

Integrating the Western Balkans into the European Union: Overcoming Political and Economic Constraints

Gazmend Qorraj¹

ABSTRACT

The countries of the Western Balkans have been slow to adopt the EU integration agenda. The most important issues such as these countries' economic and political problems remain unresolved. This is because the countries of South East Europe have been unable to resolve the regional challenges and achieve a political consensus. These challenges could delay the necessary economic reforms and the process of EU enlargement for these countries.

This paper will address identify the problems of Western Balkan countries as they seek to integrate with the EU such as: the absorption capacities regarding IPA funds, regional ownership as a mechanism for further cooperation in region, as well as the institutional capacity.

The current enlargement process suggests that the Western Balkan region could face serious challenges relative to EU enlargement. Taking this fact into consideration, the paper also specifically analyses the EU's enlargement strategy concerning the integration of the Western Balkans. The conclusion suggests the main steps that should be undertaken by the EU in order to intensify the EU integration process of Western Balkan countries and especially for Kosovo as a country in an early stage of the EU integration process.

KEY WORDS

EU enlargement, European partnership, regional ownership

¹ CORRESPONDENCE ADDRESS: Prof. Dr. Gazmend Qorraj, IIE-Institute for European Integration, Str. Fehmi Agani H-52/5 Prishtina 10000, Kosovo; email: gazmend.qorraj@iie-ks.eu.

INTRODUCTION

The countries of the Western Balkans are committed to integrating into the European Union. The focus and effort of their institutions are directed at meeting the criteria in order to achieve this goal. These countries' membership in the European Union would provide a great opportunity to become part of a community of nations that aims to advance peace through economic, political and cultural co-operation between member states.

The European Council convened in Thessalonica on 19 and 20 June 2003 and adopted the "Thessalonica Agenda for the Western Balkans: Towards European Integration" where a series of instruments including the European Partnership were promoted to intensify the Stabilisation and Association Process in the region. The countries of the Western Balkans, including Kosovo, were promised a European perspective at this summit.

The Western Balkan countries understand the EU integration process as a structured framework that can facilitate their path towards the EU. The challenge of European integration can stimulate the advancement and functioning of democratic institutions capable of managing a rapid and complex transition involving areas such as cultural, economic, institutional and political life. The efforts made towards EU integration will create the conditions for a modern market economy and boost these countries' capacities to compete within the EU and also in world markets.

Managing and measuring progress in line with European standards across all areas of regulation and policy over time will make the acquisition of good international practice in each of these areas easier – and facilitate the entry of these countries into the European community and other international alliances.

One of the key priorities of the European Partnership Action Plan emphasises the need to "create the conditions for investment, trade, employment and economic growth for the benefit of all communities" of these countries (EU Commission 2005).

In order to support the development of Western Balkan countries in 2006 the EU adopted the Pre-Accession Instrument (IPA) 2007-2013 as a form of financial assistance. It is expected that many of the institutional and

development priorities identified in Western Balkan countries will receive financial support through the IPA over the next few years.

The EU integration process is a highly complex process which involves the design and implementation of reforms in a wide range of areas. The experiences of new EU member states as well as those currently in various phases of their EU integration process clearly indicate that working simultaneously in many areas and making decisions about complex political, economic, legal and institutional issues with long-lasting consequences for the everyday life of citizens is far from an easy task (Mrak et al. 2008).

This paper discusses the biggest challenges facing the region such as: donor co-ordination and the use of IPA funds, regional co-operation issues as well as institutional problems and weaknesses. In order to provide some empirical support, this paper relies on the results of a survey of institutions in Kosovo involved in the EU integration process, e.g. different government ministries, in 2007. Nearly the same problems are also reported in the European Commission's Progress Report (2009).

By analysing and discussing these problems this paper addresses some important issues that should be taken into consideration by Western Balkan countries on their paths towards the European Union. The special emphasises will be given to Kosovo because by fulfilling European accession criteria's and properly using the EU assistance, Kosovo will provide sustainable economic growth, development and reforms that will bring better European perspective and facilitate stabilisation for the whole region of the Western Balkans. This also represents a useful contribution as regards EU policies towards the Western Balkans.

DONOR CO-ORDINATION AND IPA FUNDS

The EU introduced the new financial framework 2007-2013 as a new Instrument *for Pre-Accession Assistance* (IPA) in order to support the Western Balkan countries.

The IPA provides a general framework for financial support from 2007 to 2013 that includes both candidate and potential candidate countries. The IPA has five components: transition assistance and institution build-

ing; cross-border co-operation; regional development; human resources development; and rural development. These five components are available to candidate countries, whereas only the first two components are available for potential candidates. The IPA is a flexible instrument providing assistance which depends on the progress and needs of the beneficiary countries.

According to the EU Commission (2006), the beneficiary countries are divided into two categories depending on their status as either a candidate country undergoing the accession process or a potential candidate country undergoing the stabilisation and association process, namely the candidate countries Croatia, Macedonia and Turkey, and the potential candidate countries Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo.

The experience of Central European countries shows that countries involved in the EU integration process should create capacities in order to coordinate donations and effectively absorb the EU funds for pre-accession assistance. Bearing this in mind, we have to analyse whether the Western Balkan countries are able to create efficient institutions so as to be ready to absorb these funds and allocate them towards sustainable development.

According to Mrak et al. (2008), even developed countries like Slovenia experienced problems with the effective use of IPA funds such as:

- problems with project preparation and the very demanding documentation requirements of the European Commission and national legislation;
- due to the complex implementation systems it became clear that the division of responsibilities and tasks is paramount, yet at the same time extremely challenging to ensure; and
- staffing problems, not just because of the limited vacancies available in the public sector, but also because of the time needed to train people, as well as the difficulties posed by their fluctuations.

The Slovenian experience should be seen as a lesson for the Western Balkan countries, especially for Kosovo as a country in an early stage of the EU integration process. In this regard, the European Commission's Progress Report (2009) for Kosovo pointed out many problems such as:

- the weak institutions involved in the EU integration process;
- problems with inter-ministerial co-operation and co-ordination;

- the lack of high-level political support for EU integration commitments; and
- political interference in appointments.

The past experience of Central European countries shows that success in effectively using the financial and technical assistance is positively related with the success of countries in moving towards the European Union as well as achieving sustainable development and therefore having greater possibilities to deal with the competitive pressure within the Union. Based on the above remarks from the European Commission's Progress Report (2009), the main suggestions for Western Balkan countries in this process are:

- The need to develop and strengthen the administrative capacities of institutions dealing with the EU integration process. This will be achieved by reducing the inefficiency of highly bureaucratized and over-centralized government systems, reforming and building human capital so that it better corresponds with European standards.
- The stability of central governments and long-term policies will have positive effects in terms of creating sustainable absorption capacities and managing this financial assistance in these countries. Rationalizing government funds and making them more transparent and results-oriented will reduce the opportunity for corruption and other transaction costs.
- The Western Balkan countries must create a partnership with the European Commission and establish local ownership of the process since, as Mrak (2007) states: the central point of the IPA is not "to get the job done", but to transfer know-how and experience to partner countries. This component highlights the weaknesses of the use of other funds and issues in the past. This will be achieved by encouraging interaction and co-operation among universities, government, research organisations so as to enable them to be much better prepared in their co-operation with foreign counterparts.
- Understanding the importance of the EU integration process, taking the political responsibilities and connecting the EU integration process with the progress of each country. The process of European integration should be seen to be linked with the development of a country, knowing that one of the key objectives of EU integration is to facilitate the transition process and prepare the countries to face the competitive pressures within the Union.

REGIONAL CO-OPERATION BACKLASH

The countries of the Western Balkans are more integrated with the EU than with themselves (Gligorov 2003). In economic terms, the EU is the most important trading partner of these countries. According to a World Bank report (2010), the main destination for Kosovo exports is the EU, followed by South East Europe. Within the EU the primary markets are Belgium (14.2%), Italy (12.8%) and Greece (5%). Exports to CEFTA markets reached 31% in 2008, representing the second most important regional market: Albania (10.6%), Macedonia (10.1%), whereas the share of exports to Serbia dropped to 5% in 2008 from 11.8% in 2007. The exports of these countries to the EU will play a key role in it due to the free-trade access to the EU market.

Given the lack of co-operation in the Western Balkans, the intensification of regional co-operation by the international community is welcomed by the Western Balkans in order to move forward with the European agenda and create sustainable economic development.

Regional co-operation in the Western Balkans is a complementary process of European integration. In the framework of regional co-operation, the Stability Pact was launched as an engine to pull the entire region torn by crises away from the vicious conflicts between neighbours and outbreaks of ethnically motivated violence. Erler (2004) stated that worldwide attention was focused on this plan that was the first ever to use the promotion of regional co-operation as a strategy for both consolidating peace and preventing crises.

Within the Stability Pact framework some problems of the region were addressed and good neighbourly relations were developed as an instrument which encompasses the broader area of prosperity, stability, security based on human rights, democracy and the rule of law. The Working Tables of the Stability Pact have been actively involved in parliamentary co-operation and building human capital. Working Table II has involved these countries in economic co-operation such as free-trade agreements, an Investment Compact for South East Europe (SEE), the Business Advisory Council, and the Energy Community for SEE, while Working Table III has been tackling anti-corruption initiatives, defence and other security issues.

The countries involved in this framework by participating in these initiatives have tried to create and foster some co-operation and networks. Despite these achievements, currently the region of the Western Balkans is at a crossroads. Some countries are faced with decisions that will either definitely put them on the road to European Union membership or lead them to stagnation, instability and isolation (Erler 2004).

The obstacles or problems among Western Balkans become visible if we analyse the Regional Ownership and CEFTA 2006 agreement. According to Qorraaj (2009), the idea of regional ownership in the framework of regional co-operation is launched under the following assumptions:

- satisfactory regional co-operation has been achieved in the Western Balkans;
- the Western Balkan countries should play an active role in the process of regional co-operation; and
- the countries of the Western Balkans are ready and willing to intensify their regional co-operation and create a sustainable process.

When analysing the processes and activities since 2008 we can state that these past achievements are not currently sustainable. Some Western Balkan countries, specifically Kosovo, are not regularly involved in Regional Co-operation Council (RCC) activities due to problems some countries are imposing on Kosovo. For example, Moldova has not facilitated Kosovo's participation in some RCC activities.

It was stated at the Zagreb SEECF Summit in 2007 that progress in economic co-operation in South East Europe was highlighted by the new CEFTA agreement signed in Bucharest in 2006. The new CEFTA agreement along with the Stabilisation and Association Agreement (SAA) process provides a spur to further reduce national obstacles to trade and investment and open up markets to competition and growth. The new CEFTA also implies greater responsibility of countries in the region to foster trade and implement relevant economic policies. Although it was expected that the CEFTA 2006 agreement would be implemented on 1 May 2007, due to Serbian and Bosnian political hesitations its implementation was delayed until the end of 2007. After these delays, it was also expected that there would be problems with the functioning of this agreement.

The idea to enlarge the area covered by the CEFTA agreement by including Western Balkan countries was part of the European perspective, yet the functioning of this agreement came into question due to past political problems. This is a lesson to be learned by EU authorities. They need to intervene politically and use their authority in order to ensure all Western Balkan countries can receive the full effectiveness and positive effects (both political and economic) of the CEFTA agreement. The CEFTA 2006 agreement was the first practical step to measure or test the performance of regional co-operation in the Western Balkan region. What are the results of the test? It was expected that CEFTA 2006 would have an economic, political and institutional impact on the Western Balkan region. Besides problems in the functioning of CEFTA, the primary impact on Western Balkan countries is their responsibility to adopt European and international standards. Adopting these standards means a step forward in EU integration processes.

Is there a regional co-operation backlash in the Western Balkans? Has regional ownership been launched too early when one considers the current activities of the South East Europe Co-operation Process (SEEC) as well as the RCC? Can these institutions fulfil their role as a Stability Pact for SEE? The answer is no. There is still a need for an international presence and influence on the institutions dealing with Western Balkan countries and regional co-operation issues. Otherwise, these countries will go backwards with regard to co-operation and this will have negative implications for their paths towards Europe.

Knowing that region of Western Balkans is specific environment; the approach to regional co-operation in the Western Balkans needs to change accordingly. The regional ownership idea was initiated at the Regional Table in Sofia in 2005 with the aim of preparing the phased evolution of the Stability Pact into more regionally owned, streamlined and effective regional co-operation (Regional Table of Stability Pact, 30 May 2006, Belgrade).

INSTITUTIONAL CHALLENGES

The importance of institutions for economic growth has long been understood. It was emphasised by Smith, David Landes (1998) and recognised in the 1993 Nobel Prize awarded to Douglas North who viewed “good institutions” as establishing an incentive structure that reduces uncertainty and promotes efficiency, thereby contributing to stronger economic performance.

The interest group approach sees the state as an arena within which economic interest groups contended or allied with one another group to shape the making of public policy decisions about the allocations of benefits among demanding groups” (Skocpol, 1985).

Olson (1982) added that special interest groups slow down a society’s capacity to adopt new technologies and reallocate resources in response to changing conditions and they thereby reduce the rate of economic growth. The weak capacity of several governments in the region to deliver on reform by implementing policies in a timely and coherent manner tends to weaken the credibility of and support for reform measures.

The Western Balkan countries should accept the process of EU integration as an instrument which facilitates the transitional period and helps them accelerate reforms. This process should be used in a proper manner because, as the accession countries become exposed to regional and global competition within the context of EU membership, the negative impacts of a weak economic incentive and institutional regime will be felt more acutely (World Bank and European Commission, 2002).

Why should Western Balkan countries undertake activities leading towards the creation of effective institutions?

- First, for the countries of the Western Balkans it is crucial to increase their capacity to cope with the competitive pressures of European integration by putting forward a coherent strategic programme for strengthening human capital adapted to the needs of their changing labour markets – by improving the quality of education, educational training, including lifelong learning.
- Second, the stability of democratic institutions is one of the conditions of accession to the European Union.

- Third, the EU integration process requires professional teams to manage the accession process because the conditionality is based on implementing procedural rules and legislation in order to comply with EU standards.

ENLARGEMENT CHALLENGES

Croatia's enlargement process reveals that the enlargement process of the region is no easy task and could generate some additional unresolved problems. In line with that, the most important question for the Western Balkans is whether the process of EU integration might re-ignite old problems from the past or whether it can actually put an end to problems from the past. The EU integration process raised the open issues between Slovenia and Croatia, but what about Bosnia and Herzegovina, Macedonia, Serbia, Montenegro, Albania and Kosovo where the political tensions were or are still greater?

Based on the CEFTA implementation experience as well as other agreements the EU enlargement for the Western Balkans could be delayed due to problems that might be opened during the process. These problems could terminate the sustainable co-operation between Western Balkan countries and also test European Union policy in the future. Based on this reality, it may be expected that these countries could face the same additional challenges when taking political issues, territorial problems etc. into consideration. These problems should be resolved by EU authorities at an earlier stage of the enlargement process. The solution to these problems could be less sensitive and should facilitate further co-operation between these countries.

THE EU APPROACH TO WESTERN BALKANS

Although individual countries of the region are at different stages of European Union integration, all of them see membership as their main political and development objective. The speed of EU integration should be adjusted to the specific characteristics and needs of each country in the region within the common procedure called the Stabilisation and Association Process.

The decision of EU member states to put Western Balkan countries on the so-called EU accession track is expected to strengthen the efforts of countries of the region in the direction of accession, especially if accompanied by appropriate policies and pre-accession funds.

Special membership for the region would represent an attempt to reconcile the specific nature of the unfinished business of the post conflicts in the Western Balkans and the invention of a different pattern of EU integration. Is the Balkans a test case of EU credibility (Rupnik 2005)?

Certain questions need to be addressed. How can the Western Balkan countries fulfil European standards if the EU does not have an appropriate approach to them, or if Kosovo is unable to directly participate in the Stabilisation and Association Process and does so through the Stabilisation and Association Tracking Mechanism (STM) and, unlike other Western Balkan countries, cannot conclude contractual relations with the European Union? This approach has an impact on the free movement of people, capital and investments as well as the mobility of knowledge currently known as the “fifth freedom” of Europe. The EU authorities should undertake the following measures:

- The EU should create a more flexible approach to Western Balkan countries, especially the mobility of people. EU institutions should apply different standards to academics, young professional and business people by offering them more opportunities for institutional, cultural and economic exchange. These areas can promote European values, peace and regional stability.

Another question is how can trade relations between Western Balkan countries be intensified, or what are the impacts of CEFTA 2006 if there are still non-tariff barriers to trade as a consequence of the political problems between these countries?

- If the EU wants to achieve convergence or positive outputs from regional agreements it should support business development by pushing some Western Balkan countries into greater co-operation and support the co-ordination of trade policies in the Western Balkans. Otherwise, the asymmetric policy might simply generate negative effects and not openness, investments and co-operation between these countries.

Another important question is the EU's absorption capacity or EU policies applied to the Western Balkans in order to maintain the European perspective for these countries. The EU should consider that the region of the Western Balkans is quite different to Central Europe.

According to Grabbe (2001), the EU accession process is based on the model of previous enlargements rather than being designed specifically to assist and encourage transition economies. Further, Grabbe points out that consequently the structure of incentives and constraints that it imposes on economic and regulatory policies may be inappropriate for countries facing acute development or reconstruction problems.

EU policymakers tend to assume that that accession and transition require the same policies but, on the contrary, although many accession-related policies are also required for a successful economic transformation, applicants are called on to undertake numerous EU policies that were developed for advanced industrialised economies. These policies were not designed for countries in transition and often require that a complex institutional structure be in place for their implementation.

CONCLUSIONS

The unresolved political issues in the Western Balkans could pose a serious obstacle to regional co-operation, a good neighbourhood, investment promotion and the European integration process. The low level of economic development indicates that the Western Balkans is lagging behind in meeting the European criteria for a sustainable and competitive economy.

There is also the problem of institutional efficiency and the administrations in the various countries have not yet achieved an adequate professional level. There is also a need to enhance the education level so that the Western Balkans' labour force can become more productive and cheaper than in European Union countries.

A further serious challenge in these countries is the political commitments of the elites who govern the countries; in most cases they do not

understand the importance of the process of EU integration and its complexity.

It is generally accepted that the process of EU integration is internal, that it has to do with candidate countries and the speed of the process depends on the implementation of EU reforms and standards by Western Balkan countries. However, from another point of view, the effectiveness and a flexible approach of EU institutions could help by supporting the mobility of people in the Western Balkans, reducing the opportunity cost of the process, assisting with the better implementation of those reforms and supporting these countries on their way towards the EU.

REFERENCES

- Council Regulation (EC) No 1085/2006 Establishing an Instrument for Pre-Accession Assistance for Macedonia, Croatia, Turkey, Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo.
- Enlargement Strategy and Main Challenges 2009-2010 Communication from the Commission to the European Parliament and the Council (Progress Report 2009-210).
- Erlor, Gernot (2004): The Stability Pact, The Stabilization and Association Process and the New EU Strategy, *Sudost Europa Mitteilungen*.
- European Commission (2006) IPA Transitional and Institutional Building Component Programme Guide.
- Grabbe, Heather (2001): *Profiting from EU Enlargement*, London: Centre for European Reform.
- Gligorov, Vladimir (2003): Prospects for further (South Eastern EU Enlargement', *Global Development Network Southeast Europe*.
- Landes, David (1998): *The Wealth and Poverty of Nations: Why Some Are Rich and Some Are Poor*. New York.
- Mrak, Mojmir, & Tilev, Dragan (2008): Absorption for EU Pre-Accession Funds: Concept and Implications for Kosovo.
- Olson, Mancur (1982): *The Rise and Decline of Nations*. New Haven: Yale University Press.
- Qorraj, Gazmend (2009): EU Enlargement to SEE: International Politics and Influence on Region of SEE, European University Institute & Robert Schumann Centre for Advanced Studies; Florence, Italy (*MRM 10*).
- Rupnik, Jacques (2005): A European Balkans. ESF Working Paper No.18

Skocpol, Theda (1985): Bringing the State Back in: Strategies for Analysis in Current Research.» pp. 3-43 in Bringing the State Back in, NY: Cambridge University Press.

Stability Pact for South East Europe (2006): Annual Report for 2006.

World Bank, European Commission (2002): Building knowledge economies: opportunities and challenges for EU accession countries.

World Bank (2010): Unlocking Growth Potential: Strategies, Policies, Actions; Country Economic Memorandum, Report No. 53185 April 2010.