



EUROPEAN INTEGRATION & SOUTH EASTERN EUROPE: PROSPECTS & CHALLENGES FOR THE WESTERN BALKANS

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Abstract:

Recent enlargement of the EU beyond its traditional Western confines has made it a broad and heterogeneous institution. In the case of the Western Balkan states, the EU has an unprecedented opportunity to change the geopolitical context of Europe by offering them full membership. The policy of enlargement can serve as a tool whereby the Union is able to enhance its presence in the international arena and effectively promote its foreign policy. However, there have recently been signs of backtracking on the EU's part. The paper will present the case for full absorption of the Western Balkan region in the Union in the near future so that not only the Balkan states but also the EU itself may benefit from stability and prosperity in the post-Cold War era.

Keywords: Enlargement; European Union; Western Balkans.

Resumen:

La última ampliación de la UE más allá de sus confines occidentales la ha convertido en una institución extensa y heterogénea. En el caso de los Balcanes Occidentales, la UE tiene una oportunidad sin precedentes para cambiar el contexto geopolítico de Europa ofreciéndoles el estatus de miembros de pleno derecho. La política de ampliación puede servir como instrumento a través del cual la Unión Europea sea capaz de reforzar su presencia en el ámbito internacional y promover efectivamente su política internacional. Sin embargo, ha habido signos de retroceso por parte de la UE. Este artículo presenta los argumentos para una absorción de la región de los Balcanes Occidentales a corto plazo no sólo para que los estados balcánicos sino para que también la misma UE pueda beneficiarse de la estabilidad y prosperidad en la era de la Posguerra Fría.

Palabras Clave: *Ampliación; Unión Europea; Balcanes Occidentales.*

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Introduction

The ending of the Cold War and the vision of a common pursuit of prosperity under stable democratic governance have resulted in an accretion of the European Union with the inclusion of countries in the Baltic region as well as in Central and Eastern Europe. However, the Western Balkan region, although integrally bound with Europe, has generally been in the backyard of European concern, with attention being given to the region only in the event of some violent conflict or change. The area has always been characterized by low levels of development and strife both within and between countries. In cultural terms, the Ottoman legacy in the region means that a large part of the population follows the Islamic faith, and this is reflected in many walks of life of the people. In spite of the differences that set the traditional members of the EU apart from the Balkan countries, the present paper will argue that there is a fundamental case for their full integration within the European framework if Europe is to meet its foreign policy objectives in the most effective way.

The paper will first outline the context of association between the Western Balkan states and the European Union. It will look at the outstanding issues that should be kept in mind when pursuing the theme of integration of these states within the Union. The debate on enlargement will be discussed from the perspective both of the Balkan countries and of the current members of the EU. The progress made so far towards integration will then be considered, followed by the challenges that must be overcome if membership of the European Union is to take place. Finally, the paper will set out the arguments for granting full membership status to these countries at a clear date in the near future.

1. Background

A Coherent Policy Framework

The transition from command economies to market economies in South Eastern Europe has faced dramatic collapses in output in all the countries of the region and in the case of former Yugoslavia ethnic strife and disintegration brought additional burdens with negative implications for the region as a whole. Economic transition had to move in parallel with efforts to restore peace and political-social stability. A number of unrealistic and poorly coordinated international initiatives for the region proved fruitless.

The demoralizing blow to EU's image from Balkan involvement in the 1990s eventually drove home the need to act positively and assertively towards the region. The EU's initiation of European Accession Partnerships and the Stabilization and Association Process in the late 1990s affirmed serious commitment to the region and its determination to seek genuine reforms from potential candidates was accepted by both peoples and governments. This proved a catalyst for regional change.

In light of the above, in 1999, the EU initiated the Stabilization and Association Process (SAP) with the then five Western Balkan states (Albania, Bosnia–Herzegovina, Croatia, Serbia and Montenegro including Kosovo, and FYROM) as a step towards a long-term approach to the region. The European Union thereby, for the first time in history, held out to all the countries of the Western Balkans the “prospect of Europe”. The SAP was aimed at assisting countries in the region “to move closer to the European Union” by “introducing



European values, principles and standards in the region”². These include democracy, the rule of law, respect for human rights, protection of minorities and a market economy. The goal of the SAP is the conclusion of a Stabilization and Association Agreement (SAA), which binds the EU and the Western Balkan countries in a formal association over a transition period. The SAP involves exhaustive support and assistance through technical guidance for better governance, effective institutions, the process of democratization, protection of human rights, refugee welfare, economic development and the eradication of corruption and organized crime. In June 2003, at the Thessaloniki European Council, EU leaders made a firm declaration that “the future of the Western Balkans is within the European Union”. This summit emphasized the association with and potential membership of the Union for the Western Balkan countries.

The Union has a long-standing moral obligation to help the countries of the region and an interest in their political and economic stability. The EU Treaty, moreover, states that any European state fulfilling its basic principles may apply for membership. However, although the Western Balkan states have always been an integral part of Europe, they have never received their due attention and now appear as a gaping hole in the overall EU map with the accession of Bulgaria and Romania in January 2007. Croatia is the only state in this grouping that has a reasonable likelihood of gaining membership of the EU in the immediate future as it has displayed the kind of commitment and ability to pursue the agenda of reforms towards EU integration that the Central and East European (CEE) countries showed in the 1990s. However, its target date of accession has not been endorsed and, generally, the countries of the region have been given no more than a vague promise to join the European Union at some future date.

Overall, during the last decade, the policy of the EU towards the Western Balkans has improved drastically. The EU is viewing each country both as an integral part of the region, recognizing the common denominators of the problems that in some cases require collective solutions, without at the same time losing sight of country specificities. Hence a regional approach coexists with a tailor-made approach for each country. The major problems relate to striking a balance between these objectives and distributing funds accordingly considering the limited resources after the last EU enlargement.

Actually, with Eastern enlargement finally taking place, the accession prospects for the Western Balkans have become dim in the light of a number of factors. These include the fear that their inclusion in the Union would bring in protracted conflicts to the heart of Europe and what has been termed “enlargement fatigue”, where the capability of the EU to accommodate more members is being questioned. Nevertheless, besides opening formal negotiations with Croatia, the EU has set in a process of pre-accession for most of the Western Balkan states. FYROM has been accepted as a candidate for EU membership. The SAA with Albania has been signed, and SAA negotiations have been opened with Bosnia–Herzegovina, Serbia and Montenegro.

Observers are of the opinion that the recent enlargement of the EU to Central and Eastern Europe (CEE) has been a success³. It brought to a close a legacy of conflict in that region and gave to the nations the needed impetus for their political and economic modernization, thus bringing stability and security to a large part of Europe. In this way, the fundamental value of

² Calic, Marie-Janine (2005), “The Western Balkans on the Road towards European Integration” *Internationale Politikanalyse – Frieden und Sicherheit*, Friedrich Ebert Stiftung, p. 2.

³ Goldstein, Avery; Batt, Judy: “Balkans in Europe: Why, When and How?”, *Policy Brief*, Belgium, European Policy Centre (EPC) (2007).



European integration has been reaffirmed. There is, therefore, a compelling reason for pursuing the goal of Western Balkan integration in the Union if democratization, stability and prosperity are to be achieved in as large a part of Europe as possible without taking recourse to isolated foreign policy initiatives.

In its 2005 report “The Balkans in Europe’s Future”, the International Commission on the Balkans expressed the view that the target date for accession should be set at 2014-2015: symbolically, a century after war broke out in Sarajevo in the summer of 1914⁴. The European Council in December 2006 stated, however, that target dates for accession will not be set “until accession negotiations are close to completion”⁵.

2. The Issues

2.1. Political and Civil Instability

In spite of numerous efforts and achievements, the Western Balkan region still faces a number of pressing structural problems in the institutional, political and economic spheres: these include open status issues, constitutional uncertainty, the “weak state” syndrome, a poor business environment and high rates of unemployment and poverty. In its 2005 report, the International Commission on the Balkans believes that “the region is as close to failure as it is to success”.⁶

Even more than a decade after the ending of the Bosnian war, the task of building peace in the region is still not solidly established, with state-building largely unfinished and the presence of constitutional uncertainty. The national constitutions that were framed in the wake of the disintegration of Yugoslavia lack acceptance by both the ruling elite and the mass of the people. The uncertainty with regard to the future political framework of the region generates skepticism and nationalism vis-à-vis the reform process, accompanied by instability and violence. One of the challenging goals in the region remains, therefore, the establishment of stable and democratic government.

Democracy and the rule of law are making slow and uneven progress in the Western Balkans. According to the Freedom House Index, all countries have progressed with regard to electoral process, civil society, freedom of the media, good governance, anti-corruption and the rule of law⁷. The 2006 Democracy Score Chart of Freedom House shows that on a scale of 1 to 7 where 1 represents the highest level of democratic progress and 7 the lowest, the new EU members have scores between 1.7 and 2.3. By contrast, the countries of the Balkan region exhibit scores between 3.6 (Croatia and Serbia) and 5.4 (Kosovo)⁸. There is still absence of stability and transparency in government; a resurgent appeal to extremism and ultra-nationalism in some countries; weak protection for the rights of ethnic and minority groups; political and economic pressures on the media; low government receptivity to citizen participation; and pervasive corruption at all levels of society and government. Civil society is

⁴ International Commission on the Balkans : “The Balkans in Europe’s Future”, Sofia, Report (2005), p. 6

⁵ CEC (2006). “*Enlargement Strategy and Main Challenges 2006 – 2007*”, Communication from the Commission to the European Parliament and the Council, Brussels, Commission of the European Communities, COM(2006) 649 final, p. 23.

⁶ International Commission on the Balkans, *op. cit.*, p. 7.

⁷ Calic, “The Western Balkans...”*op. cit.* p. 7 ff.

⁸ Figures read from graph in Freedom House, 2006.



still very underdeveloped and highly dependent on external donor funding. Although the countries of the region are moving in the right direction, they are still very far from reaching the position of the Central and East European countries that recently joined the European Union.

With some of the instruments set in place for closer association between the EU and the Western Balkan states, some political institutions have been created through the establishment of new agencies, services, procedures and policies all over the region. However, it is largely the case that willingness to accept change is confined to a small and highly professional staff directly in touch with Brussels while the other sectors of administration show resistance to change, lack of administrative capacity and corruption.

On the basis of World Bank Governance Indicators (WBGI), it has been found that institutional development in the non-member states in the Black Sea and the Balkan regions is comparatively low than for other parts of Europe. The Balkan countries especially, still suffering from disintegration and violent conflicts of the recent past and just beginning their nation building, stand in urgent need of institutional development.⁹

2.2. Low Economic Development

On the economic side, GDP growth has been extremely sluggish in most of the region. The GDP levels obtaining before the onset of war in the region have still not been overtaken for the large part. War, sanctions and quick privatization have resulted in the collapse of industry in most of the Western Balkan countries, with resulting unemployment and poverty. In Croatia and Albania, economic growth has led to significant increase in employment, but the situation in the other countries remains a cause of concern. Unemployment and underemployment continue to affect a significant part of the population, and living standards are below the poverty line for large sections of the people. The informal sector plays a major role in the economy of these countries, accounting for more than one third of total income. This leads to increasing poverty and inequality in accessing opportunities and services.

⁹ Hammermann, Felix; Schweickert Rainer. *EU Enlargement and Institutional Development: How Far Away Are the EU's Balkan and Black Sea Neighbors? Kiel Working Paper*, Kiel, Kiel Institute for World Economics, n° 1261 (2005), passim.

**Table¹⁰: GDP and Population for the Western Balkan countries**

	Population (million)	GDP per head, US\$ (2006)	GDP growth forecast for 2007 (percent)
Albania	3.2	5,201	6.0
Bosnia– Herzegovina	3.8	7,844	5.0
Croatia	4.4	13,185	4.7
FYROM	2.0	7,268	4.0
Montenegro	0.7	n.a	6.0
Serbia	10.0	n.a	6.0

The accompanying table shows that Croatia is the outstanding economic performer in the region with a GDP per capita clearly exceeding those of any other country in the region. While growth rates of GDP have been 4–6% for the region in the recent past, growth forecasts for the current year are largely higher than what has prevailed. The economies of Albania, Montenegro and Serbia are likely to grow by as much as 6%. Inflation is moderate whereas FDI, though still relatively low, is on a rising trend (EBRD data). While this presents some cause for optimism about economic prospects in the region, the Western Balkans are still poor and backward in comparison with the rest of Europe and even the Central and Eastern European (CEEC) countries¹¹.

Recent experience has shown that the prospect of EU membership increases foreign investment because risks and transaction costs are reduced. It has been found that there is a clear positive correlation between FDI and European integration prospects, and a negative correlation between FDI and political instability¹². The latter is understandably considered by foreign investors to be one of the key impediments to starting a business. Private business in the Western Balkans has to reckon with a number of impediments that include absence of a competition framework, lack of financial access, poor quality standards, high taxes, and poor access to markets. Countries in the region face both petty corruption and state dominance in many areas of public life.

¹⁰ Source: European Bank for Reconstruction and Development (EBRD; www.ebrd.com)

¹¹ The EU has granted to the region some Autonomous Trade Measures (ATM), which have, however, had only a minor effect on increasing exports from the region on account of low production standards, legislative barriers, and inadequate certification capacity and control.

¹² Calic, “The Western Balkans...”, *op. cit.*, p. 8.



Even though it is the case that the Western Balkan countries are not so well placed for accession as the CEEC countries were in the pre-accession phase, it is undeniable that conditions in the latter have improved considerably compared with a decade ago. The prospect of renewed war is minimal. All the concerned states have officially expressed their desire to come closer to Europe, promote the market economy, and work towards regional as well as towards peaceful settlement of disputes. Moreover, there are unmistakable signs of economic stabilization and recovery all over the region. There is progress as regards institutional reform and market liberalization. Strong grounds exist for believing that the prospect of near EU membership can provide a strong incentive to countries to undertake reforms in a decisive fashion.

2.3. Incentives Due to EU Membership Prospects

There is empirical evidence from the experience of the six countries that joined the EU between 1973 and 1986, and of the CEECs, that candidate countries are able to attract significantly more foreign direct investment (FDI) than non-candidates¹³. The prospect of membership and the process of preparing for accession in themselves, attract more outward and inward investment because foreign investors anticipate completion of reforms once clear political prospects effectively guarantee their implementation. More investment allows improved economic performance, raises country credit ratings and promotes further FDI inflows. Unclear political prospects, combined with notorious institutional weaknesses, reduce the likelihood of economic growth. If EU accession prospects are made unambiguous, they can become the most important means of continuing the reform process and attracting FDI. Accession countries are more attractive as a production location because they guarantee access to the European market and protect investors against sudden and arbitrary shifts in trade and market policies.

The European prospect constitutes a powerful incentive for reform and conflict resolution in the Western Balkan region. Experience over the last few years underlines the fact that it has served as a stimulus towards promotion and enhancement of ongoing reforms; as an enabling structure for conflict resolution; and as a framework for better regional cooperation. In the backdrop of European integration prospects, all countries in the region have invested much effort in the reform process.

2.4. Shifts in Foreign Policy Priorities and Shrinking Aid

Such progress, however, runs the serious risk of being thwarted in light of new security concerns on the part of the international community and increasing pressure upon scarce resources. NATO has reduced its peacekeeping presence in the Balkans, foreign assistance has declined, and political attention has moved to blazing spots in the Islamic world. Financial assistance on the part of the international donor community has been on the decline over the years.

¹³ *Ibid.*, p. 10.



Both the member states of the EU as well as the European Commission are visible as representing the single largest donor in Southeast Europe, providing humanitarian aid and assistance for economic reconstruction. From 2007 onwards, the European Commission's financial assistance will be provided through the Instrument of Pre-Accession, replacing the Community Assistance for Reconstruction, Democratization and Stabilization (CARDS)¹⁴. The Instrument of Pre-Accession (IPA) has been created with the objective of preparing candidate countries better for the implementation of structural and rural development funds after accession. Nevertheless, it has not been made explicit how much the Western Balkans would be able to benefit from the various facilities of assistance. Although new members of the EU and candidates can expect higher financial appropriations under the (IPA), the Balkans stand the prospect of receiving comparatively less aid.

During the last decade in the Balkans, the EU has been involved in through crisis management, reconstruction, capacity-building, assistance in reforms and the membership perspective. These efforts have resulted in greater stability in the region and the consolidation of state structures¹⁵. The EU is acknowledged as a security provider in the region. Not only do EU member states supply the bulk of the peacekeeping troops in the Balkans but the EU has also engaged in security operations of its own¹⁶.

As is clear from a glimpse of the EU's unique position, the institution can harness support for a democratic and stable future through the goal of EU approximation and at the same time provide financial support towards this end. Nonetheless, it is quite apparent that there is a declining trend as regards donor expenditure (both grants and loans) in the Balkan countries¹⁷. A sharp reduction has been seen in grant assistance to the Balkan states apart from Croatia, although these states received exceptional support from the donor community in post-conflict reconstruction and recovery. There is additionally a shift to loans as the major source of assistance (from grants).

2.5. The Debate on Enlargement

The negative results in the 2005 referenda in France and the Netherlands on the EU constitution have been interpreted in some quarters—notably, among some European Commission officials and leaders of older EU member states—as an expression of lack of confidence among EU citizens in further enlargement of the EU. The term “enlargement fatigue” has since come into vogue. Even though critics of the constitution did not explicitly

¹⁴ Since 1991, the Union has provided more than EUR 6 billion in assistance to the Western Balkans through its various programs (not including bilateral aid from individual Member States) (Calic, “The Western Balkans...”, *op. cit.*). In the run up to the Thessaloniki EU summit in June 2003, the CARDS program was bolstered by an additional EUR 200 million. The CARDS program has been by far the most important source of financial and technical support for reconstruction and reform in the region.

¹⁵ Montanaro-Jankovski, Lucia (2007): “The Interconnection between the European Security and Defence Policy and the Balkans”, *Southeast European and Black Sea Studies*, vol. 7, n° 1 (March 2007), p. 155.

¹⁶ The EU Police Mission in Bosnia and Herzegovina (EUPM) was launched in January 2003, after the UN's International Police Task Force (IPTF) mission ended. The launching of Operation Concordia in FYROM in April 2003, the first ever EU military mission, and the launch of EUFOR Althea, the EU Force in Bosnia–Herzegovina in December 2004 as a UN Chapter VII mission, marked the beginning of a new phase in the development of the Union's crisis-response capability, aiming at an integrated civil-military peace-building approach that would support the long-term prospects of EU integration.

¹⁷ Between 2002 and 2005 international aid fell by one third (from EUR 149 to EUR 106 per capita).



oppose EU enlargement¹⁸, the no-vote has sparked debate on whether future enlargements (Turkey and the Western Balkans) would be acceptable. Much of the public opposition towards enlargement is caused by fears of immigration and low-cost competition from the new member states¹⁹. Public opinion in the older EU states often views further enlargement as being largely for the benefit of the aspirant countries. New interests and shifts of power within the enlarged Union may deepen existing skepticism about inclusion of any future new members.

The ideas of “junior partnership status” and “privileged partnership” have been put forward as an alternative to full membership for Turkey and the Western Balkan countries. The view that the EU should have a “pause” in enlargement until it has reached an agreement on institutional reform has now gained widespread support in the EU member states²⁰. There have been statements that the Union has no further absorption capacity or at least should enhance this capacity before the further inclusion of members²¹. At a EU–Balkans meeting in Salzburg in March 2006, the EU reiterated its usual pledge to keep its doors open but this time added a reference to the Union’s “absorption capacity” as a potential barrier to future accessions.

Although enlargement is by no means universally unpopular with EU citizens, support varies enormously from country to country, from 29% in Austria to 74% in Greece. With the notable exception of Greece, the ten member states where support for the process is highest are all newcomers. Conversely, the ten least enthusiastic ones are all “old” member states. Among other potential future members, only Albania’s accession is opposed by a majority of EU citizens (a clear majority in 12 member states). By contrast, the possible accession of FYROM, Bosnia–Herzegovina, Serbia and Montenegro only faces opposition in four or five EU member states, while Croatia’s accession is accepted by a majority in all but one country (Luxembourg)²².

On the other hand, there are clear signs of Euro-skepticism in the Western Balkans. A large section of the population has not forgotten how ineffectual the EU was in ending the wars of the 1990s and how it neglected to pay sufficient attention to the emerging crisis in Yugoslavia. Some people see the accession process as a continuation of the “statist” tendencies of state socialism. Besides, EU requirements are frequently invoked as a means of legitimizing difficult socio-economic reforms. The EU’s instruments, in particular those of the Stabilization and Association Process, appear bureaucratic and tedious, and do not seem to be in touch with people’s daily lives. Accession is still a distant prospect and many people believe that the SAP is being used arbitrarily and on the basis of double standards.

However, attitudes to Europe in the region are overwhelmingly positive: opinion polls show majorities with pro-European attitudes in Albania (72%), Kosovo (71%), Bosnia–Herzegovina (62%), FYROM (56%), Montenegro (54%), and Serbia (49%). Only small

¹⁸ Indeed, an opinion poll suggests that an almost absolute majority (49%) backs “further enlargement in future years” (Durrand; Missiroli, *op. cit.*)

¹⁹ Barysch, Katinka (2006): *Is Enlargement Doomed?*, Public Policy Research, Centre for European Reform, p. 85.

²⁰ UK House of Lords, 2006a.

²¹ In 2006 Commission President Jose Manuel Barroso stated: “There is no formal decision but...I think it would be unwise to bring in other member states apart from Bulgaria and Romania, which will be joining us soon, before we have sorted out the institutional question” (UK House of Lords, 2006b).

²² Durrand, Guillaume; Missiroli, Antonio (2006): *Absorption Capacity: Old Wine in New Bottles?*, Brussels, European Policy Centre Policy Brief.



minorities express explicit anti-EU attitudes: in Albania (2%), Kosovo (5%), Bosnia–Herzegovina (8%), FYROM (4%), Montenegro (5%), and Serbia (12%)²³.

3. Progress and Prospects of Western Balkan Membership in the EU

In terms of closer association between the EU and the Western Balkan states, significant progress has already been made in the area of regional cooperation. An Energy Community has been formed and a regional free trade agreement, the Central European Free Trade Agreement (CEFTA), was signed in December 2006. Through the Stability Pact for Southeast Europe, created in the aftermath of the Kosovo war in June 1999, participating states have undertaken a number of credible initiatives, including the liberalization of their trade regimes. Substantial progress has been made in settling refugee issues, fighting organized crime and corruption, improving the investment climate, creating a common energy market and developing regional infrastructure strategies. An important lesson from the implementation of the Stability Pact is that those initiatives were particularly successful in which the EU took a leading role and where the accession-related dimension of regional cooperation is clearly visible (for instance, in the areas of trade harmonization and a common energy market). The Stability Pact is about to be transferred fully into Western Balkan hands. The European Union is preparing to take over key responsibilities in Bosnia–Herzegovina as the Office of the High Representative is phased out and replaced by the EU Special Representative, who already oversees the military and police missions on the ground.

In its deliberations, the European Council has recognized that enlargement has been a success story for the European Union and Europe as a whole. “It has helped to overcome the division of Europe and contributed to peace and stability throughout the continent. It has inspired reforms and has consolidated common principles of liberty, democracy, respect for human rights and fundamental freedoms and the rule of law as well as the market economy. The wider internal market and economic cooperation have increased prosperity and competitiveness, enabling the enlarged Union to respond better to the challenges of globalization. Enlargement has also enhanced the EU's weight in the world and turned it a stronger international partner”²⁴. In this context, the European Council has reaffirmed that the future of the Western Balkans lies in the European Union. However, each country's progress towards the European Union depends on its individual efforts to comply with the Copenhagen criteria and the conditionality of the Stabilization and Association Process²⁵. A country's satisfactory track-record in implementing its obligations under a Stabilization and Association Agreement (SAA), including trade related provisions, is an essential element for the EU to consider any membership application. On its own part, the European Council has resolved to break the impasse over the Constitutional Treaty resulting from the failed referenda²⁶.

²³ Calic, “The Western Balkans...”, *op. cit.*, p. 11.

²⁴ CEU, 2007a: 2.

²⁵ SAP conditionality emerges from the Copenhagen criteria, set out in 1993, concerning democratic government and market economics. In addition, the EU asks for compliance with the conditions set out in the Regional Approach of 1997. These conditions remain a fundamental element of the SAP and are integrated into the Stabilization and Association Agreements. Furthermore, potential members must fully implement the *Acquis Communautaire* (the entire body of EU law) into national legislation, and adopt the goals of the political, economic, and monetary union. The EU's conditionality is more strictly applied today, with greater stress on implementation.

²⁶ CEU, 2007b: 1–2.



EU leaders have very recently (October 2007) reached an agreement at the Lisbon European Council on a new EU treaty. The Reform Treaty will replace the EU Constitutional Treaty, which was rejected in referenda in France and the Netherlands. Ireland will hold a referendum on the new treaty next year. The new treaty will reshape the European Union's institutions and, it is hoped, streamline decision-making. It is believed that with this new treaty, Europe has overcome an impasse that lasted for several years. How significantly this agreement among EU leaders on constitutional change will enhance the membership prospects of the Western Balkan countries, however, remains to be seen. The EU has supported and praised reform in individual Balkan states, but it has neither set nor endorsed target dates of accession for any of the countries. There is an urgent need to settle a number of unresolved issues with individual countries and keep up the momentum of ongoing reforms. The potential benefit of an enhanced EU role in the Western Balkan region as a whole remains quite high.

Albania

Albania lags most in combating organized crime and corruption, democratic institutions fall short particularly regarding minorities and the country is in need of judiciary and administrative reform while the economy remains informal to a great extent. The European Commission has endorsed Albania's contribution to stability in the region²⁷. EU relations with Albania advanced with the signature in 2006 of the Stabilization and Association Agreement. However, the Commission states that while the country has made some progress on democracy and the rule of law, more work is needed on other priorities that form a part of partnership with the EU.

Bosnia-Herzegovina

Bosnia-Herzegovina is further behind and most of the progress achieved has relied on foreign aid and international pressure. The country needs institutional strengthening to ensure the viability of the state, more efficient use of aid resources and a framework to boost private investment. The European Commission acknowledges that completion of the negotiations for a Stabilization and Association Agreement and its implementation will reinforce the country's European perspective²⁸. Nevertheless, the Commission believes that full co-operation with International Criminal Tribunal for the former Yugoslavia (ICTY) is a key part of the conditionality under which the country can draw closer to the EU. It warns that it would not conclude SAA talks unless the country made progress on reforming its police and co-operated with the UN War Crimes Tribunal.

Croatia

In 2006, Croatia continued to make progress in terms of the political, economic and *acquis* criteria and implementation of its Stabilization and Association Agreement. Croatia has set itself a target date for accession of 2009 (when the next round of elections will be held to the European Parliament and a new European Commission will come into office). The country is a special case not only in terms of its preparedness for EU membership but also because its accession encounters much less public opposition than that of other candidate countries. Statements that the EU should put a hold on further enlargements until it has reached a new institutional settlement, however, make Croatia's accession dependent upon the EU's ability to reform its institutions.

²⁷ CEC, 2006, p. 12.

²⁸ *Ibid.*, p. 12.



The Former Yugoslav Republic of Macedonia

In FYROM progress to sustain a unitary multiethnic state has been substantial despite lags in implementing democratic rule of law. However the overall reform process is still in its infancy particularly regarding public administration and improving the business climate. While FYROM has been accepted as a candidate for membership and the EU is of the opinion that the country has continued to make progress towards fulfilling the criteria for accession, the European Commission underlines that the progress slowed down in 2006²⁹. It acknowledges that the government still faces particular challenges in implementing reforms of the police and judiciary, fighting against corruption, and fully implementing on of the Stabilization and Association Agreement.

Montenegro

Following independence in 2006, Montenegro has begun negotiations on a separate Stabilization and Association Agreement (SAA), under new directives that were agreed upon with the EU. Although in the eyes of the European Commission the country has broadly addressed the key priorities of partnership, significant results still remain to be produced in a large number of areas³⁰.

Serbia

In Serbia, constant internal political disputes keep reform in limbo despite progress towards economic stability. The EU has said that it remains fully committed to Serbia's European perspective³¹. The European Council endorses the readiness of the Commission to resume negotiations on a Stabilization and Association Agreement with a new government in Belgrade provided it shows commitment and cooperates fully with the ICTY. The EU has expressed its willingness to consider concrete measures that would help Serbia to integrate into the family of European nations.

Serbia/Kosovo

In Kosovo precarious security conditions have hampered the return of displaced persons and the 2004 violence has reversed any small progress to date. Furthermore, the status of the province of Kosovo is still unresolved. The EU has expressed its willingness to play a significant role in the implementation of the status settlement³². It has decided to intensify the preparation for a future EU and international presence in Kosovo in coordination with other international actors.

4. New Challenges on the Horizon

4.1. The Current Situation

The legacy of the past that appears in the form of weak institutional frameworks at both political and economic levels has been complemented by new challenges that have mainly

²⁹ *Ibid.*, 11–12.

³⁰ *Ibid.*, 12–13.

³¹ CEU, 2007c: 13.

³² *Ibid.*



arisen from the transition process. Such a key new challenge that has particular significance for the EU is that of organized crime and corruption that has been overtaking in importance the issue of potentially renewed war conflicts as the latter, seem to have been contained at this stage. The threat that the Balkans could become for the EU something similar to what some Latin American countries are for the USA has gained ground. The fact that organized crime has been linked to the instigation of political and ethnic instability is an added important factor.

The rising involvement of Balkan organized crime with the European market for human trafficking, counterfeiting and contraband as well as heroin and more recently cocaine trade have been noted by various international crime monitoring organizations. The Schengen Agreement and easier cross-border operations have facilitated the presence of Balkan crime groups in most European Union countries and their links to European organized crime. The fear that some of these groups might be or have been establishing links with terrorist organizations has also been voiced. This has raised additional concern given the high incidence of arms smuggling, the fact that some Balkan territories constitute a transit route for illegal immigrants and the presence of Islamic populations in the region. Weak and corrupt institutions in the region are finding it difficult to enforce laws and deal with all these issues. The large underground economic activity that ranges between 30 to 50% of GDP combined with poverty form a ripe environment for illegal activities.

Hence one can argue that the Balkans have actually come to constitute a new type of security threat for the European Union. The European Union's emphasis on institution building and capacity to enforce legislation show a willingness to secure that reforms are not token but real. This is undoubtedly so for the issue of crime and corruption too. Whichever way, it seems ironic that the region seems to be blackmailing its way to the EU first through ethnic wars and now through organized crime. It is a case of that which has crippled you also offering the wheelchair.

In light of the above, Western Balkan accession presents the EU with a set of challenges that it has not previously confronted³³. The countries that joined the EU in 2004 were relatively homogenous and more stable nation-states that had a keen desire to "rejoin Europe". In the Western Balkans, the EU is dealing with fractious and more fragile countries. To help these countries along the path to greater stability and prosperity the EU must go beyond simply setting conditions and waiting for governments to fulfill them in their own time. The Select Committee of the House of Lords further states: "The EU must also devote real resources to the accession process, both in terms of expertise and money. Since the accession of these countries will take time, the EU needs to find ways of maintaining momentum for positive change. It should gradually integrate the candidates into various EU policy areas, and should include them in a customs union."

Each of the countries of the Western Balkans presents its own unique challenges that need to be overcome before the path to full membership is clear. While a proactive and rewarding approach should be followed by the EU for all these countries, it should be borne in mind that no two countries are alike in terms of history, tradition, institutions and culture. Individual differences need to be respected and taken into account in order to make the path of transition to accession and integration as smooth as possible.

³³ UK House of Lords, 2006b.



The European Commission is of the opinion that in the case of Croatia, the main challenges in 2007 will be to build on the progress made and to accelerate the pace of reforms, notably in the key areas of judicial and public administration reform, the fight against corruption and economic reform³⁴. Since Croatia is making good progress with its accession preparations, the EU should not discourage the country by making its eventual accession date dependent on an agreement on institutional reform among the existing EU member states³⁵. Even if EU member states have not agreed on institutional changes by the time Croatia is ready, the minimum changes required for Croatian membership would need to be included in Croatia's accession treaty. If Croatia is not able to join the Union when it has completed its accession talks, then the entire credibility of the EU accession progress will be at stake. Delays in Croatian accession would send a clear negative signal to the Western Balkans.

For FYROM, it is important that reform efforts be sustained in the period ahead on the basis of co-operation and political consensus. Overall, priority should be given to advancing the pace of reforms in key areas, if progress is to be made towards the goal of moving ahead in the accession process³⁶. With EU support, Albania is tackling the challenges of political, judicial and economic reform, as well as the fight against corruption and organized crime. These themes will remain priorities in the period ahead. In the case of Bosnia–Herzegovina, constitutional evolution is essential to build a more functional, sustainable and democratic state. The EU will need to address the question of its own future representation in the country following the withdrawal of the OHR³⁷.

By engaging with the EU, Montenegro has the opportunity to meet the challenges of state-building within the stable and secure setting of the pre-accession process. It will be important to sustain the pace of reforms and continue co-operation with ICTY, so that negotiations on an SAA can be concluded in the coming months. Montenegro has much to do to strengthen its institutions sufficiently to move forward. Priority needs to be given to judicial reform and to the fight against organized crime and corruption. Montenegro needs to upgrade its administrative capacity in view of SAA implementation³⁸.

A number of commentators have expressed the view that the Union should stop talking about “enlargement fatigue” and restate its commitment to Balkan EU membership³⁹. Balkan governments should stop seeing themselves as passive takers and push ahead with the required reforms on the sole ground of the benefits they would bring to the countries themselves⁴⁰. The present EU Enlargement Commissioner himself is of the view that the EU’s 2004 enlargement was a “success story” but action is needed to address public concerns about the process and ensure the Union has the institutional capacity to function effectively as it grows⁴¹. The Nice Treaty had provided institutional rules for up to 27 members, including

³⁴ CEC, 2006, p. 10.

³⁵ UK House of Lords, 2006b.

³⁶ CEC, 2006, p. 12.

³⁷ *Ibid.*, p. 12.

³⁸ *Ibid.*, p. 12-13.

³⁹ See e.g. Avery; Batt, *op. cit.*; Brown, Adèle; Attenborough, Michael (2007): “EU Enlargement: the Western Balkans”, *Research Paper 07/27*, London, International Affairs and Defence Section, House of Commons Library; Calic, “The Western Balkans...”, *op. cit.*; Chandler, D. (2003): “The European Union and Governance in the Balkans: An Unequal Partnership”, *European Balkan Observer*, vol. I, n° 2, pp. 5–9; European Stability Initiative (2002); Judah, T. (2006). “The EU Must Keep its Promise to the Western Balkans”, *Essays*, Centre for European Reform, London; PER (2005).

⁴⁰ EPC, 2007: 1 ff.

⁴¹ EPC, 2006.



Bulgaria and Romania, but a new institutional arrangement would be needed before the next phase of enlargement could begin. The public's views should be channeled into decision-making through democratically-elected bodies. Europe should not look at countries in the western Balkans as part of its backyard but as its future home territory⁴². If the Union delays integration of the Western Balkans into the EU, then not only do the possibilities of increased trans-border organized crime, migration flows and inter-ethnic tensions loom large, but the EU might one day even have to take responsibility for running these states as protectorates in the event of their collapse⁴³.

The issue of prestige and geopolitical clout for the EU is an important consideration particularly in proving its security capabilities in the Balkans over the US presence in the region. As usual this has been more visible in the case of French external policy. Finally the small size in terms of population and the economic openness of the region to international and especially EU trade are positive factors as membership will not entail unreasonable added costs for the Union. However, limited financial aid due to enlargement is likely and could cause delays in the integration process particularly regarding the upgrading of infrastructure.

The success of EU's policy will also depend on how high one places the bar. Too high and enthusiasm is lost, too low and genuine reform is reduced to tokenism. The SAP stops short of promising EU membership but at the same time it puts forward a pragmatic approach based on lists of achievable targets that are to be approached gradually and in sequence. The question is whether this is going to prove a race against time or whether sustainable progress will fulfill the targets before persisting constraints derail the effort leading to social apathy or even conflict. Currently the answer seems to be on the side of optimism.

4.2. Can It Really Happen?

It is clear that acceptance of any future enlargement will depend on the public's perceptions of how the EU works and on people's ability to identify themselves with the whole European project (issues of social legitimacy). This implies that no definition of the Union's absorption capacity—no matter how thorough and objective it aims to be—can or will be a decisive factor⁴⁴. It is necessary to transform the conditionality approach of the EU into a "positive conditionality", which would require the EU to offer a clear perspective regarding membership to the region and offer a partnership with its existing members⁴⁵. The view has also been expressed that if the Balkans cannot be integrated in accordance with the current practices, then these practices should change or new ones should be introduced to permit Europeanization at a post-accession stage⁴⁶.

It all boils down to the issue of objective reality as opposed to simple aspirations for membership. Can the Western Balkans really achieve the goal of integration? The countries of the region are still facing too many challenges and are clearly at an earlier stage requiring a preparation period to accumulate more domestic resources and build institutions and market

⁴² *Ibid.*

⁴³ UK House of Lords, 2006b.

⁴⁴ Durrand; Missiroli, *op. cit.*

⁴⁵ Anastasakis, Othon; Bechev, Dimitar: "EU Conditionality in South-East Europe: Bringing Commitment to the Process", *European Balkan Observer*, vol. 1, n° 2, (2003) 2 ff.

⁴⁶ Demetropoulou, Leeda: "Europe and the Balkans: Membership Aspiration, EU Involvement and Europeanization Capacity in South Eastern Europe", *Southeast European Politics*, vol. III, (November 2002) n° 2-3, pp. 103.



culture. The issue of reconstruction for Serbia and Montenegro, the diversions from reform due to recent ethnic problems in FYR-Macedonia, the reconstruction issues and weak institutional and economic build-up in Bosnia- Herzegovina and the lagging institutions and large unofficial economy in Albania are unlikely to allow for membership considerations before the next decade. However the experiences of the more advanced countries in the region point towards the conclusion that membership for the rest of the countries is more likely to be a matter of time.

For the EU itself, the history of European integration shows that widening and deepening of membership and institutions do not fundamentally stand in contradiction to each other. The link between reforming the institutions and preparing the Union to welcome new members is acknowledged even by those who see absorption capacity as a mere excuse for delaying or rejecting enlargement⁴⁷. However, the Union has not till date lived up to this challenge in a fitting manner. A “capability–expectations” gap has been identified in the working of the European Union, where the expectations with regard to the Union’s roles and functions are belied on account of lack of the necessary capabilities to meet these expectations. This argument has been taken further to assert that the EU fundamentally lacks the decision-making procedures that are capable of overcoming dissent, a factor that could account for the ambiguous nature of its foreign policy⁴⁸. Institutional reform of the EU itself should therefore be a concern almost as vital as reform in candidate or potentially candidate countries that is supposed to gear them towards accession. Successful enlargement of the EU cannot depend on only one side. It is necessarily based on a mutually sustaining and enriching partnership in which the necessary political will must translate into credible action on both sides.

4.3. Could Things Change at EU Level?

The arguments put forward above would probably hold true before the emergence of the strong NO vote to the EU constitution in France and the Netherlands coupled with the indication that a significant share of the NO vote had to do with opposition to the fast pace of recent EU enlargement. Enlargement has created a conflict between the complexity of the process and the disproportionately loose political framework at EU level to see this task through in an efficient manner. In other words, there is growing concern whether EU enlargement can proceed given the insufficient level of integration amongst existing members. Integration in the latter sense places also emphasis on its political, social and cultural aspects and not simply the economic.

The second related issue is the pre-existing democratic deficit in the decision making process in Brussels that has been the other major source of opposition to the EU constitution. The way this issue relates to the enlargement process stems from the implication that the latter would impose additional difficulties for the creation of a European society of citizens coupled with a space for a European public sector and finally a common European political culture that all together might be taken to constitute operational pre-requisites for the convergence of the complex socio-economic and political processes that are in store. Clearly the above considerations could result in a stricter attitude on behalf of the EU regarding the fulfillment of eligibility criteria for EU membership for the Western Balkans and also for Turkey. This

⁴⁷ Durrand; Missiroli, *op. cit.*

⁴⁸ Toje, Asle (2005): “Europe’s Consensus–Expectations Gap”, *Working Paper*, Project No 513416, European Commission, Sixth Framework Programme (2002–2006), *passim*.



highlights once again the growing importance of institutional factors including issues of democratic political culture and readiness to not simply transpose but also enforce such principles at national level.

The final implications for the Western Balkans will greatly depend on decisions taken at EU level regarding the future direction of the Union. These will depend on how the different approaches to European integration between member states will play out. The question is whether the globalization process, with its requirements for fast modernization and consequences for income redistribution, has rendered the overriding European goal for economic and monetary union insufficient by raising the risks for the EU being turned simply into a common market that could face disintegration risks from the contradictory forces of globalization in the future. If that is the case, then the broader aspects of political and social integration and the need to exert stronger global influence in the cultural and external policy arenas are likely to gain in significance.

Regarding potential new entrants a policy shift at EU level towards broader integration would certainly imply greater difficulties for the Balkans to be accepted as members but should that be achieved then membership would be more meaningful and EU support for economic and political integration more readily forthcoming. In the other case where the EU is seen more of a single market then membership could be easier to accomplish but the post-membership reality could prove harsher as the countries will have limited support from the Union. It is not the purpose here to speculate on the potential outcomes regarding the form that Euro-Federalism might finally take or the acceptance of a multi-speed EU that could place member states under different categories according to their level of economic and political evolution.

Finally, as it was earlier stressed, the role of public opinion in EU member countries should not be underestimated even though the EU project might have often, in the past, moved forward despite it. The referendums on 2005 relating to the EU constitution have shown that public opinion is skeptical of EU broader initiatives and that EU leaders will likely be more cautious when it comes to enlargement issues. As aforementioned, this applies particularly to the Western Balkans and Turkey.

Conclusion

At first appearance, arguments of a negative nature seem to present themselves for inclusion of the Western Balkans in the EU⁴⁹. These are largely based on a rooted image of these countries that regards them as beset by poverty, crime and conflict. However, although corruption is endemic across the region and 70 per cent of the drugs and illicit goods smuggled into Europe are trafficked through the Western Balkans, the international community itself is partly to blame for this situation⁵⁰. By giving priority to the holding of elections rather than the restoration of the rule of law after the Balkan wars, it created fertile ground for corruption and organized crime to flourish. The opponents of Balkan membership forget quite easily that the achievement of stability and prosperity in the Balkan countries that EU membership would bring, would in turn make for security, stability and prosperity in Europe as a whole, something in which the EU has a fundamental stake.

⁴⁹ Avery; Batt, *op. cit.*

⁵⁰ UK House of Lords, 2006b.



The argument for a status below full membership for countries such as those of the Western Balkans takes it for granted that the influence of external of political factors in internal political reform is very limited. It assumes that any positive trends already in place will continue if the governments of the Western Balkan countries keep on taking the right decisions. However, the history of European integration over the last 60 years has conclusively proven the decisive and continuing influence of external factors. Lucid political prospects and transfers of resources have helped in the impressive modernization of accession countries. It must not be forgotten that the prospect of future EU membership has already had a profound and beneficial transformative impact in the Western Balkan countries.

The prospect of EU membership has been and will continue to be the most effective means for ensuring stability and good-neighborly relations in the Western Balkans. It has worked as a mechanism to initiate and sustain reforms, and creates a strong framework for conflict resolution and regional cooperation. The prospect of enlargement is the most important foreign policy instrument by which the EU has promoted and spread internal and external security, democracy, reforms, economic development and prosperity in the former communist states of Southern, Central and Eastern Europe. As a result, it has helped to guarantee and consolidate the process of transition, and ensure that state-collapse and ethnic conflicts as in the case of former Yugoslavia are avoided.

If the EU is to continue play a crucial and instrumental role in shaping the ultimate post-cold war European order, then it must hold out a clear prospect of membership to the last region in Europe that remains to be embraced under a common banner of stability and prosperity. Through a dynamic and innovative policy of Balkan enlargement, the EU should fully exploit its anchoring capacity and soft magnetic power of attraction to help the Balkan states come back to Europe. The benefits of such a policy would be clearly visible for the EU itself as it would be able to increase its global actorness and expand its regional and international interests.