2006

Effects of EU Accession on the Politics of Privatization - The Steel Sector in Comparative Perspective

Aleksandra Sznajder Lee
University of Richmond, asznajde@richmond.edu

Recommended Citation
Sznajder Lee, Aleksandra. "Effects of EU Accession on the Politics of Privatization - The Steel Sector in Comparative Perspective." In *Das Erbe Des Beitritts: Europäisierung in Mittel- Und Osteuropa*, edited by Amelie Kutter and Vera Trappmann, 209-31. Baden-Baden: Nomos, 2006.

Effects of EU Accession on the Politics of Privatization – The Steel Sector in Comparative Perspective[1]

Aleksandra Sznajder

I. Introduction

The purpose of this paper is to examine the effects of the European Union (EU) accession process on the restructuring and privatization of the steel sector of the four largest steel producers in Central and Eastern Europe (CEE), namely Poland, the Czech Republic, Romania, and Slovakia.[2] The outcome to date for these countries' steel mills has been relatively uniform in that they have been integrated into the global production networks of some of the largest multinational steel enterprises. The pressures which brought this outcome about, however, were far from uniform. The variability in the modes of convergence is highlighted by the surprising timing of the sales to strategic foreign investors. The countries in the forefront of the EU accession process, i.e., the Czech Republic and Poland, actually privatized their largest steel producers to strategic foreign investors after Romania and Slovakia.[3] Moreover, in the case of the Czech Republic and Poland, the steel sector represented an important impediment to the closure of the competition chapter of the accession negotiations. The case of the steel sector thus poses three puzzles. The first is that the outcomes in the four countries converged despite these countries' very different legacies. The second puzzle is that the convergence took place in all four of them late in the transition process. The third, related, puzzle is that Poland and the Czech

1 This paper is part of a doctoral dissertation From Behemoths to Subsidiaries – The Politics of Restructuring and Privatization of the Steel Sector in Central and Eastern Europe, being written at the Department of Political Science at Yale University. I thank Anna Grzymała-Busse, Cezary Iwan, Susan Rose-Ackerman, Iván Szelényi, and Vera Trappmann for their insightful comments on earlier drafts of this paper. I gratefully acknowledge research support of the Yale Center for International and Area Studies (YCIAS) Globalization and Self-Determination Grant, the YCIAS Dissertation Grant, the NSF Graduate Fellowship, as well as the American Council of Learned Societies Dissertation Fellowship in East European Studies.

2 Out of the four, currently only one, namely Romania, remains as an accession country since the other three became Member States on May 1, 2004. However, since the time span of this project largely pertains to the accession period rather than EU membership, the term "accession countries" will be used to refer to all four.

3 Slovak Republic, whose accession application to the EU was temporarily suspended in 1997, privatized its largest steel mill (Východoslovenské Železiarne – VSŽ, Košice) in the year 2000 by selling it to U.S. Steel. Romania, which unlike the other three countries is expected to join the EU only in 2007, as opposed to 2004, privatized its largest steel mill (Sidex Galați) in 2001 by selling it to LNM Holdings. Analogous privatization decision in the Czech Republic (Nová Hut', Ostrava) was made in 2002 and in Poland (Polskie Huty Stali S.A.) in 2003.

Republic actually sold their largest steel producers to foreign investors after Slovakia and Romania.

These puzzles speak directly to two literatures, which have been developing in isolation from each other and have only recently started to become integrated: transition literature and Europeanization/EU enlargement literature.[4] The transition literature has overwhelmingly focused on the domestic determinants of political and economic reform. Some of the richest analyses have been developed by scholars examining the effects of the different legacies of the transition countries, as well as by those taking a path-dependent approach, analyzing the positive feedback over time of certain initial outcomes or choices. The causal mechanisms outlined in this body of literature are numerous, ranging from social structural explanations to institutional arguments.[5] The common denominator of these approaches is the expectation of diverse outcomes, be they social, political, or economic. The focus on the domestic determinants of reform, however, either leaves out external pressures from analysis altogether or relegates them to the role of the dependent variable. From this viewpoint, the start of the EU membership negotiations itself becomes an indicator of reform.

The EU enlargement literature, on the other hand, has suffered from the lack of comparative perspective, which would take the domestic institutional and political factors into account.[6] After all, domestic institutions act as filters, which determine how external pressures are transposed into domestic policy outcomes.[7] While the *acquis communautaire* (acquis) spells out the institutional requirements of accession, the domestic political context of its transposition and implementation sheds much light on the real impact of EU accession.[8] Finally, as has been argued, exclusive focus on Europeanization/EU effects neglects the fact that the accession countries are also simultaneously affected by the pressures of the International Financial Institutions (IFIs), as well as by the pressures of global competition and financial markets.[9]

Searching for an answer to the puzzles encountered in the steel sector requires the integration of the insights of these two bodies of literature.[10] After all, an exclusive focus on domestic factors leads us to expect divergent outcomes in the steel sector of

4 Ekiert and Zielonka 2003: 7; Schimmelfennig and Sedelmeier 2002: 507; Schimmelfennig 2002: 2-5.
5 Ekiert and Hanson 2003; Eyal et al. 1998; Kitschelt 1999; Stark and Bruszt 1998; Crawford and Lijphart 1997.
6 See fn. 4.
7 Garrett and Lange 1996.
8 For an illustration in the domain of state reform, see Grzymała-Busse 2003.
9 Ekiert and Zielonka 2003; Linden 2002.
10 For a recent example of the way the two bodies of literature have been integrated in examining the case of the Polish steel sector, see Trappmann and Kutter 2005.

these countries, above all in Romania, but also in Slovakia.[11] Moreover, domestic determinants of reform have a hard time explaining the timing of sales to strategic foreign investors without explicitly taking external pressures into account. On the other hand, the types of external pressures and the mode in which they act upon a given state can only be explained by considering the domestic context which triggers and mediates them. The research design of this paper maximizes the variation in domestic variables, held as the determinants of divergent postcommunist order among accession states, while keeping the sectoral and EU dimension constant. In all four states, the steel sector holds a similarly significant place in the national economy and has had to adjust to the exigencies of the EU accession process. At the same time, these countries have had vastly different experiences under communism as well as exhibited significant differences in their post-1989 transition paths.[12] Consequently, one would expect their response to external pressures to differ.

Let us now turn to the model of institutional change in the sector. It considers the interaction among domestic and external pressures in affecting the calculus of the decision-makers regarding retaining of the status quo or engaging in radical reform. The model is derived from comparative analysis of the steel sector in the four countries. The analysis is based on primary materials collected as part of dissertation research on the politics of the restructuring and privatization of the steel sector in the four countries. The materials were collected during May 2003-June 2004 and consist of government policy papers; numerous newspaper accounts of major restructuring and privatization events, including those found in enterprise-level newspapers; publications by sectoral labor union organizations and sectoral employer and industrial associations. In addition, materials include over ninety open-ended interviews conducted with civil servants within the relevant ministries, former ministers, European Commission civil servants, sectoral and enterprise-level trade union leaders, enterprise managers, sectoral employer and industrial association representatives, consultants involved in the development of restructuring programs, as well as academics and journalists.

II. Model of Institutional Change

The model of government behavior and institutional change in the steel sector presented in this paper posits opportunistic decision-makers. While this assumption is shared by much of the political economy literature, here it is not an assumption but rather an observation resulting from fieldwork carried out in the four countries.

11 Ekiert and Hanson 2003: 2; Kitschelt et al. 1999: 39; Eyal et al. 1998; for empirical evidence to support these claims, see Mikloš 1997.

12 Eyal et al. 1998; Kitschelt et al. 1999; Linz and Stepan 1996; Stark and Bruszt 1998; Tismaneanu 2003.

Consequently, politically costly decisions are generally delayed until a crisis situate-ion develops. In the context of this paper, a politically costly decision is one involving radical change in the sector, intended to bring about complete restructuring, i.e., market viability in the medium and long term. This can either mean a state-led restructuring process or the sale to a strategic foreign investor. Though state-led restructuring is a theoretical possibility, usually the sale to a strategic foreign investor becomes the ultimate goal, intended to ensure enterprise prosperity by providing access to financial capital for investment, a direct link to world markets, as well as integration into global raw material supply chains. Thus, such privatization is the goal to the extent that it provides the means to complete the restructuring of the enterprise and/or the sector.[13] In order to engage in radical reform, the government must either be willing to do so or be unable to uphold the status quo (coercion). The decision to bring about radical change usually has a high political price tag attached to it, making the government willing to sustain the non-full-reform status quo. One could identify two interrelated domestic factors, which dampen the government's desire to engage in radical change.

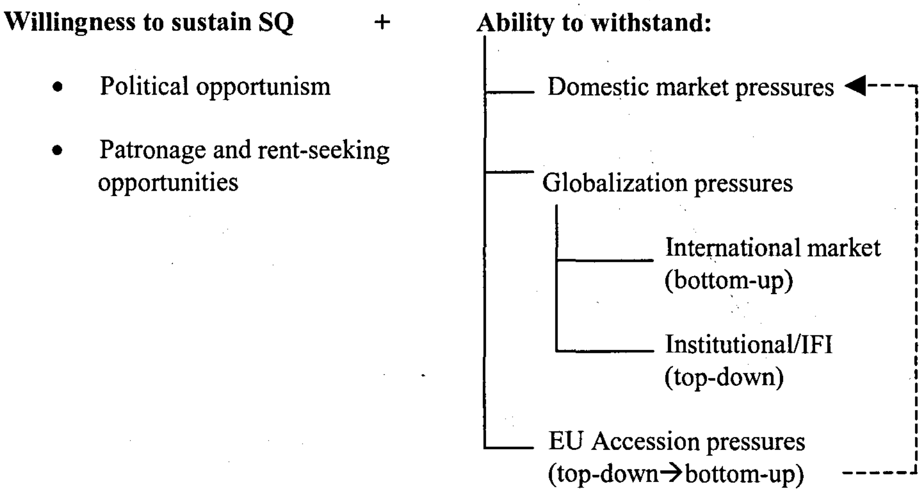
First, governments are opportunistic and want to avoid the possibility of social confrontation. However weak the trade unions in the individual countries, they are relatively strong in the steel sector.[14] Unless accompanied by negotiated social pacts providing compensation for laid-off workers, radical reform steps are bound to encounter strong opposition, as they exacerbate the existing unemployment problem in heavily industrialized towns, let alone monoindustrial towns. While reform might benefit the country's average citizen, its benefits accrue to a diffuse majority while hurting a specific, well-organized, and vocal minority. Thus, rather than risking the possibility of conflict with dissatisfied industrial workers, the governments prefer to procrastinate with difficult decisions. After all, social unrest could give the government an image of incompetence or of being a pawn in the hands of foreign interests. Even the negotiations of sectoral social pacts can be seen as risky by the government, as they raise the possibility of conflict. Secondly and more importantly, the magic of the term "social peace" serves as a very good cover for the government's unwillingness to lose numerous patronage and rent-seeking opportunities. These present an impressive range to pick from: giving lucrative positions on the enterprises' supervisory boards to political supporters; directly engaging in business activities with the enterprises by setting up intermediaries selling overpriced inputs and buying underpriced products, or being involved in barter-based trading in inter-

13 This claim derives from empirical observation. Evidence in the sector shows that privatization to domestic investors, including via management and employee buy-outs or debt-equity swaps did not lead to market viability of the steelworks and was succeeded by privatization to strategic foreign investors.

14 For arguments that labor union power is weak in CEE, see Crowley and Ost 2001; Ost 2000; Greskovits 1998.

enterprise debt, among other options. The government in power may also prefer to engage in partial reform by paying lip service to reform while selling the enterprise to political supporters and "sponsors", or straight-out government members. Given these factors, one would generally expect the government to prefer the status quo of partial or even non-reform to full reform. Domestic political competition, which generally has a salutary effect on institutional development and reform design, can be expected to be less relevant in this case, lesser still, the more veiled the patronage that takes place.[15] Status quo which is not associated with blatant corruption and clientelism by the party/coalition in power makes it more difficult for the challengers to run on a platform of radical reform if that reform is expected to entail severe social consequences. While the government in power might not be willing to engage in additional reform, it can only retain the status quo if it is also able to withstand a combination of domestic market pressures and external pressures for reform. These, as well as the factors influencing the government's willingness to sustain the status quo, are shown in Figure 1 below. Domestic market pressures are by themselves considered to be the weakest constraint, subject to political vagaries and lobbying. At the same time, one would expect that the higher the level of market institutionalization within a given country, the greater the coercive ability of domestic economic.pressures in bringing about full reform.

Figure 1. Determinants of Sustainability of No/Partial Reform Status Quo



15 On the benefits of political competition for state reform in CEE, see Grzymała-Busse 2003a. On the positive effects of democratic policy alternation on economic reform in CEE, see Orenstein 2001.

The domestic market pressures can either result from endogenous pursuit of reform or be a consequence of the internalization of EU norms.[16] Irrespective of the provenance of these pressures, the key point is that they can function without explicit external enforcement. External pressures can be divided into the broad categories of globalization and Europeanization/EU accession pressures. Globalization pressures consist of two subcategories, the first one representing bottom-up, international market pressures, especially those of the financial markets, and the second one institutional, or top-down pressures. Different circumstances determine the degree to which these pressures become salient. If a given enterprise is an active participant in the international capital market, it takes on the obligations of this participation, including any debt repayment. Thus, should such an enterprise become unable to repay its debts, it can either rely on the state for bailouts or face bankruptcy.[17] On the other hand, the top-down institutional pressures of the IFIs become salient in situations when the government is unable to ensure macroeconomic stability.

Globalization pressures are inherently related to the country's state capacity. In addition to the government's ability to make decisions intended to foster reform, state capacity also requires a relatively competent state administrative apparatus to implement these decisions. A state which is more capable of internally generating finance for the enterprises' use, also shields them from the bottom-up global market pressures. At the same time, using the mediation of domestic market institutions, the state must be capable of exerting enough pressure on the enterprises to carry out market adjustment, i.e., restructuring. Otherwise, it risks frequent demands for bailouts and subsidies. Should the state fail in this task and yield to enterprise pressures, it could face unsustainable deficits, leading to fiscal crises. These could eventually trigger IFI involvement and top-down pressures for radical reform. In states with enough capacity to avert IFI involvement, there nonetheless exists the danger of partial reform equilibrium.[18] Thus, while there might be enough restructuring taking place so as to prevent IFI involvement, the restructuring may still be incomplete and, as a result, threaten the enterprise's long and even medium-term survival. Rather than overseeing thorough restructuring, the state apparatus would repeatedly mediate between creditors and the debtor enterprise, leading to a series of partial, short-term adjustments.[19]

---

16 For example, if a given enterprise is performing badly, domestic economic pressures would make the threat of bankruptcy credible, leading to radical reform of the enterprise, either by state involvement in the restructuring of the enterprise or through a sale to investors capable of undertaking the restructuring task.

17 It should be kept in mind that the option of bailing the enterprise out becomes severely restricted once the EU competition policy rules become binding.

18 For the original idea of "partial reform equilibrium," see Hellman 1998.

19 For a discussion concerning the positive role of the state as a mediator among debtors and creditors, see McDermott 2003.

While the existence of partial reform equilibrium might suffice to block top-down globalization pressures, and possibly even international market pressures, it is challenged by EU accession pressure. The latter acts in a vise-like manner, where the initial top-down processes spur bottom-up domestic market pressures for enterprise adjustment. The liberalization of trade as well as the creation of functioning regulatory institutions, most notably the competition authority, increase the role of market pressures by severely limiting the opportunities for ad hoc state intervention in the economic processes. At the same time, however, these also enhance state autonomy vis-à-vis powerful interests. In the case of the steel sector, as will be discussed subsequently, the EU requirements are particularly stringent. Where the domestic market pressures do not suffice to bring about radical reform, and where the state is capable of inducing only partial market adjustment while not triggering external market or IFI pressures, the EU can pull the last lever of coercion to induce full reform: prohibition of state aid following accession.

III. EU Effects

As the framework presented in section II anticipates, even though the EU requirements have been the same for all accession states, the salience of the EU coercive pressures in the steel sector has varied. It is a function of the domestic context of the countries concerned, most notably, of their state capacity and earlier reform paths, including the degree of dependence on the international financial markets and external IFI financing. Let us now turn to the steel sector acquis, placing it in a historical context.

The developments in the steel sector underscore the differences in bargaining power between the EU and the applicant states.[20] One of the criticisms of the current enlargement process is that the acquis developed as a result of bargains and compromises struck among older Member States and might not be the appropriate solution to the accession states' needs and problems.[21] The case of the steel sector goes even further. It illustrates that the insistence on strict application of the steel sector acquis in the accession states stands in stark contrast to the way the acquis had been twisted and bent so as to fit the needs and shortcomings of the older Member States. The evolution of the acquis reflected substantial malleability on the part of the Commission in adapting the preexisting acquis to Member State requests, as it granted permission for state largesse in restructuring the ailing western European steel industry.

In the context of the 1980 crisis in the steel market, the need for financial support for the sector was cloaked in the language of creating Community sectoral policy, even

20 Vachudová 2000; Grabbe 2001.
21 Cameron 2003.

as the Commission stressed that the Community lacked the funds necessary to finance restructuring. Therefore, the Member States were allowed to administer aid, provided it met the newly established critera. The scope of admissible aid was wide, encompassing investment, expenses arising from closures, continued operation, and emergency rescue. The proposed aid was supposed, nonetheless, to be part of a restructuring program and subject to Commission approval. For the following twenty years, much longer than originally anticipated, the rules permitting state aid, albeit much more restricted, stayed in place.[22] After July 22, 2002, to coincide with the expiry of the ECSC Treaty, no more state aid could be obtained by the EU steelmakers.[23] The evolution of state aid acquis in the steel sector puts in perspective the enormous challenge which the accession states faced in meeting the EU requirements. It hardly needs emphasizing that the steel sector in the CEECs started from very different initial conditions, having had to make the leap from being the darling of a centrally-planned economy to operating in a competitive market system. Restructuring comprised far-reaching employment, organizational, technological, and financial elements.

The EU had been very clear with the applicant states as to the steel sector-related membership requirements. The key issues of concern were production capacity and state aid. The two were linked in that retaining unused production capacity lowered the already low profit margin in the sector, making the enterprises unable to operate without direct or indirect state aid. Protocol 2 of the Europe Agreements, negotiated with the CEECs in the early 1990s, laid out the criteria for granting state aid to the sector. The countries could exceptionally grant public aid for restructuring purposes, provided that it met the following conditions: it led to the viability of the benefiting firms under normal market conditions at the end of the restructuring period; the amount and intensity of such aid were strictly limited to what was absolutely necessary in order to restore viability and were progressively reduced; the attendant restructuring program was linked to a global rationalizing and reduction of capacity in the countries concerned.[24] Such aid could last for only five years, thus in the case of Poland, the Czech Republic, and Slovakia until the end of 1996 and in the case of Romania, until the end of 1997. The grace period could be prolonged until the date of accession only if a "credible and realistic" restructuring program was approved by

22 For a history of the steel-related acquis see the following: Commission Decision No 2794/80/-ECSC; Commission Decision No 257/80/ECSC; Official Journal L 029, 06/02/1980; Commission Decision No 2320/81/ECSC; Commission Decision No 3484/85/ECSC; Commision Decision No 322/89/ECSC; Commission Decision 3855/91/ECSC; Commision Decision No 2496/96/ECSC. See also: Judgment of the European Court of Justice (Second Chamber) of 15 December 1994. Socièta Finanziaria Siderurgica Finsider SpA (in liquidation) v Commission of the European Communities. Case C-320/92.

23 Commission Decision No 2496/96/ECSC.

24 Protocol II of the Europe Agreement (e.g., Article 9, paragraph 4 of Europe Agreement between the EEC and Romania).

the Commission.[25] State aid became a salient issue around 1998, when the difficult situation on the world markets revealed the inadequacy of the restructuring measures undertaken to date and the scope of the enormous task remaining before accession. To the Commission's dismay, not only restructuring-related, but also operating aid was being granted in a legal vacuum.[26] The negotiations in the steel sector were being closely followed by the Member States and by the steel lobby. According to an interviewed Commission civil servant, in the case of the competition chapter negotiations, "there were constant inquiries from the Member States." The usually formalistic Commission reports to the Council on the progress of negotiations this time sparked "*real* discussions in the Council prior to the closure of the negotiations."[27] The extent of Member States' interest in public aid granted to the accession countries' steel sector was also reflected by the written parliamentary questions submitted by Members of the European Parliament of all political stripes.[28] The requirements of EU accession influenced change in the sector by putting in motion top-down and bottom-up market adjustment pressures. On the one hand, state monitoring of the economic processes was to be strengthened through rational institutionalization, most notably through the creation of an apolitical competition authority, answerable to the Commission. Moreover, the state administrative apparatus was to exert enough control over enterprise managers to exact an acceptable restructuring plan and oversee its implementation.[29] On the other hand, the purpose of state involvement was to ensure the success of its own retrenchment. Thus, the EU was fostering the emergence of a regulatory state.[30] While the acquis was the same for all applicants, paradoxically only in the case of the transition "leaders," namely Poland and the Czech Republic, was the EU directly responsible for the process of radical transformation in the sector. As the following case studies illustrate, in the cases of Slovakia and Romania, EU coercive pressures were preempted by the bottom-up and top-down processes of globalization, buttressed by domestic political change.

25 European Commission 2000.

26 Ibid.

27 Interview with a Commission civil servant in the Commission Delegation to the Czech Republic, Prague, November, 2003.

28 See, as examples, written questions to the Commission by Glenys Kinnock of PSE (Party of European Socialists Group) as well as by Giles Chichester of PPE-DE (Group of the European People's Party (Christian Democrats) and European Democrats) in 2002. Glenys Kinnock inquired about the impact of enlargement on the EU's steel industry, asking the Commission to agree that "there must be full transparency on past subsidies," that "after the competition chapter has been closed for each country, the Commission must agree that the applicable state aid acquis will be applied in full," and finally, that "all state aid must end on accession." *Official Journal* 011 E, 15/01/2004 P.0045-0045. Giles Chichester took a keen interest in the Romanian steel sector privatization, asking whether "all disclosure requirements have been fulfilled" in the course of the privatization of Sidex. *Official Journal* 301 E, 05/12/2002 P. 0068-0068.

29 The Commission also took upon itself the same task of monitoring the implementation of the restructuring plan.

30 Majone 1996.

IV. Steel sector: country case studies

Slovakia – VSŽ – U.S. Steel Košice

Since it began operating in 1965, Východoslovenské Železiarne (VSŽ) has become the most important Slovak enterprise, and was the flagship of the communist Industrialization project. Specializing in flat products having higher value added than the long and semi-finished products, the mill had quite promising prospects in the post-communist era.[31] In the 1990s, it was responsible for the production of about 10% of Slovak GDP, 11% of its exports and for 25% of foreign currency inflow.[32] It employed over 20,000 people and was indirectly responsible for about 100,000 workplaces. Because the majority of its shares were sold during the first wave of voucher privatization, the VSŽ ownership structure was highly atomized. In March 1994, three days after the parliamentary no-confidence vote in the first Mečiar government in independent Slovakia, a brand new company, formed by members of the management closely connected to the Mečiar government, bought 9.52% shares of VSŽ from the National Property Fund (FNM). It bought the shares at about 20% of their book value.[33] Alexander Rezeš emerged as the key figure, later becoming the minister of Transportation, Postal Services and Telecommunication. After Mečiar's Movement for a Democratic Slovakia (HZDS) won the subsequent parliamentary elections, FNM sold another 15% of VSŽ shares to a Rezeš-allied firm. It also sold 10% of the shares to Hutník, a firm controlled by the enterprise-level trade union, also allied with Rezeš, all at the same 20% fraction of the book value.[34] The enterprise remained profitable for the time being, but was quickly falling prey to elaborate schemes of "tunneling" or asset-stripping. These included the use of intermediaries for purchasing overpriced inputs and selling underpriced final products, as well as similar transactions carried out with hundreds of VSŽ subsidiaries.[35] VSŽ also became an exemplar of managerial empire-building, with an appetite for becoming a

---

31 Flat products (e.g., sheet metal) can be used to make consumer goods such as household appliances, which are much sought-after in a transition economy. Their value added is higher than that of semi-finished or long products (such as rails, wire, or sections). The demand for long products has been decreasing, in part due to decline in heavy industry.

32 Hutňan 1999a; Marcinčin 2000: 329.

33 The shares were sold to Manager, s.r.o., a firm Rezeš controlled. See: Hutňan 1999a.

34 One should add that the enterprise-level trade union later split from the sectoral-level trade union, OZ KOVO, to form its own organization, Metalurg, and remained loyal to Mečiar and his associates until the end, unlike OZ KOVO, which supported the opposition in the 1998 elections. Source: Interviews with Metalurg and OZ KOVO leadership, Bratislava and Košice, April 2004; Hutňan 1999b; numerous press reports in *Trend*, *Hospodárske Noviny*, *Oceľ Vychodu*, *Priority*.

35 Most of the intermediaries were closely tied to the managers. The most notorious was Barkos, registered in the Cayman Islands, which had exclusive rights to distribute VSŽ products in North America. See: Hospodarské Noviny 1997.

transnational enterprise.[36] In 1996 and 1997 it created joint ventures with Finnish and U.S. steelmaking companies. In the meantime, it also became a precocious participant in the world financial markets. In 1995, it took out a $35mln loan from Merrill Lynch and in 1996 it obtained a hefty loan of $125m, syndicated by ING Bank N.V. The conditions of the loans stipulated that the lenders could require loan repayment before the specified due date. This status quo benefited the government in power and the managers-cum-owners (including the trade union leaders), tightly bound by clientelistic relations. In 1998, for example, Alexander Rezeš managed the parliamentary elections campaign for the HZDS while his inexperienced son became the president of VSŽ. When VSŽ encountered financial problems, the government turned a blind eye to tax arrears.[37]

The managerial bonanza ended in 1998, as the enterprise's growing financial difficulties, along with the abuses made known over the course of the 1998 campaign, led the foreign banks to demand an early loan repayment. Since VSŽ was unable to repay, the foreign lenders declared cross-default and the enterprise found itself on the brink of bankruptcy. The new government, elected on a radical reform platform, was unwilling to protect a management with close ties to its political adversary. Nor, given the dire financial situation of the Slovak treasury following Mečiar's rule, was it able to bail out the enterprise. At the same time, it was keen to avert the social, political, and economic catastrophe, which would follow the bankruptcy and possible liquidation of VSŽ. The new government became involved in resolving the crisis, as a foreign bank-approved crisis manager was elected by the shareholders to succeed Julius Rezeš et al., who resigned from their posts. The task of Gabriel Eichler, the new president, was to resolve the debt repayment issue with the banks by convincing them that the enterprise was viable and that they would obtain much higher returns if they waited for the results of restructuring, rather than pressed for bankruptcy. He also started to prepare the enterprise for its subsequent sale to a strategic investor who would ensure its long-term stability and development, in part by taking over its debts.[38] Despite numerous obstacles from sympathizers of the old management as well as proponents of domestic capitalism, Eichler along with the Slovak government representatives managed to negotiate a mutually satisfactory deal with U.S. Steel.[39] One should highlight that the Slovak government exerted extra-

36 Entities purchased included sports clubs, such as the most prestigious Czech football club, AC Sparta Praha, but also a Hungarian steelmaker which subsequently faced bankruptcy, Diósgyör Steelworks.

37 Marcičin 2000, p.333.

38 Profit 2000.

39 The final agreement with U.S. Steel stipulated that U.S. Steel pay $60m up front, assume debts of $325, pay $15m in tax arrears, and pay shareholders $25-$75 by 2003, as well as invest a minimum of $700m over the following 5-10 years. Critically for the region, the new enterprise, U.S. Steel Košice, would retain full employment, with employment reduction taking place via natural attrition. See: U.S. Steel memo; SME 2000. In exchange, the buyer would

ordinary organizational effort, at times on the borderline of legality, in order to obtain a controlling stake in the enterprise prior to sealing the deal.

Summing up, in the case of VSŽ, the bottom-up pressure of global financial actors who became the enterprise's lenders represented the primary mechanism through which the outcome of majority ownership by a strategic foreign investor was obtained. By contrast, the EU role was marginal.[40] It became prominent only after the final privatization deal. In 2004, a disagreement ensued between the Commission and the Slovak government, along with the U.S. Steel Košice management, over the interpretation of the agreed-upon production limits appearing in the Act of Accession.[41] A high-profile disagreement ensued after the Commission argued for an earlier date of the agreement's validity than had been interpreted by U.S. Steel. In the end, bringing tangible relief to the Slovak government, U.S. Steel agreed to have the total amount of state aid reduced by $70m.[42] The controversy revealed just how closely the EU was following all state aid disbursed to its competitors from the accession states.

Romania – Sidex Galaţi – Mittal Steel Galaţi

Formerly known as Sidex Galaţi, Mittal Steel Galaţi, is the largest Romanian steel mill, accounting for 4% of Romanian GDP and similarly to VSŽ, a flat product producer, as well as a major symbol of Romania's national communism.[43] Privatization did not figure prominently on the Romanian government's agenda. While the initial talk of privatizing the plant started around 1996, the enterprise remained in state hands, with only 13% of the shares privatized through the 1996 mass privatization program. Even though the enterprise did not create subsidiaries, it was encircled by hundreds of asset-stripping 'tick companies,' intermediating the enterprise's purchases and sales operations and benefiting the management as well as the local politicians of all major parties.[44] The plant developed a close relationship with the

profit from tax holidays until the end of 2009, originally unlimited, but as a result of Accession Treaty negotiations, reduced to $500 mln. See also: Hutňan 16 September 1999.

40 Interviews with state actors directly involved in the privatization process or close observers thereof, Bratislava, April 2004.

41 The wording of competition policy provision of Annex XIV of Slovakia's Act of Accession, which placed caps on U.S. Steel's caps on production and sales, gave rise to "good faith misunderstanding" as to whether the provisions concerning 3% production caps were valid as of 1 January 2002 or as of accession.

42 Košicky Korzar 2004; Act of Accession: Slovakia, p. 918.

43 The sector was central to the feud between Khrushchev and Gheorghiu-Dej over Romania's role in the CMEA.

44 Shortly before privatization, the Romanian Prime Minister estimated the number of these firms at around 1,400. See: Economist Intelligence Unit, 31 August 2001; Numerous interviews in Romania, May-June 2004.

communist successor party leadership and similarly to the Slovak case, the plant-level trade union split from the sectoral-level organization, Metarom, early in the transition process. As a result, it enjoyed direct access to the government.

The deterioration of Sidex's financial situation coincided with Romania's macroeconomic instability. With weak domestic market pressures for adjustment, Sidex's major creditors became the Romanian state, utility companies and other state-owned enterprises (SOEs). The enterprise registered arrears in tax and social security fund contributions, as well as non-payment of utility bills and other debts to the tune of $360m. At the same time, the country's volatile macroeconomic situation in 1999 triggered more intensive IFI involvement. In addition to negotiating yet another stand-by agreement with the IMF, the Romanian government signed the PSAL I program with the World Bank (WB), intended, among others, to speed up privatization of the most problematic SOEs.[45] Sidex certainly topped the list, as in 2000 it was responsible for 80% of the losses to the Romanian state budget. The government at the time was a difficult coalition of center-right parties, which won the 1996 elections on a platform of speeding up the reform process. Plagued by corruption it had earlier promised to curb and by the often incompetent handling of reforms, including privatization, the government found itself under a variety of pressures. On the one hand, it faced much opposition to the privatization of Sidex from the beneficiaries of the status quo, including the management and the trade unions representing a 27,000-strong workforce.[46] On the other, it came under several external pressures, emphasizing different elements of the privatization and restructuring process, which sometimes worked at cross-purposes.[47]

The IFIs insisted on quick privatization. Some state representatives highlighted the extent to which their hands were tied, with the chairman of the State Ownership Fund (SOF) claiming that "Sidex cannot wait longer without the money the Government can no longer provide."[48] The only solution to the problem was seen in a quick sale to a strategic foreign investor. A successful privatization, however, required the restructuring of the huge accumulated debt, i.e., it would have had to entail state aid. According to the criteria of the Association Agreement with the EU, this could only be granted following EU's approval of the sectoral restructuring plan.[49] Seeing that

45 Other areas included the reform of the banking sector; social security refrom; and promotion of the business environment. See: Mediafax 2000c; interviews at the AVAS, Bucharest, May 2004.

46 Some of the union worries seemed substantiated considering the failures of the privatization process to non-strategic foreign investors (usually involving leveraged buy-outs) in several smaller steel mills such as CS Reşiţa, Oţelu Roşu, or Tepro Iaşi.

47 The differences in emphasis were skillfully exploited by the different elements of the state apparatus.

48 Mediafax 2000a.

49 Letter from Enrico Grillo Pasquarelli (European Commission) to Petru Ianc (responsible for the preparation of the steel sector restructuring program at the Ministry of Economy and Trade), dated 20 January 2000, on file with the author.

the government was planning a quick privatization, the EU insisted on the plan's rapid development.[50] Renouncing proposed sectoral restructuring alternatives, the government chose to pursue the individual sales route, but with the upcoming elections, it seemed reluctant to start the actual privatization process. It took a significant step in that direction, however, by signing a contract with an investment bank for privatization consulting and by making the official announcement for privatization bids about two weeks before the elections.

The communist successor Social Democratic Party (PSD) emerged as the winner of the 2000 elections.[51] Its first challenge was its historical baggage, as it was associated with the slow pace of reforms during the 1990-1996 period. Its second challenge was keeping to the accession schedule. The new government thus had to show its reformist zeal if it was to gain credibility in the eyes of its western partners. Stopping the privatization of Sidex would have sent a very negative signal to the international community just when the government was attempting to establish its reputation as a reformer. At the same time, no other solution seemed feasible, given the scope of the already described financial problems Sidex generated. In addition, the endorsements of the IMF and the WB were considered necessary for the successful conclusion of the membership negotiations with the EU.[52] On July 24, 2001, the government signed a privatization contract worth $500m with LNM Holdings, the fourth-largest world steel producer at the time.[53] Simultaneously, the Romanian government continued to negotiate with the EU the restructuring program necessary for closing the competition policy chapter.[54]

---

50 After the development of a sectoral restructuring plan by Usinor Consultants in 2000, financed by PHARE funds, the Ministry of Industry and Trade along with the sectoral trade union and employers' organizations insisted on implementing its recommendations. These included halting the privatization process and restructuring the enterprises prior to selling them. This statist approach was quickly renounced by the privatization authority and the IFIs. The European Commission negotiators also distanced themselves from these recommendations, insisting nonetheless that the government had to develop a restructuring plan. See: Mediafax 2000b.

51 The Party of Social Democracy of Romania (PSDR) actually won plurality of the votes in the 2000 elections. It subsequently merged with the Romanian Social Democratic Party (RSDP) to form the Social Democratic Party (PSD).

52 These had to give the green light for Romania to be considered a fully functioning market economy.

53 The contract entailed LNM's purchase of shares for $52m, $351m investment in the first decade and $100m in working capital. A debt-equity swap was to clear half of the debt, giving LNM 90% of equity, with the rest of the debt (out of $1.2b total) written off. See: Economist Intelligence Unit, 3 August 2001.

54 The initial program, adopted as law in 2002, was not approved by the EU and was followed by another law in 2004, which served as the basis for successful conclusion of the accession negotiations. See: *Hotărârea Guvernului României nr. 213 din 28 februarie 2002* and *Hotărârea Guvernului României nr. 655 din 29 avril 2004*, respectively.

Summing up, while the EU was closely involved in the restructuring of the steel sector undertaken by the Romanian government, the decision to privatize Sidex was overwhelmingly made under the influence of the IFIs. These pressured the Romanian government to attain macroeconomic stability by getting rid of loss-making firms. This pressure coincided with a more cohesive coalition coming to power, eager to establish its reformist reputation.[55]

Czech Republic – Nová Huť – Mittal Steel Ostrava

Commissioned in 1952, the Czech Republic's largest steel producer, Nová Huť (NH), was also a darling of the communist system. Its dominance of the Czech steel sector was shared with two older North Moravian firms, Třinecké Železárny (TŽ) and Vítkovice (VS). The privatization of TŽ represented one of the few economically successful, significant leveraged buy-outs to domestic investors.[56] At the same time, the government's efforts to bring about VS and NH restructuring through management buy-outs, begun in 1996 under the leadership of Václav Klaus, failed. The subsequent center-left government, led by the Czech Social Democratic Party, became involved in the successful restructuring of VS, which is currently in the process of being privatized to foreign investors. The final decision concerning the privatization of NH shared a similar element with the Slovak case, namely, it was in part made under strong pressure of international capital market lenders, specifically the International Finance Corporation (IFC). Unlike the Slovak case, however, the timing of the decision was determined by the EU pressures to close the competition chapter.

NH's engagement with the international financial markets began in 1994, when the government approved its plan to construct a mini-mill for the production of thin plates and promised support in obtaining a loan from foreign lenders. Rather than underwriting the loan, the government arranged for a $250m loan from the financial arm of the World Bank, the IFC.[57] Since the IFC could only lend to private entities, the government artificially lowered its stake in the company to 49%.[58] In 1998-1999,

55 The decision to privatize was duly noted by the European Commission civil servants, who perceived the sale as a "*huge* achievement" by the government, which "has been clear as to the goals and desire to bring about change" (Interview with the European Commission desk officer responsible for Romania, Brussels, May 2002).

56 The privatization of TŽ, however, had significant political consequences, as a party financing scandal surrounding TŽ privatization eventually contributed to the downfall of the Klaus government in 1997.

57 This sum includes interest accumulated as of 2001, Páral and Šperkerová 2001.

58 The government transferred enough of its shares to Credit Swiss First Boston (CSFB) so as to reduce its share to 49%. CSFB was then supposed to try to sell the shares to other entities. Should it have failed to do so, which is what eventually happened, the Czech government had

however, NH found itself in a particularly difficult financial situation. For technological reasons, the new investment was not performing as expected and the delay in commissioning led to substantial losses. The IFC then started to exert pressure on the Czech government, relying also on the World Bank for support, in order to guarantee the repayment of the plant's loan.59 NH's financial difficulties were exacerbated by a barter-type contract signed with one of its major suppliers. In exchange for lenient treatment of the enterprise's debt, the contract stipulated overpriced production inputs and underpriced final products.60 As the steel enterprises' market position deteriorated, state officials realized that the sector was in desperate need of state aid and that they needed the EU's approval of the sectoral restructuring plan in order to disburse the aid lawfully.[61] At that point, a protracted negotiation process with the EU ensued. After the EU rejected the 1999 restructuring plan proposal for meeting the accession requirements, it provided PHARE program funds to finance another study, carried out by the London-based Eurostrategy consultants. The latter recommended the option of sectoral consolidation under the leadership of the privatized TŽ. NH and VS were supposed to be sold to TŽ for a symbolic crown, with TŽ leading the restructuring process, using 28b Kč of state aid.[62] The resulting consolidated Czech Steel Company would subsequently seek an international strategic investor. The idea raised much opposition within the domestic steel community.[63] The IFC also protested strongly against it, perceiving that it would jeopardize NH's loan repayment prospects.

The government thus found itself under a variety of pressures: managerial, IFC, and EU. The latter intensified as the deadline for closing the competition chapter negotiations loomed. With time running out, the EU became increasingly impatient with

---

committed itself to reacquiring the shares form CSFB. The IFC was of course fully aware of the illusory nature of NH's privatization.

59 Interview with Jan Mládek, former deputy minister of finance, responsible for negotiations with the IFC and the IFIs at the time, Prague, December 2003; According to an interview with the FNM Chairman during 2000-2002, in his discussions with the IFC representatives, the latter argued "you have a substantial stake in the company, so it is like an invisible guarantee" (Interview with Jiří Havel, former FNM chairman, March 2004).

60 Interview with Havel. Also, the supplier enterprise seemed to be closely tied to the Social Democratic government in power: Kopecký 2003; Respekt 2001.

61 According to interviews at both the Czech Ministry of Industry and Trade, as well as with the Czech managers, the fact that the December 1996 deadline was approaching was overlooked.

62 Páral and Šperkerová 2001.

63 Skeptics raised doubts over TŽ's competence to lead the complex restructuring process and over the subsequent possibility of selling the steel giant. There was also extraordinary opposition of the managers and trade unions of NH and VS against becoming dominated by TŽ's management, which still had the privatization stigma attached to it. Interview with Roland Berger Strategy Consultants, Prague, March 2004; Interviews with the management of two North Moravian steel enterprises, March and April 2004; Kubátová 2001; Nováková and Gallistl 2001.

the government's indecision as the government tried to come up with a satisfactory solution while avoiding immediate privatization to foreign investors. Its subsequent proposal envisioned a merger of NH with VS, this time using Osinek, a subsidiary of the National Property Fund (FNM), as the coordinating enterprise.[64] The proposal satisfied neither the IFC nor the EU, which claimed that the means committed for the purpose would not ensure full restructuring. The EU's impatience was reflected by the Commission negotiator's statement: "This is your problem. If you want to solve it, you better get cracking, and there are several ways to solve it, but time is running very short...If you don't make up your mind over the next few weeks, it will be too late."[65] A convenient solution appeared when LNM, known for privatizing Sidex in Romania, expressed its interest in acquiring NH. Not only did the IFC lobby for the sale to LNM, seeing LNM as the guarantor of its loan repayment, but the idea also pleased the NH trade union, which preferred the sale to a strategic foreign investor to efforts at domestically-led restructuring.[66] Above all, a quick privatization deal meant that the negotiations concerning the competition chapter and state aid with the EU could be closed. After granting exclusivity to LNM, the Czech government approved its bid on May 29, 2002, thereby opening the way for the closure of the competition chapter negotiations with the Commission.[67]

Poland – Polskie Huty Stali S.A. – Mittal Steel Poland

Of the cases considered, the Polish steel sector represents the purest example of EU influence, summed up in the words of one interviewed civil servant as "a pistol held to our head."[68] Unlike the Czech and Slovak cases, the largest Polish steel producers, Katowice Steelworks (HK) and Tadeusz Sendzimir Steelworks (HTS) remained exclusively in state hands, with privatization to foreign, rather than domestic, investors considered as the natural alternative.[69] The management and the unions of these enterprises resisted merger efforts, as well as the sectoral consolidation idea more generally, suggested in the early 1990s in order to alleviate the effects of the Polish steel industry's atomization. They preferred individual restructuring routes instead. There was no strong support for privatization within the industry or the

64 Osinek was originally created to deliver inputs to VS and to coordinate its sales when the company faced the threat of bankruptcy. See: Bouc 2001.

65 Bouc 2002.

66 Falcníková 2002; Šmíd 2002; Interview with NH union leader, Ostrava, March 2004.

67 The deal entailed the sum of $797m or 26.3b Kč, out of which 15.3b Kč was in assumed debt, 8.2b Kč in capital investments and other contributions and 2.8b Kč for the purchase of shares. See: Beckwith 2002.

68 Interview at the Ministry of State Treasury, Warsaw, July 2003. The sentiment was echoed in numerous other interviews.

69 In fact, the first significant privatization to foreign investors in the steel sector in the region was the 1992 sale of Warszawa Steelworks to the Lucchini group.

government and several attempts to privatize the major enterprises to foreign investtors in the second half of the 1990s failed. The reasons for these failures were as follows: insufficient extent of restructuring, especially as far as employment was concerned; uncertainty concerning the future of the two largest enterprises, which, according to most observers, should have been merged; as well as insufficient government involvement and coordination of the privatization deals.[70]

At the same time, for reasons encountered in the earlier case studies, the retaining of the status quo presented the government with high payoffs. Prior to the signing of the sectoral social pact on employment restructuring at the end of 1998, the government's indecision regarding privatization averted any political fallout that could ensue from insider opposition to employment cuts that were bound to accompany privatization or radical restructuring. Secondly, the idea of "preserving social peace" served as a convenient excuse for the interests involved in the compensation arrangements among the enterprises, their intermediaries, and their subsidiaries, some of which were tied to the state apparatus.[71] Thirdly, the government profited from patronage opportunities at its disposal, in the form of lucrative seats on enterprise supervisory boards. The enterprises were shielded by the consecutive governments in power as the state apparatus became involved in resolving disputes between the steel mills and their creditors, most often other SOEs, thereby averting the danger of bankruptcy. These debt workouts were an occasion for the adoption of restructuring plans, which for a limited amount of time improved the operation of the enterprises.[72] Thus, the domestic market pressures were of non-trivial, though limited, significance. Polish "latent statism" also displayed itself in the form of partially successful pressures on the EU to grant derogations from the 1999 full liberalization of trade in steel products.[73] All along, however, the EU was making it clear that it required a sectoral restructuring plan as a condition for the permission to grant state aid, even if retroactively.

Similarly to the Czech case, the Commission rejected the initial 1998 program proposal submitted by the government. One of the main criticisms was that it preserved too much production capacity. The preparations of the subsequent sectoral program stalled, as privatization negotiations concerning HK proceeded. Taking a hands-off approach, the Minister of State Treasury, in charge of privatization, delegated the re-

70 The criticism of the successive governments' policies toward the sector has been widespread. See, for example, the 2003 report by the Supreme Chamber of Control: Najwyższa Izba Kontroli 2003.

71 Interview with Edward Nowak, former Deputy Minister of the Economy, Kraków, July 2003; Interview at the Ministry of State Treasury, July 2003.

72 For examples, see Cieszewska 2001a and 2001b.

73 As a result, full liberalization was moved by one year and the relevant duty amounts rescheduled. See: Muńko 1999.

sponsibility for these negotiations to the management of HK. When these proved unsuc-cessful late in 2000, the government found itself with a sector in a dire financial situation, and in need of a solution which would both solve the sector's problems and be acceptable to the EU.[74] A solution was seen in a coordinated approach, whereby renewed privatization effort would be coupled with sectoral consolidation. Reviving the merger idea, the privatization offer involved the combined sale of HK and HTS, along with Florian Steelworks and Cedler Steelworks. The latter two were considered to be small but valuable "jewels" of the Polish steel industry.[75] At the same time, as a back-up, a sectoral consolidation plan was being developed by the Deputy Minister of the Economy. A merger was to bring together these four enterprises, representing altogether 70% of total Polish steel production. The privatization raised significant interest, includeing from LNM and U.S. Steel. This was in notable contrast to the case of Sidex, where LNM was the only serious candidate and to the Czech privatization, which took place without a tender. The advanced four-fold privatization talks, however, were scrapped with the change of government following the September 2001 elections.

The new government, a coalition dominated by the Democratic Left Alliance (SLD), the communist successor party, decided to postpone the privatization process. It decided first to engage in sectoral consolidation outlined by its predecessors and therefore created Polish Steelworks (PHS) in December of 2002. It was clear that privatization would be the only means of bringing about the viability of the enterprises. After all, state aid could not be used for new investments and given the heavy indebtedness of PHS, it would have been unable to generate these funds internally or through the market. Yet, the government seemed to be postponing the privatization decision as long as it possibly could, to the dismay of the enterprise-level trade unions, which vented their frustration in a letter to the Minister of State Treasury.[76] Procrastination also plagued the creation of the sectoral plan. Prior to the Copenhagen summit, when the EU accession negotiations were to be finalized, the enterprise managers, the government, and the Commission engaged in an intensive shuttling of the sectoral program drafts between Brussels and Warsaw. The Commission, dissatisfied with individual steel mills' proposals for restructuring, threatened not to close the competition chapter if these were not corrected. In the end, the chapter was signed based on a draft version of the sectoral plan, finalized only in March 2003. At that point, the final privatization drive, which ended in October 2003 with privatization to the ubiquitous LNM Group, was only beginning. The government, however, knew that the rules of the game were clear: it could only grant the negotiated state

74 Bielecki 2000; Interview with Nowak, July 2003.

75 Sznajder 2003.

76 The enterprise-level unions sent a letter dated 13 June 13 2003, claiming that they had been awaiting the privatization decision for months and that the government's indecision jeopardized their enterprise's future. Letter on file with the author.

aid to the sector until the end of 2003, thus, all the negotiations pertaining to the financial domain had to be finalized by that date.[77] The "pistol held to our head" referred to at the outset of this case study, took precisely the form of prohibition on state aid.

V. Conclusion

The three puzzles concerning the privatization of the steel industry to strategic foreign investors can be answered after we recognize that far from being a purely technocratic project, economic reform is subject to the vagaries of the political process. The case studies taken from the steel sector have shown that throughout the transition period, for reasons of political opportunism and personal benefit, it had been convenient for the successive governments in power to retain the partial reform status quo. The latter either took the form of continued state ownership or of sales to non-strategic domestic investors. The eventual surprising convergence on a single property form, i.e., ownership by strategic foreign investors, has occurred as a result of external coercive pressures. Their role has all too frequently been neglected by transition literature analyzing the politics of restructuring and privatization. On the other hand, in focusing on EU effects, the Europeanization/EU enlargement literature has had a tendency to overlook other external pressures operating in the region, as well as the domestic institutions which mediate them.

The presented case studies have shown that out of the four EU accession states considered, the EU coercive pressures were indeed critical in Poland and in the Czech Republic, the "transition leaders." At the same time, these two states were able to retain the partial reform status quo longer than their Slovak and Romanian counterparts only because they were better able to shield their enterprises from the coercive effects of the global financial markets or the IFIs. In comparison with Romania, these states were far less reliant on external financing from the IFIs. In comparison with Slovakia, they also served as explicit and implicit guarantor of the loans as far as the international financial market actors were concerned. Moreover, state involvement in the restructuring process of the individual enterprises was capable of bringing about partial adjustment to the market conditions.

One could generalize by saying that the EU pressure is the most fine-tuned of the external pressures. It becomes most powerful in case of states capable of shielding

77 The privatization contract totaled almost $2b for 60% of PHS S.A. shares (7.7b PLN). LNM was to pay 621m PLN for enterprise debts to its principal creditors, which were the SOEs; 370m PLN for debts to Agency for Industrial Development; 800m PLN to increase enterprise capital; 6m PLN in share purchase; 300m PLN as a working capital loan; 2.4b PLN in guaranteed investments, and 3.4b PLN in debt repayments. See: Stal 2003.

the enterprises from both market and institutional global pressures, yet not capable enough to bring about complete restructuring and market adjustment meeting the market viability standards of the EU. Finally, it is worth pointing out that the EU remains vigilant after the enlargement, with the Commission keeping a watchful eye on any remaining ties between the state and economic actors. Its recent investigations of the Czech and Polish governments' creative efforts to provide state aid to other private and state-owned steelmakers, respectively, are a case in point.[78]

Bibliography

Beckwith, Sam (2002): Nová huť sale stirs questions, The Prague Post, 05.06.02.

Bielecki, Jędrzej (2000): Możliwa zgoda na pomoc państwa, Rzeczpospolita, 14.11.00.

Bouc, František (2001): EC questions steel merger, The Prague Post, 24.10.01.

Bouc, František (2002): Steel's time running short, The Prague Post, 10.04.02.

Cameron, David R. (2003): The Challenges of Accession, in: East European Politics and Societies 17:1, pp.24-41.

Cieszewska, Barbara (2001a): Minister prosi banki o pieniądze, Rzeczpospolita, 07.03.01.

Cieszewska, Barbara (2001b): Coraz trudniej sprzedać, Rzeczpospolita, 02.08.01.

Commission Decision No 3484/85/ECSC of 27 November 1985 establishing Community rules for aid to the steel industry. Official Journal L 340, 18/12/1985 P.0001 – 0004.

Com*mission Decision No 322/89/ECSC of 1 February 1989* establishing Community rules for aid *to the steel industry. Official Journal L 038, 10/02/1989 P.0008 – 0011.*

Commission Decision No 3855/91/ECSC of 27 November 1991 establishing Community rules for aid to the steel industry. Official Journal L 362, 31/12/1991 P.0057 – 0060.

Commission Decision No 2496/96/ECSC of 18 December 1996 establishing Community rules for State aid to the steel industry. Official Journal L 338, 28/12/1996, P. 0042 – 0047.

Commission Decision No 257/80/ECSC of 1 February 1980 establishing Community rules for specific aids to the steel industry. Official Journal L 029, 06/02/1980 P.0005.

Commission Decision No 2320/81/ECSC of 7 August 1981 establishing Community rules for aids to the steel industry. Official Journal L 228, 13/08/1981 P.0014 – 0018.

Crawford, Beverly and Arend Lijphart (1997): Liberalization and Leninist Legacies, Berkeley: University of California, International and Area Studies Research Series, No.96.

Crowley, Stephen and David Ost (eds.) (2001): Workers After Workers' States, New York: Rowman and Littlefield Publishers.

Economist Intelligence Unit (2001a): Romania industry – LNM acquires Sidex, 03.08.01.

Economist Intelligence Unit (2001b): Romania industry – Survey of the metals sector, 31.08.01.

Ekiert, Grzegorz and Stephen E. Hanson, eds. (2003): Capitalism and Democracy in Central and Eastern Europe, Cambridge: Cambridge University Press.

78 State aid No C45/04 for the Czech case; State aid C20/2004 for the Polish case. The Polish steelworks in question, Huta Częstochowa, are currently undergoing privatization to a strategic foreign investor.

Ekiert, Grzegorz and Jan Zielonka (2003): Introduction: Academic Boundaries and Path Dependencies Facing the EU's Eastward Enlargement, in: East European Politics and Societies 17:1, pp.7-23.

European Commission (2000): Industrial Forum on Enlargement.

Eyal, Gil, Iván Szelényi, and Eleanor Townsley (1998): Making Capitalism Without Capitalists, New York: Verso.

Falcníková, Blanka (2002): Odboráři: Nová varianta může zlikvidovat Novou huť, Moravskoslezský deník, 17.01.02.

Garrett, Geoffrey and Peter Lange (1996): Internationalization, Institutions and Political Change, in: Keohane, Robert O. and Helen Milner (eds.): Internationalization and Domestic Politics, Cambridge: Cambridge University Press.

Grabbe, Heather (2002): European Union Conditionality and the Acquis Communautaire, in: International Political Science Review 23:3, pp. 249-268.

Greskovits, Béla (1998): The Political Economy of Protest and Patience: East European and Latin American Transformations Compared, New York: Central European University Press.

Grzymała-Busse, Anna (2003a): Political Competition and the Politicization of the State in East Central Europe, in: Comparative Political Studies 36:10, pp.1123-1147.

Grzymała-Busse, Anna (2003): Formal Demands, Informal Responses: The EU and State Reform in Candidate Countries. Manuscript.

Hellman, Joel (1998): Winners Take All: The Politics of Partial Reform in Postcommunist Transitions, in: World Politics 50:2, pp.203-234.

Hospodarské Noviny (1997): Ivan Lacko: Pod výrazný pokles zisku VSŽ sa podpísala najmä chaotická obchodná politika kombinátu, 22.10.97.

Hotărârea Guvernului României nr. 213 din 28 februarie 2002 privind aprobarea Stategiei de restructurare a industriei siderurgice din România pentru perioada 2002-2005, Published in M.O. No. 206, 27.03.02.

Hutňan, Marían (1999a): Chronológia krízy vo VSŽ, kedysi vlajkovej lode Slovenska (I). Hospodarske Noviny, 26.08.99.

Hutňan, Marían (1999b): Chronológia krízy vo VSŽ, kedysi vlajkovej lode Slovenska (II). Hospodarske Noviny, 27.08.99.

Judgment of the European Court of Justice (Second Chamber) of 15 December 1994. Socièta Finanziaria Siderurgica Finsider SpA (in liquidation) v Commission of the European Communities. Case C-320/92, European Court Reports 1994, pp. I-05697.

Kitschelt, Herbert, et al. (1999): Post-Communist Party Systems, Cambridge: Cambridge University Press.

Kopecký, Josef (2003): ČSSD má sponzora spjatého s investorem D47, Hospodářské Noviny, 25.03.03.

Kubátová, Zuzana (2001): Velká hra Třineckých železáren, Týden, 07.05.01.

Linden, Ronald H., ed. (2002): Norms and Nannies: the Impact of International Organizations on the Central and East European States, Lanham: Rowman and Littlefield Publishers, Inc.

Linz, Juan and Alfred Stepan (1996): Problems of Democratic Transition and Consolidation, Baltimore: The Johns Hopkins University Press.

Majone, Giandomenico (1996): Regulating Europe, New York: Routledge.

Marcinčin, Anton (2000): Reštrukturalizácia podnikov, in Marcinčin, Anton and Miroslav Beblavý (eds.): Hospodárska Politika na Slovensku 1990-1999, Bratislava: Slovak Foreign Policy Association et al.

McDermott, Gerald (2002): Embedded Politics, Ann Arbor: The University of Michigan Press.

Mediafax (2000a): Consortium including Fieldstone Private Capital Group and Deloitte&Touche to grant consulting for privatizing Sidex Galaţi, 29.06.00.

Mediafax (2000b): FPS chairman does not accept decision of Ministry of Industry for restructuring iron and steel industry, 19.10.00.

Mediafax (2000c): World Bank – Interview, 27.10.00.

Mikloš, Ivan (1997): Economic Transition and the Emergence of Clientalist Structures in Slovakia, in Szololányi, Soňa and John A. Gould (eds.): Slovakia: Problems of Democratic Consolidation. Bratislava: Slovak Political Science Association and Friedrich Ebert Foundation.

Muńko, Andrzej (1999): Ocena i stanowisko Unii Europejskiej w Odniesieniu do Procesów Restrukturyzacji Przedsiębiorstw w Polskim Przemyśle Hutnictwa Żelaza i Stali (1990-1998), Warsaw: INE PAN. Working Paper No. 13.

Najwyższa Izba Kontroli (2003): Informacja o wynikach kontroli restrukturyzacji i przekształceń własnościowych w hutnictwie żelaza i stali, Warsaw: NIK, February 2003.

Nováková, Pavla and Vladan Gallistl (2001): Třinecká cesta privatizace hutí padla, *Lidové noviny*, 24.07.01.

Orenstein, Mitchell (2001): Out of the Red, Ann Arbor: University of Michigan Press.

Ost, David (2000): Illusory Corporatism in Eastern Europe: Neoliberal Tripartism and Postcommunist Class Identities, in: Politics and Society, 28:4, pp.503-530.

Páral, Pavel and Marcela Šperkerová (2001): Eurostrategy navrhuje restrukturalizacji, která má stat 28 miliard, Euro, 07.05.01.

Profit (2000): Američania vstupujú do VSŽ, No.45, 3 November 2000, pp.12-15.

Respekt (2001): Za vším hledej Shiran, 10.12.01.

Schimmelfennig, Frank (2002): Introduction: The Impact of International Organizations on the Central and East European States, in: Linden, Ronald H., (ed.): Norms and Nannies, Lanham: Rowman and Littlefield Publishers, Inc.

Schimmelfennig, Frank and Ulrich Sedelmeier (2002): Theorizing EU Enlargement, in: Journal of European Public Policy, 9:4, pp.555-528.

Stark, David and László Bruszt (1998): Post-socialist Pathways: Transforming Politics and Property in East Central Europe, Cambridge: Cambridge University Press.

Stal (2003): Podpis wart 7,7 mld, 31.10.03.

State aid-Czech Republic-State aid No C45/04 (ex NN 62/04) – Restructuring aid to the Czech steel producer Trinecke Zelezarny – Invitation to submit comments pursuant to Article 88(2) of the EC Treaty. Official Journal C 022, 27/01/2005 P. 0002-0008.

State aid – Poland – Aid C20/2004 (ex NN25/2004) – Poland, restructuring aid to steel producer Huta Częstochowa SA – Invitation to submit comments pursuant to Article 88(2) of the EC Treaty. Official Journal 204, 12/08/2004 P. 0006-0013.

Strategia de Restructurare a Industriei Siderurgice din România, approved by H.G. nr. 655/29.04.2004, published in M.O. No. 425/12.05.2004.

Sznajder, Aleksandra (2003): Still Restructuring? The Politics of the Steel Sector Restructuring in Poland and the Effects of EU Accession, Paper Presented at the 2003 Annual Meeting of the American Political Science Association, Philadelphia.

Šmíd, Pavel (2002): Odboráři Nové huti vyhlásili protestní demonstrace, Hospodářské noviny, 01.02.02.

Tismaneanu, Vladimir (2003): Stalinism for All Seasons, Berkeley: University of California Press.

Trappmann, Vera and Amelie Kutter (2005): Die EU und der Strukturwandel in Polen: Die Transformation der polnischen Stahlindustrie unter dem Einfluss des EU-Beitritts, in: Salimi-Asl, Cyrus et al. (eds.): Die Transformation nationaler Politik, Berlin: DGAP, 157-179

Vachudová, Milada Anna (2000): The Domestic Politics of EU Enlargement. East European Constitutional Review, 9:4.