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# Development of the Visegrad Group in the Context of Efforts to Accelerate the Convergence Processes by Joining the European Union[1]

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**Abstract**

*The European integration efforts have been underway on the European continent for several centuries. Therefore, it is important for a better clarity and transparency of selected processes to understand the term European integration, meaning the integration endeavour into the European Union, which in the case of the Visegrad countries took a notable place since the early nineties of the 20th century. This research paper focuses on analysis and comparison of selected development processes in Czech Republic, Slovakia, Poland, and Hungary since the fall of the communist regime in 1989, resulting into the Visegrad Group formation, until joining the European Union in 2004. This research is based on the hypothesis that during this period, the V4 countries had a similar initial economic situation, converging together towards developed structures and corresponding mainly to questions such as what they were their starting situation and how have those countries developed further. It will be further addressed what was the cause of this development and how it continued, showing which countries have led the way, and what factors did influence them the most.*

**Key words**

*Visegrad Group, European Union, Convergence*

**JEL Classification:** O4, O10, O52

## Introduction

The idea of the Visegrad Group (also known as the Visegrad Four, or simply V4) is the mutual cooperation of Central European countries in various spheres of business, protection and international partnership. Czech Republic, Slovakia, Hungary and Poland are countries that share similar cultural, religious and intellectual values, while they want to maintain their mutual cooperation and continue to strengthen. The official beginning of the Visegrad Group is considered to be February 15, 1991 in Visegrad, Hungary by signing a declaration that obliged these countries to cooperate, which was aimed at increasing the level of their integration and further convergence into the developed Europe, and their path to a free and democratic society. This declaration on cooperation between the Czech and Slovak Federative Republic, Poland and Hungary on the path of European integration was signed by two former presidents - Václav Havel and Lech Walesa, and by Hungarian Prime Minister József Antall. At the

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same time, the signatories were convinced that their cooperation is an important step towards the European integration by practical steps to achieve this cooperation especially with the key European institutions. Such as creating a strong ties, consulting on safety, the effort to create a smooth relationship between institutions and social organizations, economic cooperation, free movement of capital, good environment for cooperation between enterprises and foreign capital investments, development of transport infrastructure, cooperation in the field of ecology and the right conditions for the exchange of information, cultural goods and values.

## 1 Methodology

The main objective of this paper is the comparison of different development conditions and processes in the V4 countries from the fall of the communist regime in 1989 until joining the European Union in 2004. The V4 countries have set common goals which they wanted to achieve by their cooperation, including mainly the restoration of national sovereignty, democracy and freedom, destruction of the totalitarian system (in terms of social, economic and spiritual debris), building a parliamentary democracy and respect for fundamental human rights and freedoms, the creation of a modern market economy and full integration into the European legal system.

In order to accomplish our goal, we have constructed the following research questions:

- What was the initial situation of the Visegrad countries after the fall of communism in 1989?
- What were the reasons of the V4 countries for joining the European Union?
- How were the preparation procedures for accessing the EU conducted in the Visegrad countries?
- Which Visegrad countries have led the EU integration way, and what factors did influence them the most?
- What was the pace of concluding individual negotiation chapters in the Visegrad group?
- How did the public react on the EU accession in opinion polls and what was the participation in referendum on EU membership?

The following methods were used to fulfil the target: We focus on analysis and comparison of selected development processes in Czech Republic, Slovakia, Poland, and Hungary since the fall of the communist regime in 1989, resulting into the Visegrad Group formation, until joining the European Union in 2004. The compared parameters in this research paper are the events leading up to change of foreign policy of the V4 countries in the late 80s and 90s and the process of integration of these countries into The European Union, the progress of individual accession negotiations of the Visegrad Group, which they filed in a different period. We put emphasis mainly on the internal situation and the related foreign political situation of the V4 countries during the reported period, which had a significant influence on the whole negotiation process of entering the EU.

# 2 Results and Discussion

## 2.1 The beginning of convergence and development processes

The beginnings of communist governments in Europe date back to the 40s of the 20th century. In 1989, however, the regime fell because it could not deliver its promises and ambitions of economic modernization, economic prosperity and social justice, which was the original ideology of Marxism-Leninism, which supplied the legitimacy of the ruling Communist parties. The fall of communism in Europe also ended the Soviet domination over the post-communist countries. As a result, these countries started their journey towards political pluralism and parliamentary democracy, private enterprises and the economy, which has opened to foreign trade and investment. This complex process had markedly different speed in around the Europe. Czechoslovakia (or also the Czechoslovak Socialist Republic in 1990, and later Czechoslovak Federative Republic and the Czech and Slovak Federative Republic) has maintained a relatively higher macroeconomic stability in the transformation than any other socialist economy. It was also among the countries of the former Soviet bloc, according to the Gini coefficient, which had one of the most uniform distributions of wealth and income. It is also important to realize that Czechoslovakia had before the WW2 II reached a similar GDP per capita as its neighbour Austria (Fawn, 2003). On the other hand, there were relatively higher differences between the Czech and Slovak areas of the republic. Czech area was a rather industrial one, while Slovakia was more specialized in agriculture.

Transformation in Czechoslovakia was launched by Velvet Revolution. Since the beginning it has been accompanied by the efforts to transition from a centrally planned economy to a market economy, wanting to cooperate closely with the Western economies, as it was considered to be the key to restoring economic prosperity. This process was relatively slow because of the personnel changes in the government and due to an inability to come to a consensus on the specific economic program. The specific scenario of economic reform was created 1.9.1990, while its aim was focused especially on strong anti-inflationary policy, improving balance, employment etc. The government wanted to achieve zero growth in money supply, and a budget surplus of at least 1-1.5%. In addition, microeconomic goal was an efficient allocation of resources. Furthermore, the program did emphasis on social justice, employment, fair income of workers and their social security.

Hungary had at the beginning of its journey to the market economy relatively firm conditions because of the program called New Economic Mechanism, which has originally launched in 1968 and aimed to combine the elements of central planning with many market economy aspects. However, this process has slowed down in the seventies, but in the eighties it was restored again. Private businesses were mainly possible in agriculture for a long time accounting for 30-40% of household income. In contrast, however, other sectors of agriculture were relatively flat. In the eighties small business got a legal framework, opening the way for entrepreneurs who had been in close cooperation with the public sector. These pre-revolutionary events are considered to be important, since all actors on the market (private and public businesses, households, financial institutions, etc.) began to have experiences with how to behave in the market economy. This process took place mainly between the years 1987-1991, thus Hungary could avoid the paradox which were facing other transition economies.

Regarding the political situation, the election in 1990, had a very strong potential on creating an effective government, by which there would be a definite farewell to the past, and the introduction of democracy. Among the parties whose representatives were elected into government, there had been a sufficient degree of consensus that allowed their negotiations. Most in the government had Hungarian Democratic Forum, which did form a coalition with the Independent Smallholders Party. Hungarian Democratic Forum managed eight of the fifteen ministries and the prime minister at that time was József Antall. On the other hand, their weakness; however, was the fact that it did not have an sufficient number of economic experts who would be able to provide intellectual support that was necessary for the draft of an effective future economic program (Fiala, 2009).

Political changes which have happened in the Soviet Union, and therefore parallel in 1989 in Poland, gave new opportunities to the country combined with the Solidarity movement that challenged the socialist regime in Poland. In half free elections, the Solidarity party had won all possible seats that the opposition could gain (35%). Due to increase in their political power in September 1989, Poland had a potential of transition to a capitalist system. However, the political coalition led by Solidarity had only a rather vague idea about what to do with power in the economy, thus leaving it to create a program of transformation to on a small group of experts led by Leszek Balcerowicz. This group of experts has developed an unusual power, mainly due to a demonstrable collapses in the old economy and the vision of possible improvement. Polish nation had put a great confidence in these new authorities, which had the ground to perform transformations and convergent to the western economy.

Part of the plan, which included macroeconomic stabilization, wanted to largely focus on liberalized prices in order to stabilize them through three pillars: money supply, exchange rate and incomes policies. That meant two secondary objectives: a significant increase in foreign exchange reserves and most significant improvement in the quality of the price system. This led to an artificially induced inflation, which has caused a huge monetary expansion, helping to achieve the third objective: reducing the ratio of the dollar against the local currency in the money supply. Inflationary policy was carried out through an increase in import prices, but also due to induced monetary expansion through the balance of trade surplus (Gilbert, 2011). The intention was, among other things, to avoid the problems which had East Germany. Inflation was of course tied to a very large increase in prices and therefore decline in real wages. By 1990 Polish policy has become more restrictive, both fiscal and monetary.

Poland did not count with a high social and economic costs required to transform. Instead of a rapid improvement in living standards, Poland was on the verge of a long-lasting recession. Thanks to rapidly reduced confidence in Balcerowicz plan as part of the government (in 1989 it was supported 45%, in 1990 only by 20%) and by the ordinary people. Therefore, in 1991, the Polish economy fell into recession, instead of meeting a promising plan (Filipova, 2011). Nevertheless, the economic development was certainly not as positive as expected and in scientific research it is often discussed whether a recession was really so remarkable, since firstly because the statistics are not considered to be completely always reliable. The second argument is a substantial industrial restructuring, which was at that time in Poland, therefore, the overall rate of wealth did not decline as significantly as various studies have often suggested.

## 2.2 Preparation procedures and accessing the EU

The first countries which have submitted an application for EU membership were Poland and Hungary. Both countries have submitted a request in April 1994, shortly after each other within one week. The fact that these two countries were the first applicant is not accidental, since both states have strongly focused its foreign policy on integration into the EU structures including the fact that these countries were leaders in drawing finances from Phare funds ("The Phare programme is one of the three pre-accession instruments financed by the European Union to assist the applicant countries of Central and Eastern Europe in their preparations for joining the European Union"). Third country, which has followed with a request for EU membership, was Slovakia who filed the request on July 27, 1995. More than a year behind Poland and Hungary can be attributed particularly because of difficult to read and not so successful foreign policy of Slovakia at the time. The last state that has submitted an application for the EU membership was the Czech Republic, whose government was then in the European Union issues at least very cautious. This resulted in the fact that the Czech Republic has submitted an application on 17 January, 1996 (Weiner, 2009).

Furthermore, when it comes down to the pace of concluding individual negotiation chapters, Hungary played a pioneering role in it, which was very well prepared to implement European law and in 2001 it had already closed 22 chapters, though it was followed by the Czech Republic, which had also closed in 2001 only one chapter less than Hungary. Poland had managed to close 18 negotiating chapters by the end of 2001, and Slovakia 12. Yet, Slovakia was the actual winner of closing chapters, it terms of speed as it had almost two years' shorter time to negotiate the same number of chapters as the other V4 countries. The problematic chapters were in the case of the Czech Republic energy and environment. In the case of Hungary, the problematic chapter seemed to be culture and agriculture for Poland, economic competition and institutions for Slovakia (Cordell, 2002).

**Table 1** Enlargement of the European Union

| Country | Date of the referendum | Voter turnout (%) | Voters supporting EU entry (%) |
|---|---|---|---|
| **Hungary** | 12.4.2003 | 45,6 | 83,76 |
| **Slovakia** | 16. - 17. 5. 2003 | 52,15 | 92,46 |
| **Czech Republic** | 13. - 14. 6. 2003 | 55,21 | 77,33 |
| **Poland** | 7. - 8. 6. 2003 | 58,85 | 77,45 |

Source: Eurostat, 2016

Negotiations on the Accession Treaty of Poland to the European Union has been initiated and waged since 2002 and the actual signing by the Polish representatives took place in Athens on 16.4.2003. The agreement was signed by Prime Minister Leszek Miller and Foreign Minister Włodzimierz Cimoszewicz. Part of the Final Act of the Treaty was the protection of production of certain fruit and declarations of public morality. Support for Poland's entry into the EU has found a surprising consensus within political parties in Poland and has hold since the mid-90s. In fact, this meant that the ruling coalition led by Leszek Miller found the common ground with the opposition parties of the former government. Only political parties that publicly opposed the Polish entry into the EU, were the farmers Self-Defence party and the catholic League of Polish Families (Fialová, 2005). Public opinion polls from the '90s suggest a marked pro-European sentiment of Poles supporting to joining the EU (around 80% of votes). In contrast to this, later on it was mainly due to the negotiation processes that were not taking place exactly smoothly; Polish support for EU accession has dropped and fluctuated around 60% and at 70% in 2002.

Polish referendum was legally governed by the national referendum, which was adapted for this purpose by parliamentary resolution. This resolution determined the end of the election campaign 24 hours before the beginning of the vote. Part of the referendum was also a clause that ensured the validity of the vote only if the 50% turnout quorum was met. The main feature of the election campaign for the referendum in Poland has been a very emotional leadership and one of the most important actors of the electoral campaign in Poland was the church, whose influence had often overshadowed the campaign led government. However, the Polish church itself did not have a clear view on European referendum. The anti-European opinion was presented mainly by Polish catholic radio Maryja and by the political party League of Polish Families. In contrast, joining the EU was supported by Pope John Paul II., who had an immense influence on the Poles. The actual referendum then took place unusually in two days - 7th and 8th June, 2003, while it was evaluated critically, because during the poll were presented rolling results and the campaign was still being conducted. The government justified these actions by the effort to promote participation in the referendum, but it did not meet with great understanding. The final results of the referendum were presented on June 9th in the evening, when the National Commission announced that the referendum was successful. The point of greatest interest was obviously turnout, which has reached 58.85%, thus managed to meet the 50% quorum. For Poland's joining the European Union had expressed support 77.45% of the voters (Chwalba, 2009).

Hungary has signed the Accession Treaty to the EU as well as other countries of so called Eastern enlargement on April 16, 2003 during the Greek presidency. In the final act of the Accession Treaty, the Hungarian side only mentioned transitional periods for free movement of workers and transition periods for value added tax, together with Slovenia. During the preparation for the Hungarian referendum on joining the EU, the change of government in May 2002, did not cause any twist. Current government led by FIDESZ and the previous coalition government of Hungary have promoted European integration, thus preparations for the referendum were virtually untouched by the changes in areas of the Hungarian government. Government support for the referendum was conducted and dedicated solely to the conviction of the EU accession led directly by various ministries. However, the government has earned criticism for exorbitant expenses related to the election campaign, which has soared to 12 million euro. The rest of the political parties were acting nearly homogeneous towards the European integration. The only groups that openly professed against joining the EU, was the Hungarian Democratic Forum and the Christian Democratic Party, which in European integration have seen the loss of national identity (Minkenberg, 2015).

Opinion polls in Hungary have confirmed relatively stable support for the EU membership, which was the highest in the V4 countries. This support ranged between the years 1999 and 2003 from 75 to 80% and turnout was estimated by surveys at

70%. All these circumstances led to the belief that nothing can lead to a negative outcome of the referendum. Additionally, after the approval of the relevant law the referendum was set by the government on April 12, 2003. The peculiarity of the Hungarian referendum was a ban on publicizing the opinion polls from April 4th to 12th. The actual voting then took place peacefully without any major problems; while the only surprising thing was the low turnout, which could be observed even during the vote.

Result of Hungarian referendum on EU accession has clearly confirmed the pro-European sentiments of Hungarian voters (at the time), expressed by 83.76% of voters against only 16.24%. On the other hand, the surprise of the Hungarian referendum, was the turnout, only 45.6% of voters exceeded even the most pessimistic estimates and confirmed the correctness of the decision to change the law on people's initiative abolishing minimum quota of votes (Schreier, 2015). Hungarian national referendum also verified the unsuitability of referendums as a means for approving important constitutional and international legal obligations.

The agreement on the accession of Czech Republic into the European Union was being prepared since April 2002, according to the status of individual chapters discussed. Czech Republic approved the agreement text in February 2003. The treaty came into validity on April 16, 2003 during the Greek Presidency. The basis of the contract determined the date of entry on 1 April 2004. Also part of the contract was the Final Act, which summarized previous discussions (Gančaříková, 2007). Regarding the referendum, the main actor was the government (characterized as a pro-European), who has set the accession to the EU as its main objective. It has set a task to not only to inform voters about the European integration but to convince them. The main organizer of a government campaign was the Department of Communicating Strategy of the Ministry of Foreign Affairs and its means to lead the campaign amounted to 7,4 million euro. Critical to the government's campaign stood the opposition party ODS, which have opposed some of the processes of European integration, particularly through its former chairman Václav Klaus, who was a leading eurosceptic in the Czech Republic. Eventually, however, ODS chairman Mirek Topolánek issued a statement of support for joining the EU, in which he urged voters and party members to vote for joining. Very interesting position stood the communist parliamentary party KSČM, which has supported realization of internationalism by joining the EU, but on the other hand, it has seen in the European Union the product imperialism.

Pre-election campaign that hit the Czech Republic could be characterized by a kind of supersaturation of the European Union. The polling stations in the Czech Republic opened on June 13 and June 14, 2003, while the voting took place without any major problems for two days, polling stations closing on June 14 at 14.00. Preliminary results have already indicated a positive result, but final results were not known until the evening of June 14. According to the final results, the entry was expressed by 77.33% of voters, compared to 22.67% of voters who voted against joining. Voter turnout was 55.21% of eligible voters. Thanks to the fact that constitutional law on referendum did not contain a clause on minimum turnout, the negative outcome of referendum was virtually eliminated because the input support has long hovered around 50% and the ratio of opponents did not exceed 20% (Barták, 2007). Czech referendum result was enthusiastically received by both the governing coalition and a number of Czech celebrities, but especially by the European Union, whose leaders were among the first well-wishers.

Slovakia has also signed the Treaty of Accession to the EU during the summit in Athens, along with other states on April 16, 2003. It was the most important international agreement in Slovak history, which is legislatively consecrated in Article 7 of the Slovak constitution, stating that Slovakia may delegate part of its rights to the European Community and the EU, including that legally binding acts may supersede the laws of the Slovak Republic. In the final act of the Accession Treaty to the EU Slovak Republic, unlike other candidate countries, it did not add any individual statement to the EU. The most important subjects in Slovak referendum were mainly political parties and movements. Entry into the EU was the domain of domestic government coalition (SDKÚ, SMK, KDH and ANO) but also of all the other parties on the political spectrum. Surprisingly, against joining the EU was not even People's Party - Movement for a Democratic Slovakia and not even the Communist Party of Slovakia. Practically, we can say that there was no significant political subject on the Slovak political scene, who would acts in the role of opponent of Slovakia's entry into the European Union.

Opinion polls on the EU accession, took place during the years 2001 and 2002. In the first survey in 2001, Slovakia's accession to the EU was expressed by 71.2% of citizens. In 2002, a year before the referendum, the percentage of supporters for joining the EU even increased to 74.3% of respondents. Referendum date was set by the President on 16th and 17th May 2003 requiring 50% participation. Its only course was accompanied by fears of a low turnout, where a last-minute media encouraged citizens to participate in the referendum. The results of the referendum were announced on May 18 evening and confirmed the turnout 52.15% of eligible voters. The turnout just missed the mandatory 50% quorum guaranteeing the validity of the referendum. Positively to the joining the EU expressed 92.46% of the voters. The clear leader in the campaign was the Slovak government, which was practically the only subject of the election campaign. Campaigning has launched in January 2003 and allocated 2 million euro (Leška, 2006).

## Conclusions and policy implications

The socio-economic transformation of the V4 countries after the 1989 was at the beginning combined with many negative aspects. All countries recorded decline in their national income, industrial output and investment and living standards. It was followed by a hidden unemployment, inflation and considerable damage to some industries. The depression was the direct result of macroeconomic stabilization reflected as economic shocks combined with liberalization in such global format, which is always associated with significant complications. In conclusion, we can say that specific problems in individual countries did differ in some aspects; however, their convergence processes had similar signs. Immediately after the transformation of Czechoslovakia, the Czech Republic faced a significant increase in price levels, currency devaluation, and a rise in unemployment rate. At the same time, there have been growing differences between the Czech and Slovak parts, and disagreements on how to implement reforms, which resulted in separation of the two countries in 1993. Soon after the separation the Czech Republic began to convulse in another crisis, which lasted until 2000. After that, however, there had been seen a significant growth and stable development, which had also lasted until joining the European Union. On the contrary, Slovakia had despite its relatively large initial problems and slower implementation of reforms compared to Czech Republic, began to stabilize rather well. It had shown the greatest growth potential during the period of years 1989-2004, while reaching the level of developed European economies.

It can be concluded that the weakest growth and development rate was clearly seen in Hungary. Its transformation has not taken place nearly as successfully as in other Visegrad countries. At the beginning of 1992 only 30-40% of GDP was produced by the private sector, facing high unemployment rate and in addition to this, there has been pressures within the government on taking this development in the opposite-eastern direction. Furthermore, Hungarian economic growth has been largely being built on credit indebtedness. The research shows that even Poland was facing a lot of problems during the transformation period, while the most serious of them was an immediate onset of hyperinflation. On the other hand, Poland had reacted very quickly to the problems. Since the 1990s the country has managed to reduce unemployment, increasing the average wage, as well as its strengths in the labour market and during the monitored period was the most stable economy in Visegrad.

In 2004 the V4 countries have joined the EU. Since then they have significantly increased their socio-economic power, export potential, particularly in comparison with other old member states (their exports grew three times faster), while their incomes converge to advanced EU countries (Schreier, 2015). Their primary area for export is the automotive industry and it also benefits the other member states as the V4 offers together a comparatively large market like France, Italy or the Benelux countries. The Visegrad cooperation is based on a meetings and negotiation of representatives of the member states at various levels (prime ministers, presidents, experts, ministers, etc.). Moreover, their cooperation has focused on energetic sector, presenting themselves as an important energy hub for the EU. Energy security is also one of the important programs of the V4 where the main initiator is Hungary. Important institution, which has the Visegrad Group also founded, is the International Visegrad Fund, intended to support not only the relations between the V4 states, but also to supports projects in science, research, education, culture, etc., so is natural, that the countries must contribute to the budget. Furthermore, the group is also strengthening relations with the countries wishing to join the EU.

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