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THE EUROPEAN UNION'S POLICY IN SOUTH EAST EUROPE – THE DANGER OF UNFULFILLED EXPECTATIONS

After the recent enlargement of the EU by ten new members on May 1st 2004 now the question gains more and more interest whether and how further enlargement rounds are imaginable. Further enlargement rounds are for sure, since Bulgaria and Romania have the assurance to become full members of the EU in 2007 or latest 2008. Croatia is confident after the positive opinion of the EU-Commission of April 20, 2004, to join these two countries when becoming members of the EU. At the Thessaloniki EU summit of June 2003 also the other countries of the Western Balkans (Albania, Bosnia-Herzegovina, FYR Macedonia and Serbia-Montenegro [Kosovo included according to UN Security Council resolution 1244]) have also been granted the perspective of EU membership by being named potential candidate countries.

The European Union has become increasingly engaged in stabilization politics in the Western Balkans since the signature of the Dayton Accords in 1995. Beginning with the summit in Feira in June 2000 and the following start of the CARDS-Program the EU steadily enlarged its instrumental *bouquet* building up the new perspective of EU-membership for the Western Balkan countries accordingly.

In the years since Dayton it became obvious that securing peace, stabilizing and reconstructing societies in the countries of the Western Balkans cannot succeed without a trustworthy long-time perspective as long as the perception of hopelessness and being isolated from the allegedly sane and prospering West European environment prevails. However, it has turned out very clearly that the region itself cannot develop durable, success-promising per-

spectives and the related necessary politics, and so it is unavoidable that a kind of external agent of direction must be available.

By its own vested interests in a stable neighbourhood, the European Union must build up such a perspective in order to break through the lethargic vicious circle of hopelessness in the Balkans. The question, however, comes up whether in fact full membership in the EU is the only possible means for a long-term stabilization of these States, or whether not this perspective will lead to frustration and internal blockades for politicians and the people in the region because of the lengthy horizon that objectively must be set. The Western Balkan countries may become increasingly sceptical of full membership when in this enlarged EU fundamental political disputes (example the debate on a EU constitution) and distribution fights (example EU-budget for the years 2007-2013) will intensify, and enlargement fatigue will develop. Any serious analysis of the economies and societies in the region by applying the Copenhagen political and economic criteria, underlines the evidently lengthy time span for reaching full membership because deficits in practically all areas are obviously too important to be removed shortly.

In this context it is obvious that the major problem area for all countries of the Western Balkans is the economy, whereas in the sphere of political criteria one can expect more rapid improvements if only the political will is strong enough. In the field of economics the two major questions are firstly, how far the respective economies have developed into functioning market economies, and secondly, whether these can withstand strong competition in the European common market.

Let me present only some rather general economic evaluations and trend assessments for the region *in toto*, in particular also in comparison to the countries of the present enlargement round. In the European Commission's last economic report on the *Western Balkans in Transition* of January 2004, a relatively positive picture has been presented with regard to the general economic development in the region. It was noticed that since the year 2000, an average annual real increase of the gross domestic product (GDP)

of 4.5% can be observed, whereby the extreme low level of departure must be taken into consideration! In addition it has to be notified clearly that this economic growth has been accompanied by a strong external imbalance which means that high deficits of the trade balances are common, caused by the extreme surplus of imports over exports.

Leaving Kosovo aside, the imports of the countries of the Western Balkans have increased from altogether 18,7 billion Euros in 2000 to 25,4 billion Euros in 2003 when in the same time exports have increased only from 9,8 billion Euros to 11,1 billion Euros. With the EU alone the trade deficit of the Western Balkans has reached more than 13% of regional gross domestic product in 2002! This clearly shows that the countries are by far not yet able to utilize the advantages offered by the EU through asymmetric trade liberalization. This is on the one hand due to the lack of respective production capacities, on the other hand caused by the inability to fulfil the quality standards of the EU. The major problem areas for a perspective accession of the Western Balkan countries can be summarized as:

- Deficiencies in macro-economic stability mirrored by an important double deficit (state budget and current account), and by comparably high foreign indebtedness. Taken into consideration the low level of incomes, a stabilization through restrictive fiscal policies would cause immense additional social problems for a population that already lives below or very close to the poverty line.
- Many of the countries mainly export only simple labour-intensive commodities (e.g. clothes, shoes, textiles) without being incorporated into more demanding production and transformation processes of the European industry by cooperation linkages. Without such an integration into the European division of labour only minor further growth impulses can be expected from foreign trade.
- Competition is distorted and disturbed in many ways. Subsidies, rules of preference and uneven conditions of market entrance (shadow economy) lead to distorted competition which in addition suffers from widespread corruption and patronage. Extraordinary close linkages be-

tween politics and economic interests reaching far beyond West European lobbies, lead to constellations where not the common interest of the population but that of very specific groups are prevailing, justifying the notion of “state capture” by groups or individuals.

Save for Croatia, the countries of the Western Balkans display a level of development, measured in GDP per capita and calculated at the actual rate of exchange, between 4% for Kosovo and 8% for Serbia-Montenegro and Macedonia in relation to the EU-15 average! This illustrates the distance not only to the EU countries, but also to the new accession countries of May 1st 2004, of which the two weakest – Latvia and Lithuania – still can present GDPs per capita that are close to 40% of the EU-15 average.

Thus, if one tries to evaluate the five countries of the Western Balkans only by applying the purely factual Copenhagen criteria together with the degree of fulfilling EU conditions for the region, high deficits in practically all areas must lead to the assessment that a EU membership is practically illusory for the foreseeable future. Even Croatia, which compared to the four other countries of the Western Balkans performs clearly better in the political as well as in the economic sphere, has received the blessing of the EU Commission to start accession negotiations in a kind of political gift signalling to the region that the EU is ready to open accession perspectives for countries solely under political stability considerations by putting aside factual evaluations, this against the sceptical expectations of most observers.

It is not the acknowledgement of real progresses in reforms and transformation with clear achievements of sustained stability, but only encouragement and hope that underlie the positive decisions of Thessaloniki for the entire region and the positive opinion for Croatia! Thus, in contrast to the Central European accession countries, the countries of the Western Balkans have not been provided with the offer of a EU-perspective due to specific reform attempts and obvious and rapid transformation advancements, but have instead "merited" this perspective by the fact that they present themselves as a part of Europe endangering the stability of the rest of Europe, after having

destroyed most of their economies which before the 1990s were quite well developed. Before the devastating ethnic wars, old Yugoslavia (FRY) had reached an economic and social level of development that could very well compete with the most advanced Central European reform states Czechoslovakia and Hungary. Yugoslavia co-operated with the then European Community that had caused justified envy among the other socialist countries which were just starting their cumbersome transformation process.

The current accession perspective does not have a time frame, as was expected by the countries of the region before the Thessaloniki summit, but has been programmatically confirmed in different speeches and actions since. Now the EU has a dual problem. On the one hand one can expect that the present enlargement round, concluded by the 1st of May 2004, will not remain completely without problems, tensions and eventually even setbacks. As mentioned before, this can be already seen in the debates on the European constitution and the new EU-budget for the period 2007-2013, but will soon be realized also in talks about the contents of the future European Security and Defence Policy. A clear enlargement fatigue can already today be assessed and might increase after 2007 or 2008, when Bulgaria, Romania and probably also Croatia will likely join. On the other hand, the other countries of the Western Balkans will not remain content with the perspective that the next decisive step towards full membership, i.e. the announcement of accession negotiations, might happen only in very far future.

The example of Macedonia which had presented its application for membership on March 22, 2004, shows this clearly. This country wanted to present its application before more negative signals might reach Skopje from Brussels and the capitals of the EU member countries. Once on the table such an application must now be handled similarly to the case of Croatia even though the preconditions for Macedonia are much worse than for Croatia.

The confirmation of the accession perspective given in Thessaloniki can be regarded only as a short term success by politicians in the region, but one which awakens expectations among the population. However, the lengthy

horizon may soon lead to disappointment, frustration and EU fatigue if not even EU rejection. In the meantime economic as well as social improvements and formal intermediate advancements should not be offered to the population as indication of clear progress.

Although it is not easy to resolve the problem of economic recovery, still it seems to be a task which can be handled by increased financial support as well as technical and personnel assistance. Much more complicated is the bridging of the long empty timeframe which cannot be filled simply by the signature of stabilization and association agreements. The question therefore arises, whether the – so far taboo – partial membership, could become a kind of incentive insofar as the term “junior membership” or “membership light” could supply the politicians and the population with the impression of having reached a qualitatively higher step of rapprochement.

Within these junior memberships one could think of a intermediate process which in a kind of facing-in could entail a more and more active and passive participation in the European process of integration ending up finally in full membership. In this process, which could be offered also to Turkey and later to Ukraine, Moldova and Belarus, it would be possible to enlarge step-by-step also the financial allocations according to the fulfilment of distinct conditions within an outer ring of membership.

This would have the additional advantage that the EU budget would not be put under a too heavy load at once. The population in the region would feel belonging more directly and early to the EU integrative community, and at the same time it would become more apparent and transparent how far away still the respective countries are from the final status of full membership. The great qualitative jump from a stabilization and association agreement to full membership and the time dimension could be elegantly bridged.

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