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### **Differential empowerment for institutional change. The EU's impact on state and non-state actors in Eastern Europe**

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## Abstract

This paper compares how the EU, as a transnational integration regime (TIR), empowers business associations and state agencies to bring about institutional change in candidate and neighbouring countries. Empirically, I compare change in food safety regulations in the Czech Republic and Ukraine. In contrast to the Europeanization scholarship, I contend that the diverse outcomes in these countries cannot be sufficiently explained by varying degrees of externally imposed leverage, i.e. conditionality. Further, I show that market integration serves as only one of many necessary factors to explain variations in institutional change. Instead, I argue that the differential empowerment of domestic state and non-state actors by the EU as a TIR provides an additional necessary condition for change. Multiplex interactions between the EU and Czech actors have legitimized and stabilized institutional change in the Czech Republic. Consequently, the capacity of Czech state actors to supply new institutions has increased, while Czech agri-food associations have been empowered to shape policy-making and channel financial and technical support to firms. In contrast, the dyadic interactions in the Ukrainian case have brought about shallow patterns of transnationalization, leading to slower and less encompassing change in the local institutions of food safety.

## 1. Introduction

The European Union constantly seeks to reproduce its regulatory model beyond its borders.<sup>1</sup> For the past twenty years, the most significant target region in this respect has been Eastern Europe. Prior to their accession in 2004 and 2007, respectively, the EU helped ten post-Communist countries to comply with the political and economic Copenhagen criteria and to transpose the 80,000-page *aquis communautaire* into their national law. Apart from the Eastern Enlargement, the EU is also actively exporting its rules to developing market economies in many other parts of the world, such as the East European and Mediterranean countries in the European Neighbourhood, Latin America, Asia and Africa.<sup>2</sup>

In its efforts to promote rule transfer, the EU is not merely an external actor undertaking bilateral cooperation with the governments in the respective target countries. Instead, the EU is a transnational integration regime (TIR), an emerging multinational regional agreement that engages various public and private actors and uses diverse mechanisms to enhance institutional development in its target countries.<sup>3</sup> This implies that the EU's impact on domestic change does not stop at applying positive or negative conditionality and offering market access. Rather, EU activities and programmes encourage European business associations and other NGOs, regulatory networks, and experts to engage in various mechanisms including assistance and monitoring. These efforts empower domestic state and non-state

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<sup>1</sup> Bretherton, Charlotte / Vogler, John: *The European Union as a global actor*, London, New York/NY: Routledge, 1999; Grugel, Jean: *New Regionalism and Modes of Governance. Comparing US and EU Strategies in Latin America*, in: *European Journal of International Relations*, 2004 (Vol. 10), No. 4, pp. 603–626.

<sup>2</sup> Schimmelfennig, Frank: *Europeanisation beyond Europe*, in: *Living Review on European Governance*, 2007 (Vol. 2), No. 1, <http://www.livingreviews.org/lreg-2007-1>

<sup>3</sup> Sabel, Charles F. / Zeitlin, Jonathan: *Learning from Difference. The New Architecture of Experimentalist Governance in the European Union*, in: *European Governance Papers (EUROGOV)*, No. C-07-02, 2007, <http://www.mzes.uni-mannheim.de/projekte/typo3/site/fileadmin/wp/abstract/C-07-02.htm>; Bruszt, Laszlo / McDermott, Gerald: *Transnational Integration Regimes as Development Programs, Central and Eastern Europe*, Working Paper Series 67, Center for European Studies at Harvard University, November 2008, [http://www.ces.fas.harvard.edu/publications/docs/pdfs/Bruszt\\_McDermott.pdf](http://www.ces.fas.harvard.edu/publications/docs/pdfs/Bruszt_McDermott.pdf)

actors in the candidate or third countries to shape institution-building processes.<sup>4</sup> This conceptualization of the EU as a TIR takes into account that the regulation of market economies is no longer in the hands of state actors alone. In fact, the growing body of literature on the 'regulatory state' emphasizes the significance of non-state actors for legitimizing and stabilizing institutional change. While state actors still supply the rules of the market and enforce their application, non-state actors demand specific rules and help to steer the economy by providing information about rule compliance on the ground.<sup>5</sup>

However, the domestic impact of the EU as a TIR varies across target countries. The EU's impact varies not only with respect to the incentives it offers in the form of membership or trade agreements, as most scholars suggest,<sup>6</sup> but also in the way it fosters domestic institution-building capacities of government agencies, business associations and firms across the various target regions. Consequently, the EU triggers diverse outcomes in terms of domestic institutional change and convergence with its rules.<sup>7</sup>

The goal of this paper is to explain the different outcomes regarding the adoption of EU food standards and the respective rules of enforcement in candidate and neighbouring countries. Given the importance of the agricultural sector for many developing market economies, the ability of a country to implement internationally acknowledged food standards in a reliable manner greatly determines its market access abroad.<sup>8</sup> More specifically, I scrutinize why EU food safety regulations have been successfully applied by the Czech agricultural sector, while Ukraine has only been able to implement the regulations in its grain sector. I argue that the various outcomes can be explained by the differential empowerment of Czech and Ukrainian state and non-state actors arising from the various combinations of mechanisms and actors that the EU has employed in the two countries under scrutiny.

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<sup>4</sup> Bruszt, Laszlo / Holzacker, Ron (eds): *Transnationalization of States, Economies and Civil Societies. New Modes of Governance in Europe*, New York/NY: Springer, forthcoming 2009; Langbein, Julia: *Transnationalization and Change in Economic Institutions. The Case of Ukraine and Industrial Standards Regulations*, in: Bruszt, Laszlo / Holzacker, Ron (eds): *Transnationalization of States, Economies and Civil Societies. New Modes of Governance in Europe*, New York/NY: Springer, forthcoming 2009.

<sup>5</sup> Jordana, Jacint / Levi-Faur, David (eds): *The Politics of Regulations. Institutions and Regulatory Reform for the Age of Governance*, Cheltenham: Edward Elgar, 2004; Majone, Giandomenico: *From the Positive to the Regulatory State. Causes and Consequences of Changes in the Mode of Governance*, in: *Journal of Public Policy*, 1997 (Vol. 17), No. 2, pp. 139–167.

<sup>6</sup> Kelley, Judith: *New Wine in Old Wineskins. Promoting Political Reforms through the New European Neighbourhood Policy*, in: *Journal of Common Market Studies*, 2006 (Vol. 44), No.1, pp. 29–55; Schimmelfennig, Frank: *Europeanisation beyond Europe*, in: *Living Review on European Governance*, 2007 (Vol. 2), No. 1, <http://www.livingreviews.org/lreg-2007-1>; Bauer, Michael W. / Knill, Christoph / Pitschel, Dianca: *Differential Europeanization in Eastern Europe. The Impact of Diverse EU Regulatory Governance Patterns*, in: *Journal of European Integration*, 2007 (Vol. 29), No. 4, pp. 405–424.

<sup>7</sup> Wolczuk, Kataryna: *Implementation without Coordination. The Impact of EU Conditionality on Ukraine under the European Neighbourhood Policy*, in: *Europe-Asia-Studies*, 2009 (Vol. 61), No. 2, pp. 187–211; Bruszt, Laszlo / Holzacker, Ron (eds): *Transnationalization of States, Economies and Civil Societies. New Modes of Governance in Europe*, New York/NY: Springer, forthcoming 2009; Langbein, Julia: *Transnationalization and Change in Economic Institutions: The Case of Ukraine and Industrial Standards Regulations*, in: Bruszt, Laszlo / Holzacker, Ron (eds): *Transnationalization of States, Economies and Civil Societies. New Modes of Governance in Europe*, New York/NY: Springer, forthcoming 2009.

<sup>8</sup> Gatzweiler, Franz W. / Judis, Renate / Hagedorn, Konrad: *Sustainable Agriculture in Central and Eastern European Countries*, Aachen: Shaker Verlag, 2002; World Bank: *Ukraine. Agricultural competitiveness*, Washington D. C.: World Bank, 2008.

## 2. Food safety regulation in the Czech Republic and Ukraine

The comparison of the different degrees of convergence with EU food safety regulations in the Czech Republic and Ukraine is based on a most similar research design.

*First*, the Czech and Ukrainian agricultural sectors were in a very similar condition after the breakup of the Soviet Union. From 1992 to 1994, the two countries experienced immense declines in agricultural output.<sup>9</sup> In addition, the competitiveness of Czech and Ukrainian farms was hampered at that time due to technical inefficiencies and higher commodity prices than those on the protected EU market.<sup>10</sup> By the late 1990s, both countries still lacked relevant food safety legislation and had weak capacities for certifying and monitoring food safety in accordance with EU requirements.<sup>11</sup>

*Second*, following the privatization of land in the first half of the 1990s, the Czech and Ukrainian agricultural industries consisted of privatized large farms and numerous small farms owned by private households and cooperatives.<sup>12</sup> In 2001, 90% of agricultural land in the Czech Republic was cultivated by 13.6% of the farms.<sup>13</sup> On the other hand, 10% of Ukrainian farms cultivated 90% of the country's commercial farmland in 2003.<sup>14</sup> Large farms are expected to face fewer difficulties in upgrading their production to meet EU food standards than small and medium farms. This is because the latter two will profit less from economies of scale.<sup>15</sup> Given the similar composition of the Czech and Ukrainian agricultural sectors in terms of ownership, one would have expected the two countries to have very similar rather than dissimilar outcomes regarding their alignment with EU food safety regulations.

*Third*, the two countries lacked autonomous business associations at the beginning of the 1990s as a consequence of their socialist legacies. During state-socialism, state technocrats and state-run trade unions worked closely together. While mediation between state and social interests was thus not totally absent, the state held the monopoly over the policy-making process.<sup>16</sup> Therefore, corporatist linkages between the state and economy in the two countries should have prevented agricultural business associations from pressuring their governments to support harmonization with EU food standards and

<sup>9</sup> Swinnen, J.: Ten Years of Agricultural Transition in Central and Eastern Europe. Some Lessons for Ukraine, in: von Cramon-Taubadel, S. / Zorya, S. / Striewe, L. (eds): Policies and Agricultural Development in Ukraine, Aachen: Shaker Verlag, 2001, pp. 6–17.

<sup>10</sup> Jacoby, Wade: The Enlargement of the European Union and NATO. Ordering from the Menu in Central Europe, Cambridge: Cambridge University Press, 2004; von Cramon-Taubadel, S. / Zorya, S.: (When) will Ukraine be a global player on World Agricultural Markets?, Paper prepared for the Xth EAAE Congress 'Exploring Diversity in the European Agri-Food System', Zaragoza (Spain), 28–31 August 2002, <http://ageconsearch.umn.edu/bitstream/24912/1/cp02zo17.pdf>, accessed 20 April 2009.

<sup>11</sup> European Commission: Agricultural Situation and Prospects in the Central and Eastern European Countries. The Czech Republic, May 1998, [http://ec.europa.eu/agriculture/publi/peco/czech/czech\\_en.pdf](http://ec.europa.eu/agriculture/publi/peco/czech/czech_en.pdf); von Cramon-Taubadel, Stephan / Striewe, Ludwig: Die Transformation der Landwirtschaft in der Ukraine. Ein weites Feld, Kiel: Wissenschaftsverlag Vauk Kiel KG, 1999.

<sup>12</sup> Gatzweiler, Franz W. / Judis, Renate / Hagedorn, Konrad: Sustainable Agriculture in Central and Eastern European Countries, Aachen: Shaker Verlag, 2002; World Bank: Ukraine. Agricultural competitiveness, Washington D. C.: World Bank, 2008.

<sup>13</sup> Yakova, Iglicka: Czech Republic, 'Europe' and its farmers. How is Agricultural Interest Intermediation Affected by Accession to the EU, in: European Political Economy Review, 2005/06 (Vol. 3), No. 2, pp. 112–142.

<sup>14</sup> Pleines, Heiko: Der politische Einfluss der Kohlelobbies in Polen, Russland und der Ukraine. Eine vergleichende Politikfeldanalyse, Arbeitspapiere und Materialien der Forschungsstelle Osteuropa, 2006, No. 80.

<sup>15</sup> D un, Elizabeth: Trojan pig. Paradoxes of food safety regulation, in: Environment and Planning, 2003 (Vol. 35), No. 8, pp. 1493–1511.

<sup>16</sup> Yakova, Iglicka: Czech Republic, 'Europe' and its farmers: How is Agricultural Interest Intermediation Affected by Accession to the EU, in: European Political Economy Review, 2005/06 (Vol. 3), No. 2, pp. 112–142.

alignment with the EU's rules of enforcement. In addition, the absence of autonomous business associations, which would have defended the interests of small and medium farms, made it less likely that the evolution of EU food safety institutions would be legitimized and monitored by a substantial number of rule targets in the two countries. In sum, both countries lacked supportive and strong domestic demand for EU food safety regulations at the beginning of the 1990s.

*Fourth*, in both cases policymakers and farmers were unfamiliar with EU food safety regulations and did not possess any knowledge about their content.

Notwithstanding these similarities, the Czech Republic had managed to adopt the major parts of EU food safety regulations and received permission to trade most of its food products within the EU Single Market by May 2004.<sup>17</sup> In contrast, Ukraine has only managed to export grain to the EU but is not allowed to export more sophisticated products (such as dairy or meat products) to the EU. Further, the country lacks a food safety system that allows private and public bodies to control standards compliance.<sup>18</sup> This is despite the fact that Ukraine should have a higher incentive to align with EU food standards than the Czech Republic given the stronger significance of the agricultural sector for Ukraine's national economy. In the Czech Republic, the agricultural sector accounted for 8% of GDP and 7% of total employment in 1998, while the share of food and agriculture in Czech total exports accounted for only 2%. In contrast, the agricultural sector accounted for 19% of Ukraine's GDP in 1998 and for 23% of total employment in 1999. Food and agriculture accounted for 11% of Ukraine's total exports in 2000.<sup>19</sup>

Why has the Czech Republic managed to align with the EU food safety regulations in terms of standards harmonization and enforcement while Ukraine has only achieved similar results in its grain sector despite the two countries' similar overall agricultural conditions in the early 1990s and the higher economic incentives for Ukraine?

### 3. Is it all about conditionality and markets?

Scholars of Europeanization will not hesitate to explain the divergent outcomes in the Czech Republic and Ukraine by referring to different degrees of externally imposed incentives, i.e. membership conditionality.<sup>20</sup> The lack of EU membership prospects in the Ukrainian case supposedly explains why the country lags behind in adopting costly European food standards and why it has not restructured its food control system in accordance with EU requirements. In a similar vein, scholars of development will

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<sup>17</sup> European Commission: Final Report of a Mission carried out in the Czech Republic from 18 to 22 October, 2004, (DG SANCO) 7179/2004-MR Final, 25 January 2005, [http://www.mze.cz/attachments/7179\\_final\\_report.pdf](http://www.mze.cz/attachments/7179_final_report.pdf)

<sup>18</sup> European Commission: ENP Progress Report Ukraine, Commission Staff Working Document, Accompanying the Communication from the Commission to the Council and the European Parliament, Brussels, 4 December 2006 (COM(2006) 726 final); European Commission: Progress Report Ukraine, Commission Staff Working Document, Accompanying the Communication from the Commission to the Council and the European Parliament 'Implementation of the European Neighbourhood Policy in 2007, April 2008, [http://ec.europa.eu/world/enp/pdf/progress2008/sec08\\_402\\_en.pdf](http://ec.europa.eu/world/enp/pdf/progress2008/sec08_402_en.pdf); Garcia, Marian: The Challenge of Conforming to Sanitary and Phytosanitary Measures for WTO Accession and EU Exports. The Case of Ukraine, Rome: Food and Agriculture Organisation of the United Nations, 2006.

<sup>19</sup> World Bank: The Agrarian Communities of Central and Eastern Europe and the Commonwealth of Independent States. An update on Status and Progress in 2000, Washington D. C.: World Bank, 2001.

<sup>20</sup> Schimmelfennig, Frank: Europeanisation beyond Europe, in: Living Review on European Governance, 2007 (Vol. 2), No. 1, <http://www.livingreviews.org/lreg-2007-1>; Bauer, Michael W. / Knill, Christoph / Pitschel, Dianca: Differential Europeanization in Eastern Europe. The Impact of Diverse EU Regulatory Governance Patterns, in: Journal of European Integration, 2007 (Vol. 29), No. 4, pp. 405–424.; Vachudova, Milana: Europe undivided. Democracy, leverage, and integration after communism, Oxford, New York/NY: Oxford University Press, 2005.

argue that the varying degrees of market opening have triggered the variations in the extent and speed of institutional change across the two countries.<sup>21</sup> Hence, the prospect of gaining access to the EU market for agricultural products posed a high incentive for Czech policymakers and owners of large farms to support alignment with EU food standards.<sup>22</sup> In contrast, the EU keeps most of its agricultural sector closed to third countries, including neighbouring Ukraine, except for grain and some other non-processed foods. Even the Deep Free Trade Agreement (FTA+), which the EU and Ukraine started to negotiate in February 2008, only foresees a selective inclusion of the agricultural sector at the time of this writing.<sup>23</sup> Except for the grain sector, Ukrainian policymakers and food producers thus have weaker market incentives to adopt EU food standards than their Czech counterparts.

In addition to varying degrees of conditionality and market opening, the EU's impact on candidate and neighbouring countries also differs with respect to two other mechanisms through which European and domestic state and non-state actors interact with each other: assistance and monitoring. *Assistance* encompasses the externally sponsored transfer of knowledge, skills and financial resources through seminars, trainings, or exchange of experts and empowers domestic actors to build or change their regulatory institutions.<sup>24</sup> *Monitoring* entails the development of criteria to assess progress which are then used to repeat the monitoring process on a regular basis to reveal leaders and laggards of reform.<sup>25</sup> Donors or experts in charge of specific assistance projects monitor the process by publishing regular reports on progress made and the degree of (non-)compliance. They also refer to concrete steps that need to be taken in the future in order to improve the results.

To be sure, students of Europeanization have already underscored the importance of assistance and monitoring during the pre-accession period of East European EU candidates. However, they have not acknowledged the dyadic or multiplex nature of these mechanisms and therefore ignore the root cause of the differential empowerment of domestic state and non-state actors for institution-building.

According to Bruszt and McDermott, interactions between non-domestic and domestic actors can be 'dyadic' and only occur between two actors, such as the target government and an international organization such as the EU.<sup>26</sup> Interactions can also be 'multiplex', however, and involve and empower more public and private actors, like domestic or non-domestic business associations, experts and

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<sup>21</sup> Lederman, D. / Maloney, W. F. / Servén, L.: *Lessons from NAFTA for Latin America and the Caribbean*, Stanford/CA: Stanford University Press, 2005; Williamson, J. (ed.): *Latin American adjustment. How much has happened?*, Washington D.C.: Institute for International Economics, 1990.

<sup>22</sup> Jacoby, Wade: *The Enlargement of the European Union and NATO. Ordering from the Menu in Central Europe*, Cambridge: Cambridge University Press, 2004, pp. 94–115.

<sup>23</sup> The grain sector will certainly be included into the FTA+ since Ukraine is already exporting to the EU, while more protected sectors of the EU market like milk and meat will largely remain closed for Ukrainian products even if Ukrainian producers managed to adopt respective EU food safety standards.

<sup>24</sup> Andonova, Liliana: *Transnational Politics of the Environment. The EU and Environmental Policy in Central and Eastern Europe*, Cambridge/MA: MIT Press, 2003; Jacoby, Wade: *Inspiration, Coalition, and Substitution. External Influences on Postcommunist Transformations*, in: *World Politics*, 2006 (Vol. 58), No. 4, pp. 623–651; Petrov, Roman: *Exporting the Acquis Communautaire into the Legal Systems of Third Countries*, in: *European Foreign Affairs Review*, 2008 (Vol. 13), pp. 33–52.

<sup>25</sup> Andonova, Liliana: *Transnational Politics of the Environment. The EU and Environmental Policy in Central and Eastern Europe*, Cambridge/MA: MIT Press, 2003; Schimmelfennig, Frank / Sedelmaier, Ulrich: *The Europeanization of Central and Eastern Europe*, Ithaca/NY: Cornell University Press, 2005; Vachudova, Milana: *Europe undivided: democracy, leverage, and integration after communism*, Oxford, New York/NY: Oxford University Press, 2005.

<sup>26</sup> Bruszt, Laszlo / McDermott, Gerald: *Transnational Integration Regimes as Development Programs, Central and Eastern Europe*, Working Paper Series 67, Center for European Studies at Harvard University, November December, 2008, [http://www.ces.fas.harvard.edu/publications/docs/pdfs/Bruszt\\_McDermott.pdf](http://www.ces.fas.harvard.edu/publications/docs/pdfs/Bruszt_McDermott.pdf)

regulatory bodies. Assistance is particularly effective in fostering domestic change if knowledge is disseminated to both state and non-state actors. External donors, foreign companies and business associations can diversify the range of non-state actors by providing on-site trainings for domestic companies.<sup>27</sup> Further, they can organize meetings for domestic business associations and their foreign counterparts to coordinate and bind interests for lobbying and monitoring activities.<sup>28</sup> Monitoring is particularly effective if external actors can manage to acquire full information about the progress of regulatory changes. Therefore, it is necessary to diversify domestic actors and empower business associations or other NGOs to provide the needed data. This will make it easier for external experts to obtain access to decentralized information.<sup>29</sup>

Thinking in terms of dyadic and multiplex relationships between domestic and non-domestic state and non-state actors overcomes two analytical limitations of the conditionality and market arguments: First, the approach debunks the assumption underlying the application of conditionality and market incentives that external actors know ex-ante what the right institutions are. Instead, students of development have shown that external actors must collect information about the kinds of adjustments that need to be made and find out why previous attempts at reform did not work.<sup>30</sup> To do so, external actors need to cooperate with domestic public and private actors to reduce information asymmetries about domestic conditions for change.<sup>31</sup> Second, the notion of 'dyadic' and 'multiplex' relationships challenges the rather exclusive focus on the EU as 'the' external force shaping domestic change in Eastern Europe. Students of transnationalism in Eastern Europe have finally started to go beyond the EU's impact. They have found that many other transnational actors, such as international organizations, NGOs, business associations, experts and regulatory networks, have also shaped institutional change in Eastern Europe.<sup>32</sup> How have the multiplex and dyadic natures of assistance and monitoring shaped the diverse outcomes vis-à-vis Czech and Ukrainian alignment with EU food safety regulations?

<sup>27</sup> Gereffi, G. / Wyman, D. L. (eds): *Manufacturing Miracles. Paths of industrialization in Latin America and East Asia*, Princeton/NJ: Princeton University Press, 1990.

<sup>28</sup> Yakova, Iglicka: Czech Republic, 'Europe' and its farmers. How is Agricultural Interest Intermediation Affected by Accession to the EU, in: *European Political Economy Review*, 2005/06 (Vol. 3), No. 2, pp. 112–142.

<sup>29</sup> McDermott, Gerald: The Politics of Institutional Renovation and Economic Upgrading. Recombining the Vines that Bind in Argentina, in: *Politics and Society*, 2007 (Vol. 35), No. 1, pp. 103–143; Sabel, Charles F. / Zeitlin, Jonathan: *Learning from Difference. The New Architecture of Experimentalist Governance in the European Union*, in: *European Governance Papers (EUROGOV)*, No. C-07 02, 2007, <http://www.mzes.unimannheim.de/projekte/typo3/site/fileadmin/wp/abstract/C-07-02.htm>

<sup>30</sup> Easterly, William: *The White Man's Burden. Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*, New York/NY: Penguin Press, 2006.

<sup>31</sup> McDermott, Gerald: The Politics of Institutional Renovation and Economic Upgrading. Recombining the Vines that Bind in Argentina, in: *Politics and Society*, 2007 (Vol. 35), No. 1, pp. 103–143; Bruszt, Laszlo / McDermott, Gerald: *Transnational Integration Regimes as Development Programs*, Central and Eastern Europe Working Paper Series 67, Center for European Studies at Harvard University, November 2008, [http://www.ces.fas.harvard.edu/publications/docs/pdfs/Bruszt\\_McDermott.pdf](http://www.ces.fas.harvard.edu/publications/docs/pdfs/Bruszt_McDermott.pdf)

<sup>32</sup> Orenstein, Mitchell / Bloom, Stephen / Lindstrom, Nicole (eds): *Transnational Actors in Central and East European Transitions*, Pittsburgh/PA: Pittsburgh University Press, 2008; Jacoby, Wade: *Inspiration, Coalition, and Substitution. External Influences on Postcommunist Transformations*, in: *World Politics*, 2006 (Vol. 58), No. 4, pp. 623–651; Vliegthart, Arjan: *Transnational Actors and Corporate Governance in ECE. The Case of the EU and the Czech Republic*, in: Pickles, John (ed.): *State and Society in Post-Socialist Economies*, Basingstoke: Palgrave, 2008, pp. 47–68; Langbein, Julia: *Transnationalization and Change in Economic Institutions. The Case of Ukraine and Industrial Standards Regulations*, in: Bruszt, Laszlo / Holzhaecker, Ron (eds): *Transnationalization of States, Economies and Civil Societies. New Modes of Governance in Europe*, New York/NY: Springer, forthcoming 2009.

## 4. The Czech case: Strong domestic empowerment through multiplex interactions

Bruszt and McDermott note that the EU and the Czech government had spent about ninety million euros by the end of 2003 to build up the institutional framework of food safety control and support Czech industries in meeting EU standards.<sup>33</sup> The authors stress, however, that the simple presence of EU resources does not fully explain the change in Czech food safety regulation in convergence with EU rules. They instead attribute the institutional change to the multiplex relationships between European and domestic state and non-state actors during the transformation of the Czech agricultural sector.

As far as state actors are concerned, the EU had provided resources and funding to establish a food safety control system in the Czech Ministry of Agriculture and Health by 2002.<sup>34</sup> Thanks to the financial support of the SAPARD programme<sup>35</sup>, officials from the EU's Agriculture DG and Health and Consumer Protection DG oversaw the establishment of a system of on-site inspections covering everything from individual Czech farms to border inspection posts.<sup>36</sup> While EU inspectors from the European Food and Veterinary Agency conducted the on-site inspections until the early 2000s, this responsibility was handed over to the Czech agencies in 2003. The EU was then able to concentrate on steering and monitoring the Czech food safety control system and the inspection posts.<sup>37</sup> Assistance for and monitoring of institutional change was further provided by a number of EU twinning programmes that were implemented in the Czech agricultural sector. European experts in administration in EU member states not only transferred knowledge to their Czech counterparts but also acted as important sources for the EU progress reports.<sup>38</sup>

With respect to the empowerment of non-state actors, a study by Yakova<sup>39</sup> (on which the following paragraph draws heavily) reveals that PHARE<sup>40</sup> and SAPARD created new non-state actors in the Czech agricultural sector during accession negotiations. In the early 1990s, farm interests were hardly represented in the Czech policy-making arena due to weak professional associations. The Czech Agricultural Association (AA) has been able to heavily influence agricultural policies since 1998, when its

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<sup>33</sup> Bruszt, Laszlo / McDermott, Gerald: Transnational Integration Regimes as Development Programs, Central and Eastern Europe, Working Paper Series 67, Center for European Studies at Harvard University, November 2008, [http://www.ces.fas.harvard.edu/publications/docs/pdfs/Bruszt\\_McDermott.pdf](http://www.ces.fas.harvard.edu/publications/docs/pdfs/Bruszt_McDermott.pdf)

<sup>34</sup> Dolezal, Petr / Janackova, Bibiana: Review of Food Law and some experience related to the accession of the Czech Republic to the EU, Institute for European Policy, Prague, 2005. [http://www.europeum.org/doc/arch\\_eur/from\\_farm\\_to\\_fork\\_Czech\\_analysis.pdf](http://www.europeum.org/doc/arch_eur/from_farm_to_fork_Czech_analysis.pdf), accessed 25 January 2009.

<sup>35</sup> SAPARD: Special Accession Programme for Agriculture and Rural Development. The EU launched the SAPARD programme in 2000 to increase the competitiveness of the agricultural sector in the ten East European candidate countries and prepare the candidate to take on EU *aquis* for agriculture and food safety.

<sup>36</sup> Bruszt, Laszlo / McDermott, Gerald: Transnational Integration Regimes as Development Programs, Central and Eastern Europe, Working Paper Series 67, Center for European Studies at Harvard University, November 2008, [http://www.ces.fas.harvard.edu/publications/docs/pdfs/Bruszt\\_McDermott.pdf](http://www.ces.fas.harvard.edu/publications/docs/pdfs/Bruszt_McDermott.pdf)

<sup>37</sup> Ibid.

<sup>38</sup> Bailey David / De Propriis Lisa: A Bridge Too Phare? EU Pre-accession Aid and Capacity Building in the Candidate Countries, in: Journal of Common Market Studies, 2004 (Vol. 42), No. 1, pp. 77–98.

<sup>39</sup> Yakova, Iglicka: Czech Republic, 'Europe' and its farmers. How is Agricultural Interest Intermediation Affected by Accession to the EU, in: European Political Economy Review, 2005/06 (Vol. 3), No. 2, pp. 112–142.

<sup>40</sup> PHARE: Poland and Hungarian Aid for Restructuring of the Economies. PHARE was developed in 1989 to assist economic development in Hungary and Poland and has taken the other ten East European EU candidates over time. PHARE projects prepared candidate countries to align with all chapters of the *aquis communautaire* with a special focus on institution-building and investment financing.

former chair became Minister of Agriculture.<sup>41</sup> Further, the AA was the main beneficiary of SAPARD and direct aid since it represented mostly large-scale agricultural enterprises, which cultivated 37% of the total agricultural area in the Czech Republic in 2004. The AA was thus able to combine domestic and non-domestic resources to become the most important EU partner and mediator between the adaptational pressures emanating from the Common Agricultural Policy (CAP) and the interests of local farmers, who bore the brunt of the costs of adaptation. While the AA helped to legitimize the adoption of EU food safety regulations in the Czech Republic, it only represented large-scale enterprises, which faced lower adaptational costs than smaller enterprises due to economies of scale.<sup>42</sup>

To gain broad support for the introduction of EU food standards, EU assistance projects targeted big and small agri-food associations alike in the Czech Republic. For example, the case of the Association of Private Farmers (APF) suggests that EU assistance empowered small associations to build up channels to Czech policymakers and to provide services to their members. The APF represented 7% of the total agricultural land in 2003. Although the APF was not eligible to receive SAPARD support because its members did not own enough hectares to qualify for EU assistance, the association profited from other EU programmes. For instance, EU accession instruments financed meetings between European agri-food associations like COPA-COGECA, national associations from EU member states, and big and small Czech associations like the APF. These meetings allowed the European associations to identify Czech partners, disseminate information about food safety regulations in the EU, and transfer technical assistance for institutional reform. European and Czech participants were able to discuss and agree upon lobbying strategies and how to join forces in the future.

## 5. The Ukrainian case. Shallow domestic empowerment through dyadic interactions

The overarching goal of the European Neighbourhood Policy (ENP), which the EU launched in 2004, is to 'bring the ENP countries closer to Europe'. In terms of the agricultural sector, the EU seeks to promote 'convergence with EU standards for sanitary and phyto-sanitary controls [because it] will greatly enhance reciprocal trade between the partner countries and the EU'.<sup>43</sup> In reality, however, EU efforts to promote EU food safety regulations in the framework of the ENP are quite modest if compared to the support given to East European candidate countries prior to enlargement. In fact, the EU mostly engages in dyadic relationships with neighbouring countries and limits its assistance to government actors.

In industries like the meat and dairy sectors, Ukrainian business associations, companies and other non-state actors rarely receive EU assistance in the framework of the ENP. For instance, the biggest European agri-food association, COPA-COGECA, has no contacts whatsoever to Ukrainian agri-food associations. EU assistance programmes do not promote cooperation or channel technical assistance through European associations to Ukraine the way they did to the Czech Republic.<sup>44</sup> Even the Ukraine branch of the European Business Association, which represents the interests of about 700 European

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<sup>41</sup> Bavorová, Miroslava: Interessenkonflikte in der tschechischen Landwirtschaft, in: Osteuropa-Wirtschaft, 2004 (Vol. 49), No. 3, pp. 237–246.

<sup>42</sup> Dunn, Elizabeth: Trojan pig. Paradoxes of food safety regulation, in: Environment and Planning, 2003 (Vol. 35), No. 8, pp. 1493–1511.

<sup>43</sup> European Commission: European Neighbourhood Policy Strategy Paper, COM(2004) 373 final, 12 May 2004.

<sup>44</sup> Interview with a representative of COPA-COGECA, October 2007, Brussels.

companies operating in Ukraine, does not build up alliances with Ukrainian companies or business organizations and does not provide trainings on EU food safety regulations. This is because most European investors such as, for example, the dairy producers who bought and modernized production plants in Ukraine, are not interested in exporting from Ukraine to the EU. Since the self-sufficiency level of the European dairy market is at 120%, European investors in Ukraine tend to focus on the Ukrainian market or try to increase dairy exports to Russia. In fact, European dairy producers operating in Ukraine continue to apply old Soviet product standards, which are still mandatory in Ukraine, rather than the more costly EU food standards.<sup>45</sup>

In contrast to EU efforts during enlargement, EU projects in Ukraine strengthen the power position of state agencies within the food safety control system rather than promote 'producer primary responsibility' as stipulated by the General Food Law of the EU (Article 17.3).<sup>46</sup> Instead of including, for instance, the Ukrainian Association of Private Veterinarians in EU projects, one of the European Commission's TACIS projects provided the State Veterinary Agency with new equipment to conduct food quality controls according to European standards.<sup>47</sup> While the project seems to support Ukraine's convergence with EU food safety regulations at first glance, it instead reduces costs for certification and conformity assessment for European food exporters to Ukraine rather than for Ukrainian food exporters to the EU. This is because Ukrainian food exporters are not capable of producing according to EU food standards in the first place and thus cannot benefit from the newly built capacities of the State Veterinary Agency. According to an EU official,

*The European Commission does not support private business in a third country since such a policy would promote market distortion and produce additional competition for the European agri-food business, especially in a sector as vulnerable and highly protected as the European dairy sector. In contrast to candidate countries, which are expected to achieve mandatory compliance with the aquis communautaire and food safety requirements, Ukraine is not obliged to make all its companies compliant. It's Ukraine choice to fulfil the requirements.*

Ukraine's progress is monitored on a roughly annual basis through the publication of ENP progress reports. These reports are kept on a rather general level, however, and rarely specify problems and possible solutions, unlike the EU reports issued during the enlargement process.<sup>48</sup> This is also due to the fact that Ukrainian agri-food associations are not empowered to serve as mediators between the EU and Ukrainian firms.

It is only in Ukraine's grain sector that assistance and monitoring have been more multiplex in nature. EU experts provided recommendations to legislators on how to harmonize wheat standards, completed a draft final version of wheat standards and assessed grain-testing methods at Ukrainian laboratories. Further, European experts helped the Central State Laboratory of Veterinary Medicine of Ukraine to receive accreditation by the German Accreditation Council for the testing and certification of grain according to European standards. Another public actor, the Agrarian Universities, was given support to

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<sup>45</sup> Interviews with a representative of a European dairy company operating in Ukraine and a representative of the World Bank Office in Ukraine, November 2008, Kyiv.

<sup>46</sup> The EU General Food Law (February 2002) can be accessed at [http://eur-lex.europa.eu/pri/en/oj/dat/2002/l\\_031/l\\_03120020201en00010024.pdf](http://eur-lex.europa.eu/pri/en/oj/dat/2002/l_031/l_03120020201en00010024.pdf)

<sup>47</sup> Interview with a European expert and a representative of the Ukrainian Association of Private Veterinaries in November 2008, Kyiv.

<sup>48</sup> Tulmets, Elsa: 'Experimental governance' in the EU's external relations. The cases of enlargement and of the European Neighbourhood Policy, unpublished manuscript, 2008.

improve the curricula on sustainable crop production in farm management, develop new teaching methods and establish a technical centre to educate students, agronomists and farmers.<sup>49</sup> Further, TACIS supported the Ukrainian government in building a credit scheme specifically designed for the agricultural sector to provide small and medium enterprises (SMEs) in the rural sector with financial resources to upgrade their production. Special attention was again given to grain production. Hence, it is not surprising that Ukraine has made considerable progress in its harmonization with European and international safety and quality standards vis-à-vis its grain trade since the EU increased the capacity of both the supply side and demand side. As a result, the EU, North Africa and the Middle East are now the most important destinations for Ukrainian grain exports.<sup>50</sup> The EU's decision to promote institutional change in Ukraine's grain sector is driven by economic incentives. Although the EU applies certain tariffs to restrict imports of Ukrainian grain, the EU's grain market is much more open than its dairy or meat markets.<sup>51</sup> While the market mechanism is thus an important necessary condition for change, the investigation of multiplex interactions reveals how Ukrainian actors have been enabled to develop capacities for institution-building.

## 6. Conclusion

The previous analysis revealed that various degrees of conditionality and market opening do not sufficiently explain why EU candidate countries have undertaken faster and more encompassing reforms in the area of food safety regulations than the neighbouring countries. Instead, the EU should be perceived as a transnational integration regime that alters domestic capacities and incentives regarding institutional change very differently across candidate and neighbouring countries.

In the Czech Republic, the EU engaged in multiplex interactions with Czech state and non-state actors in the area of food safety regulation. The EU fostered the empowerment of both big and small Czech agri-food associations and established transnational networks between European and Czech agri-food associations during the enlargement process. As a result, Czech agri-food associations were able to pressure their governments, helped to legitimize the reforms and channelled assistance to Czech agricultural producers. Further, the EU helped to build up the administrative capacity of the Czech state with its PHARE and SAPARD programmes.

In contrast, institutional change in Ukraine's food safety regulations is less transnationalized by the EU and other European actors: Ukrainian government bodies receive less comprehensive support from European regulators and experts while large parts of Ukrainian interest groups in the agri-food sector have been totally neglected by the EU and European agri-food associations. The analysis of Ukraine's grain sector, however, suggests that change in a neighbouring country is likely to happen even when there are no prospects for EU membership. Institutional development in third countries can come about if the EU combines conditionality and market incentives with multiplex interactions with domestic state and non-state actors.

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<sup>49</sup> TACIS project report 'Establishment of an agricultural standards certification and control mechanism in line with WTO-SPS requirements' (completed in 2006) at <http://www.sps-info.org.ua/en/library/policypaper/>, retrieved 18 October 2008.

<sup>50</sup> World Bank: Ukraine. Agricultural competitiveness, Washington D. C.: World Bank, 2008, p. 8.

<sup>51</sup> Ibid.