

EU Policy Towards the Western Balkans: Between Continuity and Revision

Panorama

Med. 2011

206

Dušan Reljić

Senior Research Associate

EU External Relations Research Division

German Institute for International and Security Affairs (SWP), Berlin

Even though two decades have passed since the start of the violent disintegration of the Yugoslav federation, a number of conflicts in the region are still unresolved. For the most part, they are ethno-political in nature, both within the successor states in the region and between them. Consequently, the Western Balkans (the politically correct term used by the European Union (EU) to describe the former Yugoslavia plus Albania minus Slovenia) remain a permanent testing ground for the EU's ability to act in the self-assigned role of the "driving force" (in the parlance of the European Commission (EC)) for conflict transformation. Indeed, it was the Yugoslav catastrophe in the 1990s that originally challenged the EU to demonstrate that it can be more than a trade pact and induced it to develop far-reaching ambitions in the international arena. In due course, the "Balkan impulse" led to the construction of the EU Common Security and Defence Policy (CSDP). As of today, the EU's international standing and credibility still depend to a great extent on its scorecard in the Western Balkans. Memories of the EU's disarray in the early days of the Yugoslav catastrophe are immediately recalled whenever new EU foreign policy projects, such as the current ones in the Mediterranean, are debated.

Enlargement was repeatedly characterised by the EC as one of the EU's most effective foreign policy instruments. In order to remake the Western Balkans "in its own image," the Union is exercising its normative power to a greater extent than it ever has before when dealing with transition countries. The effects

are palpable. Without doubt, it is essentially the EU's pledge to accept the Western Balkan states as future members that motivates the governments in the region not to let the often barely suppressed conflicts escalate further. The governments are aware that acts contravening the EU's policy in the region would instantly jeopardise their countries' accession prospects. The EU's leverage was clearly visible when, in the autumn of 2010, Serbia gave in to demands from Brussels, backed by direct pressure on Belgrade from certain leading EU Member States, to abandon its goal of achieving the condemnation of Kosovo's secession in the United Nations General Assembly. Instead, in early 2011, Belgrade and Pristina started an "EU-facilitated dialogue" aimed at resolving humanitarian and other issues, all of which would hopefully further stabilise the region in spite of the Kosovo conundrum.

However, it is far from certain that Belgrade and Pristina will be able to find a durable *modus vivendi* that would eventually pave the way for EU membership. Equally undecided is the future of Bosnia and Herzegovina, where the three main ethnic groups are still debating the same issues that led to war twenty years ago – how to share power, the degree to which their country should be a (con)federal or unitary state, and whether more centralisation is really the precondition for entry into the EU. The list of the most serious "open wounds" in the Western Balkans would be incomplete without pointing out the fragile relationship between the Slavic and Albanian populations in the Republic of Macedonia. The latter's implacable demands for ever more autonomy have a familiar ring in the region: in the past decades, such designs have preceded State disintegration. Moreover, there is a solid body of evidence-based research to corroborate that the Albanians in Kosovo, the Republic of Macedonia and Albania itself strongly support the unification of their

nation, the second biggest in the Western Balkans, in one state.

The Failing Transition

Against this backdrop of a number of complex unresolved issues, the EU's policy strives to prepare the Western Balkan countries for membership in the Union while simultaneously assisting them to overcome the effects of war, economic backwardness and weak governance. With some shocking exceptions in Kosovo, there was little violence in the Western Balkans in the last decade and most of the governments complied, to various degrees, with the complex conditionality imposed by the EU in the framework of the accession process.

The transition model proposed by the EU and other Western institutions to the would-be members from the Western Balkans has not achieved the expected results based on the experience of Central and Eastern Europe

Presently, the most dangerous threats to stability in the region – with all the possible repercussions for the security of the EU and the continent as a whole – come from the unrelenting economic crises. Even though all parts of the Western Balkans are firmly chained to the EU through trade and investments, economic growth in the Western Balkans has faltered in the last two to three years. The majority of the countries in the region would need double-digit annual growth rates just to avoid lagging too far behind the EU. Instead, the economies of most countries in the region have shrunk as a result of both the recent global recession and domestic failings. Unemployment (which stands at around 20% in Croatia and Serbia and more than 40% in Bosnia and the Republic of Macedonia) is increasing, and the prospects of there being more jobs soon are bleak. Foreign investment, often presented as the cure-all together with credit-fuelled domestic demand, has significantly diminished. In essence, the transition model proposed by the EU and other Western insti-

tutions to the would-be members from the Western Balkans has not achieved the expected results based on the experience of Central and Eastern Europe. The region's de-industrialisation following the collapse of the former Yugoslavia and the ensuing wars was not reversed, and new exportable goods and services did not materialise to the necessary extent. Budget deficits, external debt and job losses have soared. In addition, organised crime and the failure to contain corruption, serious deficiencies in the judiciary, the inadequate skills of the workforce and insufficient infrastructure all undermine economic performance and weaken social cohesion.

Maintaining stability in the Western Balkans depends to a great extent on convincing the population that the sacrifices – whether of an economic nature (fiscal austerity, social welfare cuts, etc.) or in terms of ideals (giving up national or nationalistic traditions and goals) – are worth enduring because of the higher aspiration of achieving EU membership. In this context, the precise timeline for achieving this membership is of lesser importance to the population; for the people, it is far more significant to see a change for the better in everyday life. If the public authorities deliver improvements in living standards and the quality of governance, the population will support policies that concentrate on reform, democracy and the rule of law. However, the pounding economic crisis is swiftly demolishing the credibility of Western Balkan politicians' promises of a better future life in the EU, as amply documented by the annual Gallup Balkan Monitor. Accordingly, conditions are arising for a "second coming" of nationalistic populism, which already fatally wounded the former Yugoslavia in the nineties.

In the Western Balkans, nationalism is usually accompanied by received wisdom about "historic strategic alliances" with external powers such as the US, Russia, Turkey or nowadays even China. Nationalists and conservatives often present such junior partnerships of their countries as a better alternative for the future than to remain in the eternal waiting loop outside the EU. Indeed, even the most pro-European-minded people in the Western Balkans increasingly despair of the widespread impression that the EU is becoming something of a "moving target." The reason for this, in addition to domestic socio-economic stagnation, is the obvious displeasure of some influential Member States towards further enlargement in the near or medium-term future. Whereas Greece, Italy, Austria and other countries in the neighbour-

hood (and with strong financial and economic interests in the region) support continuity in the enlargement policy and have even proposed introducing a fast track for the EU membership of the Western Balkan countries, Germany, the Netherlands, France and a number of others insist on “moderation” when it comes to accepting new members. Evidently, the EU is applying stricter conditionality in the negotiations with the Western Balkan aspirants than in any previous enlargement round. Furthermore, Member States do not hesitate to make use of the enlargement process for their domestic objectives (for instance, in the disputes between Athens and Skopje, Ljubljana and Zagreb, the Hague and Belgrade, Nicosia and Ankara, etc.). The outcome has been a “creeping nationalisation” of the enlargement policy, which discredits the EU’s commitments to aspirant States and undermines the transformative power of the enlargement process.

A significant subsection of the political decision-makers in the EU does not take notice of the deteriorating popular attitudes in the Western Balkans towards the Union and the possible implications for the EU’s security and thus, also, its international standing. In contrast, the US insists that events in the Western Balkans continue to pose the principal challenges to stability in Europe. Starting from the premise that the Western Balkans is a crucial region for Europe’s future, the US has pledged to continue to “work with Europe on Europe” until the European project is completed with the inclusion of the Western Balkan aspirants. To this end, Washington does not hesitate to exert pressure on EU Member States, such as the Netherlands or Slovenia, demanding that they not impede the accession process of Western Balkan countries because of their national political agendas. However, it remains to be seen whether this US intervention will be effective or whether “nationalisation” will become an overriding trait of EU policy towards Southeast Europe. The US’s inconclusive political interventions with certain influential Member States on behalf of Turkey’s EU membership may indicate the limits to persuasion even when attempted by the hegemon.

Integration Before Membership

If the EU wishes to keep the Balkans from back-sliding into protracted conflicts, and if it intends to provide evidence that it can guarantee the security of its

whole natural “interest zone,” the European continent, then the EU Member States must re-examine their policy towards the region. This revision has to start with the financial centrepiece of the EU’s transformative power, the Instrument for Pre-accession Assistance (IPA), which is meant to help with reforms, secure a successful socio-economic transition and foster the integration of the Western Balkans with the EU even before membership.

A significant subsection of the political decision-makers in the EU does not take notice of the deteriorating popular attitudes in the Western Balkans towards the Union

As IPA funds are chiefly disbursed according to the population size of the beneficiary countries, Turkey will receive the lion’s share of the €11.5 billion allocated for the years 2007 to 2013. For instance, in 2012, the EU plans to support Turkey (which is presently lucky to have almost Chinese levels of economic growth) with nearly €900 million, whereas Serbia, the largest Western Balkan country, will receive less than €207 million. In addition, a significant part of the pre-accession funds is consumed by various intermediary organisations and the engagement of expert consultants from EU countries. However, once a country enters the EU, it is “showered” with money from the EU. Consequently, available funds are often not fully tapped because the new members are unable to carry out a sufficient number of meaningful projects in time. In the case of Croatia, the increase is expected to be tenfold, so the country will probably have, in its first year as an EU Member State, around €2 billion at its disposal. Predictably, Western Balkan countries have submitted proposals to allow them increased access to EU structural funds even before accession.

Bozidar Delić, Serbia’s deputy prime minister for European integration, has, since early 2011, led the initiative to reform the EU’s pre-accession assistance instruments. He has gone even further and proposed that the EU, possibly through its new Financial Stability Facility, provide limited loan guarantees to Western Balkan states so that they can raise funds in capital markets on better terms. Lower inter-

est rates and longer repayment schedules for fresh capital would permit the Western Balkan countries to increase their investment in industrial and other projects that could boost employment and thus ease some of the social pressures. Delić argues that in this decade alone his country would save more than €3 billion if the interest rates that Serbia currently pays on foreign capital markets were reduced to the rates applied to countries able to rely on EU loan guarantees. Obviously, in return, the Western Balkan countries would have to accept maximum external fiscal and macroeconomic surveillance. A strict monitoring mechanism could be created by expanding the role of Eurostat, the EU's statistics office, and the International Monetary Fund (IMF). Already, a number of Western Balkan countries have stand-by arrangements with the IMF that ensure access to financial liquidity. Stricter external surveillance of the financial flows in aspirant countries is beneficial to all involved, as public procurements and other expenditures from state coffers tend to be among the prime sources of corruption and crime.

Gradually expanding the *acquis communautaire* by establishing similar “communities” (transport, justice and home affairs, foreign and defence policy, employment, media and culture, etc.) with aspirant countries would promote stability, predictability and trust in mutual relations

However, a new “growth agenda” alone is not sufficient. More determined steps are required to foster deeper integration without waiting for the countries to be fully ready to enter the EU. The Energy Community Treaty, which entered into force in July 2006, and the abolishment of entry visa requirements for

citizens of most Western Balkan states in 2009 and 2010 are examples of how the EU can export its laws, rules and institutions to perspective Member States before full integration. Gradually expanding the *acquis communautaire* by establishing similar “communities” (transport, justice and home affairs, foreign and defence policy, employment, media and culture, etc.) with aspirant countries would promote stability, predictability and trust in mutual relations. This method could also serve as a model for the EU to pursue integration with its eastern neighbourhood and the Mediterranean.

References

- EUROPEAN COMMISSION, Directorate-General for Economic and Financial Affairs. *Progress towards meeting the economic criteria for accession: the assessments of the 2010 Progress Reports and the Opinions*. Occasional Papers 73, December 2010.
- GALLUP BALKAN MONITOR 2010, www.balkan-monitor.eu/index.php/dashboard.
- GORDON, Philip H. (Assistant Secretary of State for European and Eurasian Affairs). Testimony to the Senate Foreign Relations Subcommittee on European Affairs: “Unfinished Business in Southeast Europe: Opportunities and Challenges in the Western Balkans.” Washington, 14 April 2010. Available at: www.state.gov/p/eur/index.htm.
- HILLION, Christophe. *The Creeping Nationalisation of the EU Enlargement Policy*. Report No. 6. Stockholm: Swedish Institute for European Policy Studies (SIEPS), 2010, p. 6. Available at: www.sieps.se/en/publikationer/the-creeping-nationalisation-of-the-eu-enlargement-policy-20106
- SANFEY, Peter. *Economic Prospects in South East Europe*. Newsletter 8/2010, Regional Cooperation Council, Sarajevo. Available at: www.rcc.int/index.php?action=articles&id=50.