: 117). Yet, while this may be seen as proof that Prague wanted to ensure that the Visegrád Group was active when it came to take the EU’s helm, it remains unclear whether it succeeded in this regard, i.e. whether the Czech Republic’s national preferences were – ultimately – pursued in the EU while, at the same time, it acted as an honest broker among the other member states. It is to these questions that I now want to turn.

## **The Visegrád Group’s Role in Furthering the Czech Republic’s Interests**

### ***Reinventing the European Union’s Eastern Neighbourhood Policy***

The Czech Republic has long seen the 2004 European Neighbourhood Policy, which groups together countries at the Southern (Mediterranean) and Eastern European borders, as an inefficient tool for comprehensively structuring the EU’s relationships, including especially the ties with Eastern European countries (Střítecký 2008). Consequently, it came as no surprise that when Prague was presented with the opportunity to outline its foreign policy priorities in the lead-up to its EU Council presidency, a new approach to Eastern Europe figured prominently on its agenda. The Visegrád Group was instrumental in the success of these Czech endeavours, assisting both in the formulating of the new approach and its promotion in Brussels. In terms of formulating the Czech Republic’s objectives, the Prague Security Studies Institute joined with multiple think-tanks from the other V4 countries to launch the project “Strengthening the Central European Contribution to the Eastern Dimension of EU’s CFSP.” Spanning a three-year period (2006–2008), this project was intended to:

creat[e] a platform for think-tanks, NGOs and policymakers of Visegrad countries [...] in order to bring new impulses to public and expert debates concerning the Eastern dimension of the Common Foreign and Security Policy, and

*to increase and sustain their role in shaping the political agenda of the European Council, European Commission, [and] European Parliament (Schneider 2008, emphasis added).*

More specific ideas about how to facilitate a closer relationship with the EU's eastern neighbours were presented in several policy briefs and during three high-level policy conferences and biannual seminars. Along with a large number of more analytical documents about the East European neighbourhood compiled by third sector think-tanks and non-governmental organisations, the output of this consortium was circulated among MFA civil servants. As such, it served to support the Ministry's efforts to establish a national preference for the EU's approach to its eastern neighbours, which could then be advanced in Brussels for further negotiations.

Once the Czech MFA had prepared its non-paper "ENP and Eastern Neighbourhood – Time to Act: Food for Thought," it turned again to the Visegrád Group for support. In this way, Prague made use of its V4 presidency to call for a more cohesive approach to Eastern Europe:

[t]he goal of the Czech Presidency of the Visegrad Group was to preserve the continuity and tradition of V4 cooperation while opening it up to new efficient approaches designed to promote mutual understanding, not only among V4 countries but also between EU Member States and the countries in transition neighbouring on the V4 region, *especially the countries of Eastern Europe.*<sup>9</sup>

By appealing first to the V4, Prague achieved three goals. First, it positioned itself strategically as the initiator of a new EU policy on Eastern Europe – a position generally ascribed to Poland (Kratochvíl 2007: 191–193). Second, it involved all of the other V4 partners – countries generally interested in Eastern Europe – in the issue, thereby improving the standing of this multilateral grouping within the EU institutional system. Third, through the V4's consultations with the three Baltic countries and other important partners such as Germany and Austria, support was garnered for Prague's proposal long before it was officially presented to the EU. Consequently, during a meeting of Visegrád state foreign ministers in April 2008, Prague received the backing of the V4 states to pursue the strategy at EU level: "The Visegrad Group is ready to contribute to the ongoing discussion and effort to strengthen the ENP, which reflects the Group's joint interest in further enhancement of EU relations with the East European countries."<sup>10</sup>

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9 "Activities of the Czech Presidency of the Visegrad Group (June 2007 – June 2008)," available at <http://www.visegradgroup.eu/documents/annual-reports/2007-2008-czech-110412> (accessed 22 November 2016) (emphasis added)

10 "Joint Statement of the Ministers of Foreign Affairs of the Visegrad Group Countries," available at <http://www.visegradgroup.eu/2008/joint-statement-of-the> (accessed 22 November 2016)

With this backing, the Czech Republic continued to promote its new approach to Eastern Europe among the remaining EU countries and within EU institutions; it was quickly joined in this mission by Poland and Sweden, which tabled the more concrete Eastern Partnership proposal. These efforts took place along both formal (institutional) and informal (think-tank and NGO-based) tracks and persuaded the European Commission to publish its own “Communication” document, which endorsed the proposal in late 2008 (Neuman 2015: 120–128). During this lobbying stage, the Czech Republic sought out the support of countries outside the V4 framework, having realised that successful negotiation of the Eastern Partnership during its Council presidency would require a more all-encompassing coalition that went beyond the usual suspects.<sup>11</sup> What had started as a Czech/V4 effort, thus, became a broadly supported policy initiative, with the result that the Eastern Partnership was negotiated among the EU member states and the six Eastern European partner countries before finally being launched at a Prague summit on 7 May 2009.

### ***Strengthening the European Union’s Energy Security***

Ever since the Czech Republic achieved independence in 1993, the country has been wary of its reliance on energy supplies, particularly where Russian sources are concerned. As a result, it invested substantially in linking its oil pipeline system with the Western European one by building the Ingolstadt–Kralupy–Litvínov (IKL) pipeline. Despite the IKL’s establishment in 1996, the Czech energy sector continues to be highly vulnerable to market distortions, especially in the case of its natural gas supplies, which all originate in post-Soviet countries.

Having said this, the Czech Republic’s reliance on – particularly – Russian natural gas is not unique when we consider the overall state of Central and Eastern European energy dependence; rather, the data shows that this is a feature common to all V4 countries. While it is true that the degree of dependence varies,<sup>12</sup> all four Visegrád countries are thought to be in a vulnerable position. This vulnerability – combined with limited grid interconnectivity in the region and the perception of Russia as an unreliable energy partner (Neuman 2010) –

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11 “Interview C,” (Prague: Ministry of Foreign Affairs, 2010)

12 According to a comprehensive comparative study conducted by the EU, the Czech Republic depended on imports for 102% of its natural gas consumption in 2002; the equivalent figures for Hungary, Poland and Slovakia in this period were 80.6%, 66.1% and 100%, respectively (while a figure of 102% dependency in the case of the Czech Republic seems rather odd at first sight, it is accurate as it also takes into account the required gas reserves that each country is supposed to have and that are calculated on top of the country’s gas consumption as such). This stands in sharp contrast with the result for the EU-15 states, which stood at just 47.8%. Moreover, this dependence of the V4 on natural gas supplies is exacerbated by the fact that almost all (and, in some cases, all) of these gas imports come from the post-Soviet space. For more information, see the data in “Energy, Transport, and Environment Indicators: Data 1992–2002,” available at <http://ec.europa.eu/eurostat/documents/3930297/5955046/KS-DK-05-001-EN.PDF/08df871c-e648-4160-955e-ceaae2b27a24> (accessed 21 November 2016)

led the Czech Republic to include the strengthening of EU energy security in its Council work programme. For Prague, the saliency of the issue increased with every additional disruption of energy supplies from the east, whether oil or gas was at stake; each delay was seen as a deliberate attempt by the Russian authorities to exert greater influence in the region. As the then Czech Deputy Prime Minister for European Affairs Alexandr Vondra put it:

[the u]njust manipulation or interruption of energy supplies is as much a security threat as is military action. Post-soviet countries have been experiencing th[is] on a daily basis, as Russia's appetite for using energy as a political tool is growing (Vondra 2007: 1).

During its Council presidency, Prague would focus on diversifying the European Union's energy suppliers, routes and resources. At the same time, it called for the creation of an explicit common external energy plan to complement the European Union's existing internal energy market.

If, as the discussion above suggests, the V4 substantially backed Czech efforts to establish a dedicated Eastern European policy at EU level, then when it came to strengthening EU energy security, the V4's support was overwhelming. This support was further cemented in the wake of the serious Russia–Ukraine crisis in January 2009, at which point between 71% (Slovakia) and 79% (Poland) of the population of the V4 states was greatly concerned with their country's energy dependence on Russia (Nosko et al. 2010). As a result, alongside the unilateral promotion of its national preference in Brussels in the pre-Council presidency period, the Czech Republic framed its preference within the larger V4 context, thus making use of the other V4 partners in parallel with its own lobbying efforts. Once again, Prague attempted to build a large coalition of EU member states that would support its quest, falling back upon both formal and informal lobbying mechanisms. When the Czechs set out to negotiate several specific policy changes in Brussels during the first half of 2009, the Visegrád Group's involvement became even more prominent. These negotiations had two central goals: first, they tried to foster explicit EU support for the (then planned) Nabucco pipeline and greater interconnectivity (in both cases backing from the EU budget was sought); and second, they aimed to lay the ground for a transfer of power from member state to EU level so as to establish a common external energy policy in the longer term. As one participant in the negotiations testified, the cooperation among Bratislava, Budapest, Prague and Warsaw evolved to the point that their representatives closely coordinated positions before the meetings themselves. As such, they agreed on both the statements they would make and the order in which they would be presented to other member states, thus confirming the true like-mindedness of the V4 countries

on energy questions.<sup>13</sup> In this way, the V4 succeeded in persuading the remaining Central and Eastern European countries and Baltic States to support the Czech Republic's proposals. Even so, they fared considerably worse with the large EU member states, which did not want to jeopardise their long-standing bilateral relations with Moscow. The result was a political compromise: while the EU funded several specific projects intended to enhance grid interconnectivity among – predominantly – Central and Eastern European member states and it even released some (limited) funds for the Nabucco project, there was to be no common EU external energy policy.

### ***Incorporating a Stronger Human Rights and External Democratisation Agenda into EU Foreign Policy***

Driven by its own recent experience of transitioning from a socialist planned economy to a democratic liberal market, the Czech Republic took a clear interest in supporting transition policies in both the near and far abroad. In Prague's view, two inseparable elements lay at the core of any such transition: human rights and democracy.<sup>14</sup> Over time, this understanding of political transition found institutional anchoring in the MFA's Department for Human Rights and Transformation Policies. In early 2005, the Czech government formulated its first concept of human rights and democracy promotion, introducing the term *transition policy*, which subsumed both policy dimensions. At the outset, Prague's transition policy was built around several clearly demarcated thematic and territorial priorities. Those themes included the strengthening of civil society in the target country, with a primary focus on furthering civic and political rights at the expense of other (e.g. economic, cultural and environmental) rights (Bílková and Matějková 2010a: 338). These so-called first generation rights were prioritised since they were seen as essential for establishing a democratic system of governance. Initially, the goal was to achieve these thematic goals in ten priority countries spanning the globe from Latin America (Cuba) to Europe (Belarus, Bosnia and Herzegovina, Kosovo, Moldova, Georgia, Serbia and Ukraine), the Middle East (Iraq) and Asia (Burma) (Bílková and Matějková 2010 b: 128). Over time, however, Prague came to realise that its transition experience was particularly useful in countries that were culturally, geographically, historically or otherwise similar, and the Czech transition policy concept was duly updated. Consequently, the Czech Republic turned its attention to Eastern Europe and the Western Balkans. Prague's preferred method for bilaterally promoting human rights and democratisation abroad was cooperation with

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<sup>13</sup> "Interview W," (Brussels: Permanent Representation of the Czech Republic to the European Union, 2010)

<sup>14</sup> For a thorough analysis of the role that values and norms play in the Czech Republic's foreign policy, please refer to Waisová (2012).

local non-governmental institutions, which were thought to understand the realities on the ground. Empowering civil society was, thus, seen as essential for the achievement of lasting democratic development.

It should come as no surprise, then, that in the lead-up to its EU Council presidency, the Czech Republic set out to advance its particular understanding of human rights and democracy promotion at EU level. These efforts were all the more predictable given Prague's general dissatisfaction with the Union's multilateral measures, which it regarded as uncoordinated, inconsistent and incoherent.<sup>15</sup> To this end, the Czech government launched its "European Consensus on Democracy," an initiative that it would proceed to develop over the course of its presidency. This programme was modelled on the "European Consensus on Development," a plan which the European Parliament, the Council of the European Union and the European Commission had adopted in December 2005 and which comprehensively outlined the common principles and values behind the EU's development aims and efforts and stated concrete measures to be taken.<sup>16</sup> Inspired by this blueprint, Prague attempted to solidify the Union's stance on democracy promotion in several stages: it first defined the constitutive elements of democracy and took steps to institutionalise democracy promotion activities within EU structures; it then set out an exhaustive list of policy instruments to be used to implement the plan. Alongside these efforts to introduce a new consensus about human rights and democracy promotion among individual member states, Prague also took a key practical step: it attempted to ensure the existence of Civil Society Forum, a civil society counterpart to the multilateral governmental discussions about the emerging Eastern Partnership.

While, as we have seen, in the two previously discussed cases, the Visegrád Group proved itself a valuable partner both in advancing Czech interests at supranational level and in negotiating specific policies, when it came to reforming the EU's external human rights and democratisation policy, the V4 added far less value. This can be explained as a result of the highly politically sensitive nature of notions such as human rights and democracy. As such, while practically all of the EU member states agreed on the need to observe human rights and maintained that a democratic system was the best system for this purpose, the questions of *which human rights* and *what type of democracy* were far more controversial. Combined with a more fundamental debate over *whether human rights and democracy can and indeed should be promoted abroad*, these questions spurred much disagreement among the EU member states when faced with

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15 "Interview B," (Prague: Ministry of Foreign Affairs, 2010)

16 "The European Consensus on Development: Joint Statement by the Council and the Representatives of the Governments of the Member States Meeting within the Council, the European Parliament and the Commission on European Union Development Policy: 'The European Consensus'," available at [http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:42006X0224\(01\)&from=en](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:42006X0224(01)&from=en) (accessed 14 November 2016)

the Czech Republic's position. Moreover, these discussions transcended the traditional V4/non-V4 dichotomy, forcing the Czech Republic to abandon its custom of first approaching Visegrád Group for support. Instead, Prague set out to establish a more diverse coalition of like-minded countries. While the Czech representatives in Brussels made some headway promoting the country's transition politics at EU level, no *European Consensus on Democracy* has been adopted until the present day, speaking directly to the controversial nature of the concept of democracy. With regard to the Civil Society Forum, the Czech Republic was somewhat more successful as this indeed became an inseparable element of the Eastern Partnership, albeit in a much weaker form than the Czech Republic initially proposed (Neuman 2015, pp. 236–246).

## Conclusion

This contribution belongs to an ever-growing body of scholarship on the rotating EU Council presidency. More specifically, it has asked whether sub-regional integration projects such as the Visegrád Group can be understood as vehicles for pursuing one member's national interests while it stands at the European Union's helm. As such, this study has recognised Tallberg's claim that while an EU member state must observe the rules related to (among other things) neutrality during its Council presidency, both the period preceding that presidency and the presidency itself present the state with an opportunity to (at least partially) shape the EU's agenda and – by extension – its policies. Keeping this in mind, I have hypothesised that relying on sub-regional integration partners may well enable the EU Council presidency to maintain a smokescreen of neutrality while simultaneously pursuing its national interests.

This hypothesis has also been tested using the case of the first EU Council presidency of a Visegrád Group member, that is, the Czech Republic's presidency in the first semester of 2009. Assessing three specific policy areas – the reinvention of the EU Eastern neighbourhood policy; the strengthening of EU energy security; and the incorporation of a stronger human rights and external democratisation agenda into EU foreign policy – this empirical study has revealed a mixed picture. While in the first two instances, the Visegrád Group played an indispensable role in establishing and promoting the Czech Republic's national preference, this was not the case with regard to the Czech Republic's position on the European Union's external human rights and democratisation policy. The same pattern also holds true for the negotiation of specific policies at EU level: while the V4 was the Czech Republic's first target in establishing a coalition to support the launch of the Eastern Partnership and the promotion of energy security through diversified suppliers, routes and resources, the V4 did not exhibit much agency in the negotiation of the "Consensus on Democracy" and Civil Society Forum. Furthermore, these case studies also show that the Czech

Republic realised the V4's potentially limited impact, and as such, took a multi-vectored approach to promoting its preferences at EU level. In other words, we can observe two parallel processes: on the one hand, the Czech Republic did indeed use the Visegrád Group as a vehicle for promoting its own interests in Brussels during its Council presidency in 2009; on the other, it did not give up on the option of fostering broader coalitions and nor did it shy away from pursuing its preferences more overtly at times. As such, to a greater or lesser extent, Prague compromised the neutrality rule associated with the Council presidency.

Overall, then, this study has confirmed the *potential* of the Visegrád Group to serve as a vehicle for furthering the national preferences of one member state while it holds the rotating EU Council presidency. Even so, whether or not this potential is fully realised will depend primarily on the degree to which the interests of the four Visegrád countries converge. Once again, this highlights the importance of treating the V4 not as a homogeneous group, but as an intergovernmental entity of four member states with – at times – diverging interests vis-à-vis further EU integration.

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# Competitiveness of the European Automobile Industry in the Global Context

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**Abstract:** *The automobile industry is one of the most rapidly growing industries, a significant employer and investor in research and development, and also one of the most important sectors of the EU economy. Nevertheless, even this sector has gone through a series of structural changes and territorial transfers, recently. Exactly for this reason, it seems crucial to examine the competitiveness of the automobile industry on the national level, analyze the long-term trends throughout the whole EU, and put them in a global context. The article uses standard methods of statistical analysis of indices of revealed symmetrical comparative advantage to detect the trends characterizing the shape and long-term development of the automobile industry in Europe. The authors point out the substantial shifts in production and exports from traditional Western European car makers in favor of the new EU member states, but also from the USA and Canada in favor of new, fast-growing developing countries in the South and Southeast Asia and in Latin America. A brief outline of the European Commission's response to these changes in the European automobile industry in the form of an Action Plan CARS 2020 can be found in the final part of the article.*

**Keywords:** *competitiveness; automobile industry; world economy; European Union*

## Introduction

The European automobile industry has – due to its long tradition in development and production – a very special status. Among its specific attributes belong an undoubtedly high level of technology, the emphasis on safety, and greater sensitivity to the environment. The automobile industry has been one of the fastest growing branches of manufacturing industry over the last dec-

ade, but it also suffered significant territorial transfers during this period. Its importance for national economies of individual countries has often been crucial, as it goes beyond a single discipline through its extent, its number of jobs, its demands for metals and other materials, as well as through its links to other industries. It also features extraordinary capital, production, and trading concentration. The car manufacturers build extremely numerous links to particular component suppliers, who then contribute up to 70 percent of the value of the final product. The proportion of sub-suppliers in the added value of the product is growing mainly thanks to modularization of components and increasing know-how strengthening their specialization. The automotive industry is a major innovator and has significant investment activity, since it reflects the technological development and the need of fast permutations of product lines. In recent years, the processes of production have become more and more fragmented and there has been a growing tendency to locate new production facilities outside traditional production areas, to regions with more favorable production environments and large unsaturated markets. Recently, however, the automobile industry has been facing many serious issues. Car manufacturing in the European Union has not been an exception. This sector of European industry was severely hit by the economic crisis in the years 2008 and 2009 and the following decade has brought strengthening competition coming mainly from the Southern and Eastern Asia.

## Definitions

The automobile industry is a part of mechanical engineering and is also one of the most important branches of engineering in general. According to the classification of economic activities, NACE (*Nomenclature statistique des activités économiques dans la Communauté Européenne*) Rev. 2 (2008) reported by Eurostat, the automobile industry is included in section C – Manufacturing, division 29 – Manufacture of motor vehicles, trailers and semi-trailers. This division is further broken down into the following groups: **29.1** Manufacture of motor vehicles (i.e. passenger cars, commercial vehicles, buses, trolley-buses, and coaches; motorcycles and other motor vehicles are excluded as these belong in division 30 – Manufacture of other transport equipment), **29.2** Manufacture of bodies (coachwork) for motor vehicles, manufacture of trailers and semi-trailers, and **29.3** Manufacture of parts and accessories for motor vehicles (EuroStat 2008). This classification is in concordance with the Standard International Trade Classification (Rev. 3), where the section 7 (Machinery and transport equipment), division 78 (Road vehicles), group 781, 782, and 783 together correspond to NACE 29.1, group 784 corresponds to NACE 29.3, and group 786 corresponds to NACE 29.2 (EuroStat 2016). According to Eurostat data, the EU automobile industry (NACE 29) consists of a total of 20,500 enterprises. The major share

of the added value was generated by manufacture of motor vehicles (64 %), followed by the production of parts and accessories (33 %). Also, the largest turnover in the automobile industry – over 71 % – was generated by the motor vehicle segment (526 billion euro). The remaining two segments are substantially weaker: The production of parts and accessories has a turnover of only 188 billion euro (25 %), the production of bodies, trailers, and semi-trailers only 3.4 %.

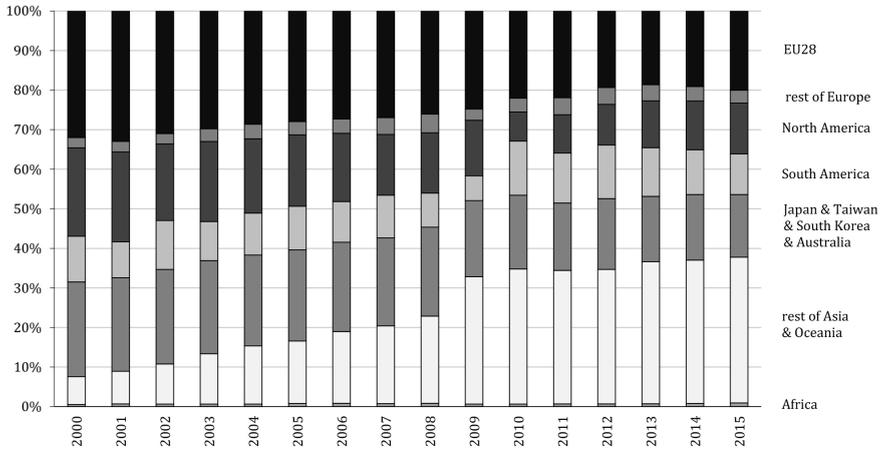
Given the very broad and tight linkages of the automobile industry to other industries, the influence of the industry on job creation represents major characteristics. The EU automobile industry employed a total of more than 12 million people in 2015 (more than 5 % of the total employment). The largest employer is the segment of manufacturing parts and accessories with a 46.5% share of total employment in the automobile industry, which proves the indispensable role of this particular segment in the entire industry. The production of automobiles accounts for 46.2 % of jobs, while production of bodies, trailers, and semi-trailers has only marginal importance when it comes to employment (7.3 %) (EuroStat 2008). According to some estimates, increase in sales by 1 million euro leads to the creation of approximately 10 new jobs in the automobile industry. Automobile production activity has an employment multiplier in the value of five (other industry activities in the value of three) (Kallstrom 2015).

## **Current Situation in the World and in the European Union**

The European center as a traditional car producer still belongs among the most important regions of automobile industry in the world. Nevertheless, its position has been gradually replaced by emerging, fast-growing markets, esp. those of eastern Asia, and the European share in global car production is diminishing. In 2015, 21 million motor vehicles of all types were produced in Europe, which represents a 23% share in the global production of more than 90 million units (see Figure 1 and 2). The European Union (EU28) stands for production of 18 million new vehicles of all types, which means the EU's share on the global production shrank from 32 % in 2000 to 20 % in 2015 (STATISTA 2016).

It is also necessary to mention the significant linkage between the automobile industry and the non-manufacturing sector. It is estimated that there are up to 10 million jobs in car shops, spare parts, fuel, repair shops, rentals, and transportation. The largest employer in the automobile industry in the EU is Germany by far. Their automobile industry employs 812,514 workers in 43 factories. Germany is also the largest EU producer of cars (6.033 million motor vehicles in 2015), it generates the highest turnover and creates the largest added value among all the EU countries. The second largest EU producer of cars is Spain (2.733 million motor vehicles in 2015). The second largest employer in the EU is France with just 243,779 employees and with the third highest production (1.970 million motor vehicles in 2015). The third largest European employer is

**Figure 1: Continental shares on global automobile production**

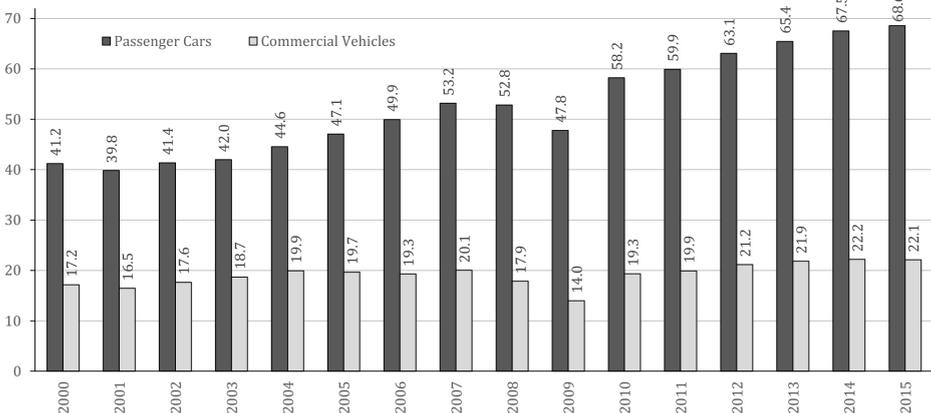


Source: based on data from (OICA 2016)

Note: All 28 current EU members are taken into account

Italy with 162,865 workers, but the volume of car production ranks the country as low as seventh in the EU. The Czech Republic surpassed Italy in car production in 2009 and Slovakia in 2012. Given this recent development, a reduction in Italian employment in the automobile industry seems inevitable. According to the number of employees, the Czech automobile industry is the sixth largest in the EU (employing 143,227 people). Other major EU countries, where the number of employees in the automobile industry exceeds 100,000 people, are: Poland, the United Kingdom, and Romania (OICA 2016) (ACEA 2015).

**Figure 2: World automobile production in million vehicles**

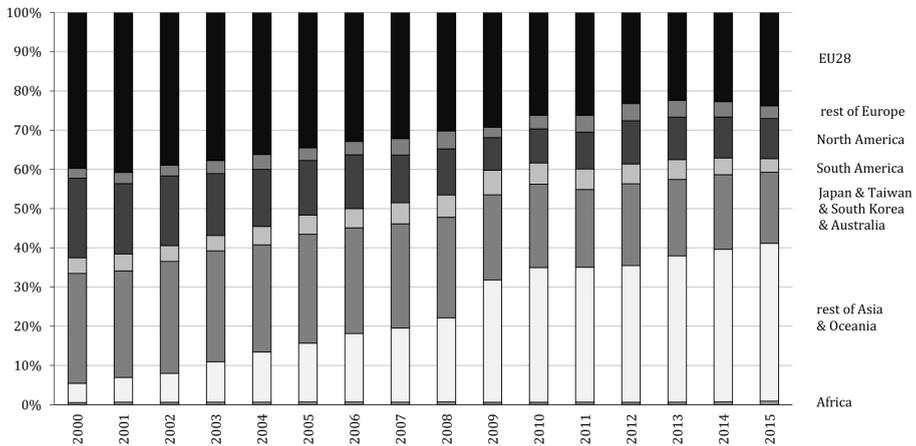


Source: based on data from (STATISTA 2016)

## Passenger Cars

The global production of passenger cars has been recording an almost continuous trend in growth (see Figure 2). The slight decline in 2001 occurred due to the economic downturn in the USA, rising oil prices, and the restrictive policy of the European Central Bank. In subsequent years, production grew until 2007 to 53.2 million cars per year. During the crisis years of 2008 and 2009, the output of automobile industry declined to 47.8 million units. In 2010, however, there was a lively recovery and the boom has continued since then. In 2015, the annual pace of growth dropped to 1.5 % (from 5.3 % in 2012) and the world's production of passenger cars reached 68.56 million units (STATISTA 2016).

**Figure 3: Production of passenger cars in the world**

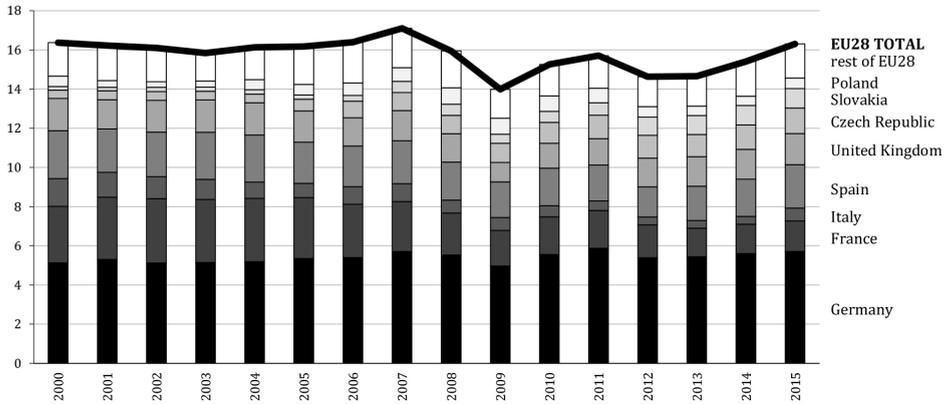


Source: based on data from (OICA 2016)

Note: All 28 current EU members are taken into account

In comparison with the world (see Figure 3), the production of passenger cars in the European Union recorded a rather downward trend (see Figure 4). In 2007, the EU produced over 17 million cars, but it has failed to even up this production so far. Despite generous stimulus measures (“scrapping bonuses”), the economic recession caused a significant drop in production, down to 14 million in 2009. After dynamic growth in 2010 and 2011 and a slight leveling off in 2012 and 2013, the production reached 16.3 million units in 2015. For illustration, the production of China in 2015 increased by 10 % to 19.9 million, Japan recorded 8.3 million, and the USA 4.2 million passenger cars (OICA 2016). Figure 3 reveals long-term shifts in the passenger car production even within the EU. Especially the position of France and Italy was weakened in favor of the new member states, mainly the Czech Republic and Slovakia. Spain and the United Kingdom are more-or-less holding their positions, while Germany's passenger car production has been showing a trend of mild growth.

**Figure 4: Production of passenger cars in the EU in million units**



Note: All 28 current EU members are taken into account

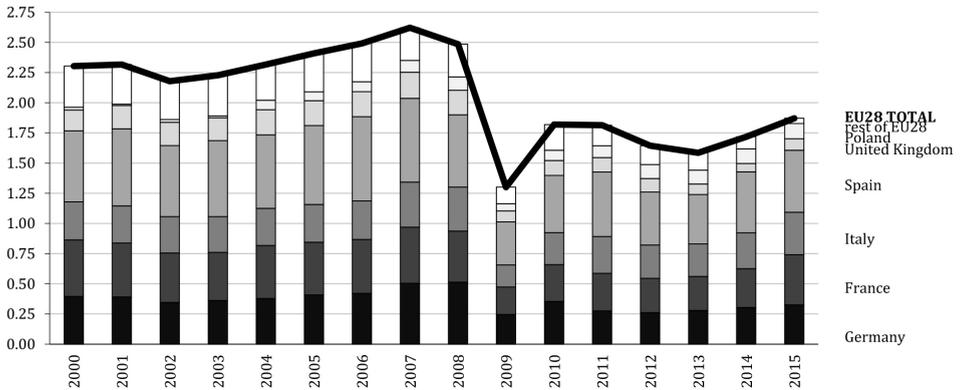
Source: based on data from (OICA 2016)

## Commercial Vehicles

The world's production in the segment of commercial vehicles (i.e. light commercial vehicles, heavy trucks, and heavy buses) has not grown at such a pace during the last 15 years (see Figure 2). Similar to passenger cars, performance of commercial vehicle producers also decreased in 2001. After a short recovery, the next decline took place in 2005 and 2006 followed by a deep slump in 2008 and 2009, when the volume of production plummeted from the previous peak of 20.1 million to 14 million units. Unfavorable economic development and problems with sales affected the behavior of corporations. They postponed investment which undercut the sales of commercial vehicles and together with the slowdown in demand for passenger cars resulted in vast staff reductions. Since 2010 the segment has been experiencing a period of growth globally, in 2012 the production exceeded the peak from 2007 and in 2014, they recorded the output of 22.2 million vehicles. However, the dynamics of growth has been slowing from 6.3 % in 2012 to 1.6 % in 2014 (OICA 2016).

We can trace a very similar development in the EU in the period from 2000–2009 (see Figure 5). The production of commercial vehicles peaked in 2007, when 2.6 million commercial vehicles were produced in the EU, while already the next year witnessed a decrease and in 2009 the number dropped to less than half of the 2007 output. Some recovery occurred in 2010, when the production of commercial vehicles reached 1.8 million units followed by another slowdown in 2012 and 2013. The more optimistic economic perspectives drew the production of this segment in 2015 up to 1.87 million units signaling a recovery of the sector.

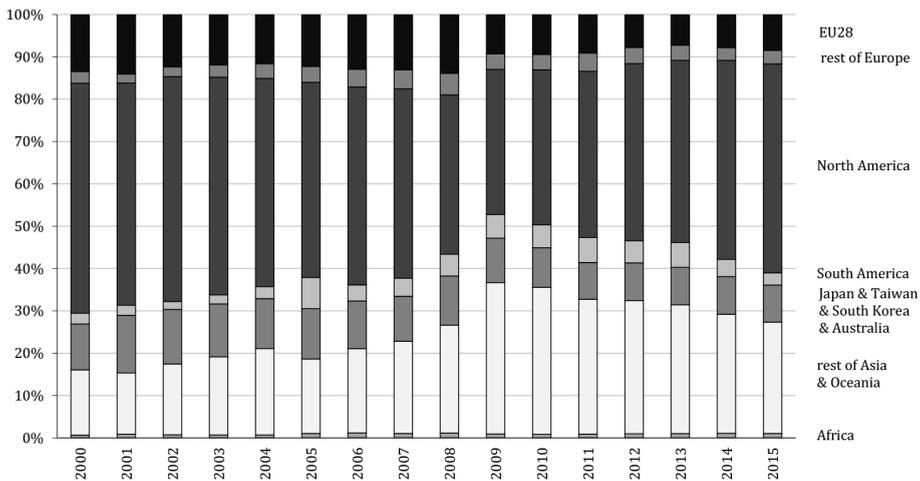
**Figure 5: Production of commercial vehicles in the EU in million units**



Note: All 28 current EU members are taken into account  
 Source: based on data from (OICA 2016)

Figure 5 also illustrates a slowly growing share of commercial vehicles produced in Poland, probably taking the market positions of United Kingdom, and to some extent of France, and even of Germany.

**Figure 6: Production of commercial vehicles in the world**



Note: All 28 current EU members are taken into account  
 Source: based on data from (OICA 2016)

Another interesting point worth mentioning is the development of the share of the North America (see Figure 6). While EU28 have a major share in passenger cars (see Figure 3), but are gradually losing their market positions, the North

America (i.e. the US, Canada, and Mexico) utilized the 2007 – 2008 downturn to revive and regain their strong market share especially on the commercial vehicle market (STATISTA 2016).

## **Objective and Topicality of the Research**

The automobile industry is one of the key industries in the European Union. More than 200 manufacturing and assembly plants produced 18,177 million vehicles in 2015 (OICA 2016). The importance of the automobile industry can be also documented by its 7% share on the total GDP of the EU, 5% share on the EU employment, and by a significant presence in exports (more than 6.5 million cars a year, Germany exports more than three quarters of all cars they produce) (Kallstrom 2015).

The different proportions in numbers of plants, shares of employment, volumes of production, and numbers of sales in different European countries, however, indicate the competitiveness of individual EU member states is not at the uniform level and the automobile producers are exposed to tough competition not only on the world market, but also within the European Union. Therefore, it seems crucial to test the competitiveness of the national automobile industries, analyze the long-term trends in Europe and in the world, draft probable changes in the short-term perspective and warn against the consequences and threats looming in the near future.

## **Methods and Aim of the Research**

The concept of competitiveness has recently been widely discussed – for an overview see e.g. (Margan 2012) – as a multi-criteria indicator of the conditions of a national economy (Outrata 2012). On the level of industry, however, the original, narrow, neoclassical concept of competitiveness seems more useful. Sigel (2006) shows the distinction between competitiveness and comparative advantage, but even he admits the two theoretical concepts have in fact many features in common. Therefore, we follow the conception of competitiveness presented by Hindls et al. (2003), who call a particular economic subject competitive if it is successful in penetrating the new markets and gaining a comparative advantage in international trade.

The research method of this paper is based on the methodology of revealed comparative advantage (RCA) developed by Balassa (1965). It measures a country's export of a particular commodity in relation to its total exports and to the corresponding export performance of a set of countries. In other words, the RCA is able to identify the sectors or commodities, with which the exporters of a particular country are more successful than the exporters from other countries.

An advantage of Balassa RCA is that it is not biased by changes in prices or exchange rates over time. In fact, it is a volume index. A problem with the Balassa RCA is the asymmetry of its value: it varies from one to infinity for products in which the country has a revealed comparative advantage, but only from zero to one for commodities with a revealed comparative disadvantage. Resulting from Grupp (1994), Dalum et al. (1998) proposed a revealed symmetric comparative advantage index (RSCA) to alleviate the skewness problem. The closer to  $\{+1\}$  the results of RSCA get, the more significant are the comparative advantages they indicate, while the more they are converging to  $\{-1\}$ , the more substantial are the comparative disadvantages.

There has been an intensive debate on the explanatory power and unbiasedness of the RCA and RSCA. Berkowitz et al. (2006), Chor (2008) as well as Barattieri (2014) search for the sources of comparative advantages and demonstrate how transport cost, transaction cost or trade cost bias the results of the comparative advantage analyses. Moenius (2006) proves RSCA is an adequate measure of comparative advantage, although it does not have significant predictive power. Pingyao and Jingyun (2012) perform the RSCA analysis to identify the growth potential of merchandise trade among the BRICS (Brazil, Russia, India, China, South Africa) countries and build further analytical instruments on the platform of RSCA. Wanling and Xiaohui (2013) use the RSCA to detect the problems in bilateral relations between BRICS countries.

## Data and Countries

The main source for the data on the exports of automobile production is the United Nations Conference on Trade and Development (UNCTAD) Statistical Division. The benchmark set of countries mentioned above consists of 39 car producers listed by the International Organization of Motor Vehicle Manufacturers (*Organisation Internationale des Constructeurs d'Automobiles*, OICA), representing 99.24 % of world car production (OICA 2016).

## Analysis

For the analysis, the individual RSCA for each of the listed 39 countries has been calculated in each year (1995 – 2015) for each of the three NACE groups (NACE 29.1, NACE 29.2, and NACE 29.3). The period was selected regarding the data availability and the statistical requirements. The export position of each of these subjects was compared to the average of the group of 39 car producing countries. The positive result (see Figure 7, horizontal axis) therefore shows a global comparative advantage, while the negative result indicates a global comparative disadvantage of a particular country in comparison with practically all other possible global competitors.

Following the methods of Dalum et al. (1998), we tested the stability of the achieved comparative advantages over time to identify countries, where a significant strengthening of competitiveness has been recorded, countries, where the automobile industry achieved stable results over the period of time (1995 – 2015), and countries, whose automobile industry is losing competitiveness in the world marketplace (see Figure 7, vertical axis) (Vošta – Kocourek 2015).

Only the groups NACE 29.1 and NACE 29.3 will be further discussed here, as they represent a predominant share of revenues and more than 90% of automobile industry employment. The remaining group NACE 29.2 is practically incapable of altering the conclusions drawn from the analysis of NACE 29.1 and NACE 29.3.

## Results and Discussion

Figure 7 indicates several interesting facts:

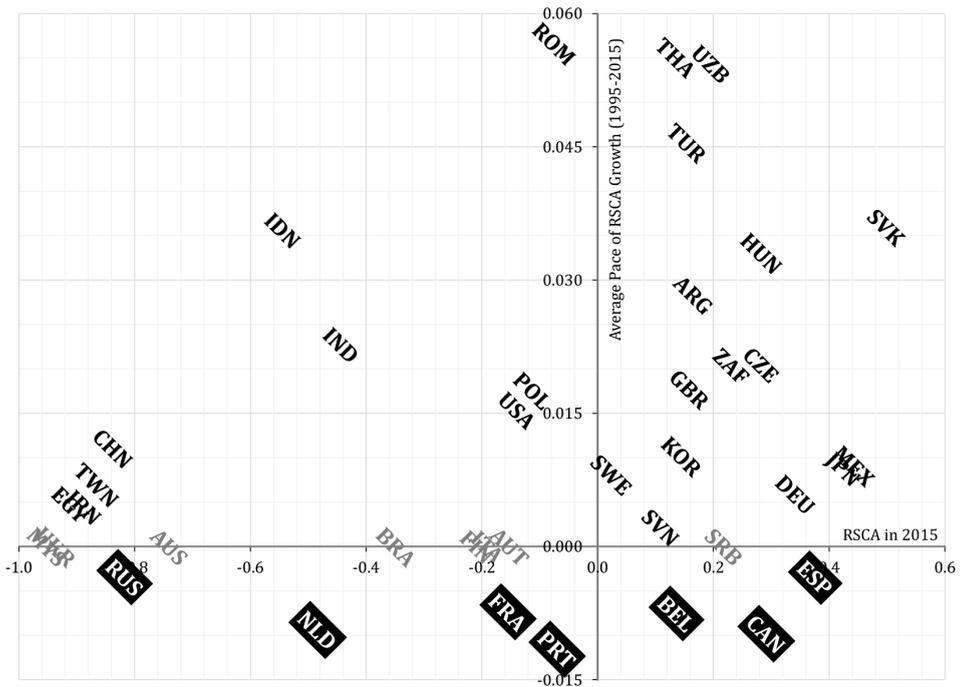
1) From the traditional, Western European automobile producers only Germany and the United Kingdom experienced a positive development in the competitiveness of their car industries in the last two decades. This has translated to a shrinking share of Western European countries on the global car production (from 67 % in 2000 to 61 % in 2014). The Netherlands (NLD), France (FRA), Portugal (PRT), Belgium (BEL), and Spain (ESP) faced significant deterioration of their comparative advantages in car production. In France, the car production in 2015 was lesser by almost a half compared to the output in 2000 (from 3.35 mil. pieces in 2000 to 1.97 mil. pieces in 2015). In Belgium and Italy, the reduction is even more pronounced, by about 60%. The deepest drop, however, recorded the Netherlands, where only 44 thousand vehicles were produced in 2015, compared to 267 thousand in 2000.

2) Within the European Union the new member countries, especially Slovakia (SVK), the Czech Republic (CZE), Hungary (HUN), Romania (ROM), and Poland (POL) experienced a significant improvement of their competitiveness in car production. In fact, Slovakia proved to be the most competitive global automobile producer in 2015. Romania was the fastest country catching-up and the Czech Republic is now producing more than 7% of all EU motor vehicles.

3) Also the developing countries are slowly but continuously improving their comparative advantages in car production. While changes in Iran (IRN), Egypt (EGY), Taiwan (TWN), and China (CHN) are rather slow and the export potential of their car producers is still rather low, India (IND), Indonesia (IDN), and especially Uzbekistan (UZB) and Thailand (THA) are quickly trying to catch up with the group of successful emerging markets consisting of Turkey (TUR), Argentina (ARG), the South Africa (ZAF), and Mexico (MEX).

4) The position of the United States (USA) and Canada (CAN) has been weakened by Japanese (JPN) and South Korean (KOR) competitors and complicated by the progressive emerging markets. While the USA is still fighting, although the competitiveness of their car industry is not in very good shape, the Canadian automobile producers are working hard to set off the losses caused by the 2007 – 2008 crisis.

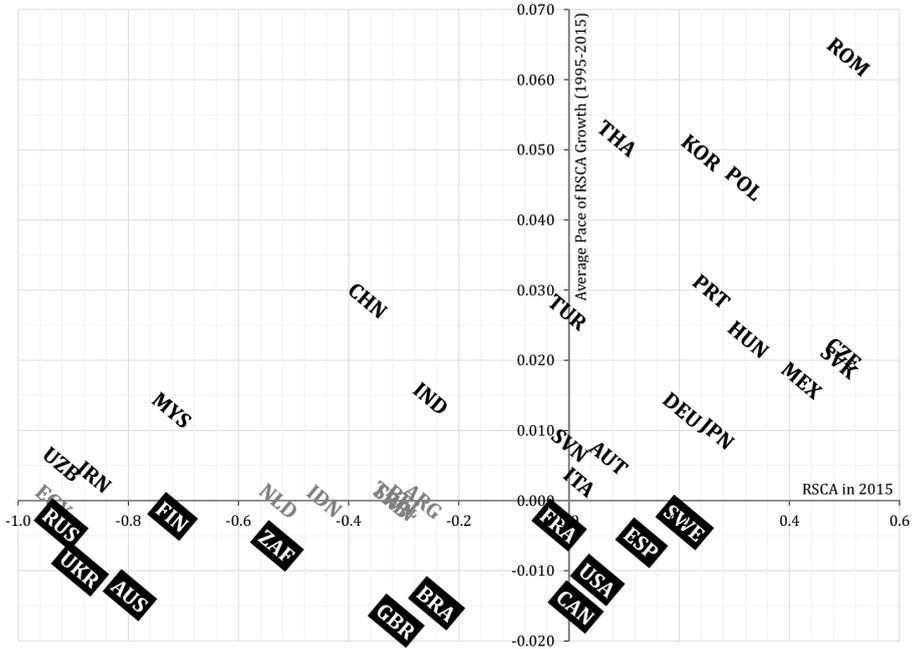
**Figure 7: Global Competitiveness shifts in NACE 29.1**



**(Manufacture of motor vehicles)**  
 Source: based on data from (UNCTAD 2016)

The situation in the sector of manufacturing of parts and accessories for motor vehicles seems rather similar (see Fig. 8). Within the EU28 countries, the production is slowly moving from above mentioned Belgium (BEL), France (FRA), the Netherlands (NLD), Spain (ESP), but also from Sweden (SWE) and Finland (FIN). The beneficiaries of this transfer are mainly the “younger” EU members, such as the Czech Republic (CZE), Hungary (HUN), Poland (POL), Romania (ROM), and Slovakia (SVK), accompanied by the European automobile superpower of Germany (DEU) and also – rather surprisingly – by the United Kingdom (GBR) and Portugal (PRT).

**Figure 8: Global Competitiveness shifts in NACE 29.3**



**(Manufacture of parts and accessories for motor vehicles)**

Source: based on data from (UNCTAD 2016)

Figure 8, however, indicates also the vast changes taking place in Asia. While the ashamed Russian Federation (RUS) is leaving their position, their place is being immediately taken over by producers from the super-competitive China (CHN), Taiwan (TWN), India (IND), Indonesia (IDN), Thailand (THA) and Turkey (TUR), who are ready to compete with the renowned factories from Japan and South Korea. Although the United States are keeping their global shares in vehicle production, they are losing it in the production of parts and accessories, becoming more of an “assembly shop” than a producer.

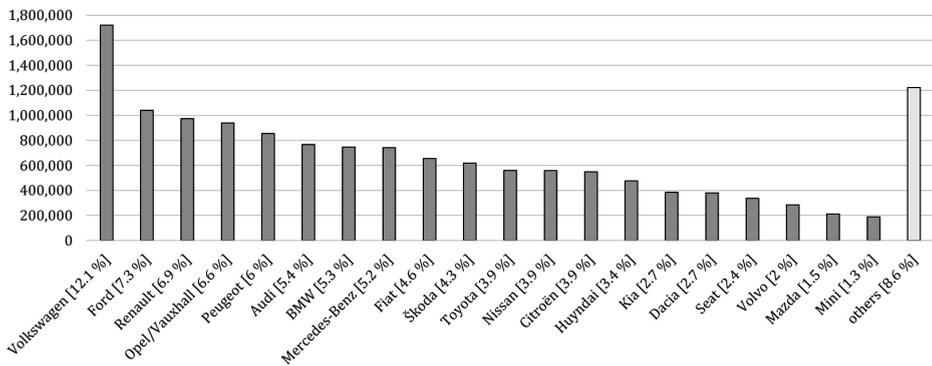
The general trend of the gradual transfer of the production to more favorable conditions and to cheaper production locations is strong and clear: While in the 1980’s Europe, the USA, and Japan produced more than 90% of the world’s vehicles, today their share shrank well below 45%. Within the EU, the production has been transferred from countries in western and southern Europe to more convenient new EU members. This process is obviously associated with reductions in production in the traditional countries of western and southern EU, including reduction of jobs and employment capacities. The remaining question is the future development in the distribution of production, given the potential

increase in production costs in the eastern EU countries. It seems obvious, car producers are pushed to move their production plants to even cheaper destinations, but the reliability and stability of these target economies start playing a crucial role recently (Kallstrom 2015).

## Conclusion

Significant increase in car production in developing countries and emerging markets provides an opportunity for the EU automobile industry, but also creates strong pressure to improve its sustainability and to withstand growing global competition. In the EU, the automobile industry provides 13 million jobs and as such has a crucial importance for the economic growth and employment. As a remarkable innovator, the automobile industry is also a giant investor in research and development. In 2011, only the EU car producers invested 32 billion euro, which exceeds both the pharmaceutical industry and even the biotechnology sectors. In 2014, globally, 6,056 new patents were registered in the field of automotive. Majority of them were submitted by the EU countries, one third of them by German producers alone (ACEA 2015). The automobile industry is propelled by innovation: innovation in production (better fuel efficiency, aluminum bodies of cars, computer technologies and safety systems built in cars, etc.), innovation in financing and sales (e.g. offering operational leasing instead of purchase), innovation in advertising (the auto industry spend globally about 100 billion euro on advertising in 2014). Some of the European producers (Volvo, Saab, Mercedes-Benz) are global leaders in the safety and they have become the main proponents of strict European legislation and high standards in the European market.

**Figure 9: European Automobile Market in 2015 (sales in number of units)**



Source: based on data from [21]

The aim of the EU is to maintain a world-class automobile industry producing the most energy-efficient and safe vehicles and guarantee millions of highly skilled jobs. In order to achieve these objectives, the European Commission has created CARS 2020 Action Plan aimed at strengthening the competitiveness and sustainability of this sector by 2020 (EC 2012). The European Commission proposes massive innovative stimulus through streamlining research and development within the framework of the “European Green Cars Initiative”. The proposed measures deal with exhaust emissions, alternative fuels, funding for research and development, improving the road safety, and the development of intelligent transport systems. At the same time, the Commission addresses the problems associated with low demand for cars and focuses on excessive and unused factory capacity in the EU (e.g. Fiat capacity utilization was around 55 % in 2013, Peugeot operated at 66 % of their capacity) (Kallstrom 2015). The second pillar consists of the initiatives and aims to improve market conditions. The main objective is to strengthen the competitiveness of the automobile industry within the EU and to ensure appropriate, reliable, and predictable conditions for undertaking through regulatory policies (MPO ČR 2012). The third pillar aims at strengthening the competitiveness of the EU on world markets through effective trade policy and international harmonization of vehicle regulations. Because of sluggish demand for cars in the EU, it seems crucial to find and penetrate new markets, especially in fast-growing developing countries (EC 2012). The fourth pillar is focused on anticipating the needs of adaptation through investment in human capital and skills to mitigate the social impact of restructuring. Within this pillar, the Commission set the goal to propose measures needed to solve the problems with unused production capacities and to stimulate demand without violating the principles of the internal market and competition (MPO ČR 2012).

In the future, we can expect the growing efforts of Chinese and probably Indian car manufacturers to penetrate the European markets due to their relatively greater openness compared to other global markets. The main obstacles remain particularly technical, safety, and emission standards. Currently, the participation of car importers to Europe have focused only on competitive products, which still represents a major advantage for European manufacturers. Yet, it is clear that the competitive environment in Europe is changing and the domestic manufacturers must be ready – in their own interest – to respond actively. Strengthening the competitiveness of European producers particularly in relation to growing Chinese production may be considered at several levels: The critical condition for maintaining the competitiveness is further improvement of the technological level of products and introduction of new sophisticated devices and to expand the functions and safety of automobiles. The second chance for the European automotive center to withstand tough competition is to increase the concentration of production to larger clusters and to focus on

highly productive and flexible manufacturing technologies. In comparison with brands from China and India, the European manufacturers are also particularly strong in the segment of luxury brands.

The production of luxury cars is characterized by stable levels of demand, which is relatively resistant to economic fluctuations and records dynamics of long-term growth. A strong brand loyalty associated with a long tradition also plays a vital role. Due to these factors, the penetration of this segment by new Indian or Chinese (and even by new European) producers of premium cars is rather difficult. The biggest premium carmaker, BMW, includes the British brands Mini and Rolls-Royce. The automaker last recorded annual growth of 6.1 % and the main market remains in Europe (Fasse 2016). The group of Daimler, which produces luxury cars Mercedes-Benz and Smart minicar as well as light and heavy cars and trucks. In the first quarter of 2016, the Daimler group even outperformed the traditional leader, BMW, in the number of sold cars (DPA 2016). Another very dynamic production has recently been recorded by Audi, including Lamborghini. Unlike many other competitors, Audi has the advantage of being a member of the large and robust Volkswagen Group. Another representative of quality and luxury is a traditional Swedish Volvo. But this brand first (in 1999) became the property of Ford and then in 2010 it was bought by Chinese Geely Holding. Before the sale of Volvo, Ford sold the Jaguar brand luxury cars to the Indian company Tata Motors. Both Asian companies certainly see the prospects of these acquisitions in the possibility of utilizing the technical and production know-how of traditional manufacturers.

Massive investment in Chinese factories producing cars for export, should open sales in western markets, primarily in the U.S.A. (ECONOMIST 2014). But also other manufacturers want to focus more on the production of luxury cars. The FCA Group (Fiat Chrysler Automobiles) with such brands as Ferrari, Maserati or Alfa Romeo, have big ambitions, but also PSA and Renault are expecting expansion in their premium car segments.

The efficiency and fruitfulness of the CARS 2020 Action Plan as well as a deeper analysis of changes and shifts in the sector of manufacturing of bodies for motor vehicles, trailers, and semi-trailers, and manufacturing of parts and accessories for motor vehicles and complex assessment of their results remain subjects of our future research.

## **Acknowledgment**

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# REVIEWS



**Pozniak, Kinga. (2014). *Nowa Huta: Generations of Change in a Model Socialist Town*. Pittsburgh: University of Pittsburgh Press. 240 p. ISBN: 9780822963189**

OLGA BRUNNEROVÁ<sup>1</sup>

In 1949, a decision was made to construct a new town and steelworks on the outskirts of Krakow. This new mono-industrial town was to serve as a showcase for socialism in Central and Eastern Europe, and the Nowa Huta steelworks was conceived as a flagship industrial project and cornerstone of the six-year economic plan of Poland's socialist government. The new municipality was billed as the "first socialist town" and one of the largest "planned cities" in Europe. Nevertheless, most of the monumental plans for this blueprint town were, symptomatically, never undertaken in the end. Over the last two decades, the model socialist town has ironically assumed its place in history more as a site of resistance to the socialist regime than anything else, and residents have struggled to come to terms with their own past and define a new identity under the changed political circumstances. As in other planned cities of the former Soviet bloc (e.g. Tychy in Poland, Havířov in the Czech Republic, Dunaújváros in Hungary and Štúrovo in Slovakia), all of which promised early residents a better life and were sites on which they projected their personal desires and visions, the socialist legacy continues to heavily influence the current life of the town of Nowa Huta.

In this five-chapter book, Kinga Pozniak, an anthropologist of Polish descent, builds on recent efforts to examine the fate of planned cities and explores how the socialist era is remembered in Nowa Huta and what reflections on the past might say about the dramatic changes in Poland since the 1950 s. Although each

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of the chapters addresses a different aspect of the town's past and present life, a narrative takes shape across the parts, making it crucial to read the book as a whole. The first chapter considers architecture, explaining the layout and main landmarks of Nowa Huta, which came under the administration of the city of Krakow shortly after its construction. Pozniak focuses heavily on the impressions that cities leave on their inhabitants, noting that while representations of the new town as a site of resistance to the socialist government reflect hegemonic national discourses, residents greatly appreciate certain aspects of their town's socialist-era urban design (p. 61). Unfortunately, the author does not pay much attention to the history of the town's creation though it is clear that shrewd but over-ambitious plans and a subsequent lack of funding had a grave effect on the municipality's future. In the second chapter, Pozniak explores memories of the socialist period via the case of Nowa Huta and highlights the changing role of the steelworks in civic life. Explaining the socialist ideology and the workings of the regime by fits and starts, she presents the steelworks as a piece of heritage and a symbol of change; these reflections on past and present working life speak to many dimensions of the socialist experiment as well as the post-1989 reforms (p. 96). Nevertheless, it must be noted that residents' subjective convictions and grievances remain the focus of the chapter, and the emphasis is on personal ambitions and complaints. The third part of the book turns to representations of the past in Nowa Huta's museums and memorials. Interestingly, Pozniak observes that planning memorials in a former socialist country is much like walking on eggshells: organisers try not to offend those with fond memories of the regime or whose relatives literally built the city with their own hands while also celebrating the spirit of political opposition in the city in the 1980s and conveying general disdain for the socialist regime. As Pozniak shows, Nowa Huta is an instructive example of how local representatives can achieve a balance – albeit often an uneasy one – between the experiences of residents (and even the differences among them) and the dominant view in the (national) public sphere (p. 122).

The final two chapters constitute the real core of Pozniak's research. In chapter four, she focuses on recollections of socialism among residents who spent much of their lives under the socialist regime – and were often also the town's founding residents. Drawing on personal interviews, the author lets these individuals speak for themselves, and the results shed light on cultural and social life during the socialist era as well as the city's role in the resistance. Attention is also paid to the notorious shortages and inefficiencies of the era; this private view makes for captivating reading. We come away with the impression that Nowa Huta residents adopted what was acceptable or useful to them from the socialist regime and ignored or got around the things that were not. The more positive aspects of socialism are cited mostly in reference to unfavourable conditions today – an approach that will certainly make sense

to those who experienced so-called communist regimes for themselves even in other countries. Along the same lines, the final chapter takes up the challenge of exploring the experiences of Nowa Huta's younger generations. Pozniak looks specifically at those who did not experience socialism themselves but rather encountered it through the memories of others. As she points out, for most of these individuals, ideas of the socialist era were shaped through a combination of hegemonic national narratives and local representations of Nowa Huta's history (p. 169). The chapter also touches on a key issue – the approach taken by teachers to the sore topic of socialism in the former Soviet bloc. Often, Pozniak suggests, the fairly recent past is (more or less intentionally) left out often the curriculum, leading younger generations to understand the former regime via one-sided denunciations and buzzwords like “repression” and lacking any deeper understanding.

Significantly, Pozniak does not provide any single answer to the question of how Nowa Huta residents see the last seventy years or how the socialist period is remembered, and readers will need to look for more specific answers and interpretations. While the author avoids drawing concrete conclusions and at times generalises from select residents' testimonies, one fact does come across – Nowa Huta locals are more concerned with the material and economic aspects of their lives than with the in-depth analysis of ideological and political aspects of the past or the present. Although the dominant narrative of repression does indeed resonate with many residents of Nowa Huta, the town itself is – as Pozniak puts it – a testament to many positive aspects of life during the socialist period, a fact also observed by many founding residents. As the author concludes, Nowa Huta means “different things to different people and frequently many things all at once” (p. 193).

Even so, we should keep in mind that the experiences of Nowa Huta's population are somewhat unique. After all, the steelworks were crucial to Poland's socialist government, and those living in towns considered less important to the regime's façade would surely have different perspectives. All things considered, Pozniak offers a fascinating picture of the past with telling insights into the inner workings of socialism; the book will be especially revealing for readers who have no personal connection with socialism but there will be many points of identification for anyone who has experienced (either directly or through others' recollections) the past of former socialist countries. Having said this, one shortcoming should be pointed out – the author offers no details of her research design. This means that those wishing to extend the research will face arduous work, which is unfortunate since a comparison with the experiences and memories of residents of other Polish or Soviet bloc cities would surely be compelling. We should also object to the vagueness of some references where Pozniak does not build on verifiable historical resources but on the memories of individuals. Even so, is worth recalling that the goal of the book is to

present town dwellers' memories, which are not inherently objective; this is not an impartial account of historical facts. While the author does her best to balance positive and negative appraisals of each issue, there are times when the text may come across as overstated or biased given the memories that are foregrounded. Yet these isolated objections do not in any way diminish the author's efforts or the quality of the work presented. All in all, Pozniak's book about the changing nature of Nowa Huta over time takes an original approach to its topic, uncovering just how residents of the model socialist town dealt with their city's predicament. This is a finely drawn account of residents' convictions about not only socialism but the current establishment as well and one that goes beyond the limits of nostalgia. As such, it can help us understand the complex nature of remembering socialism not only in Poland but also in other countries with a similar past.

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Rittberger, Volker, ed. (1993): *Regime Theory and International Relations*, Clarendon Press.

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Haas, Ernst B. (1961): International Integration. The European and the Universal Process. *International Organization* 15 (4): 5–54.

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