

Introduction

At the end of 2005 relations between the European Union (EU) and Southeastern Europe (SEE) reached a turning point, marking 2006-2007 as a critical period of development. Previous conceptions of politics in this region must be reconciled with an assessment of the current situation, as new challenges will have a decisive impact. They will influence the future of Southeastern Europe as well as the future of European integration, a point that has not been stressed in previous studies.

The new situation requires new analytical approaches and an updated strategy in order to incorporate the following developments:

- The enlargement of the EU to Central and Eastern Europe in 2004 has generated an ambiguous situation in SEE. On the one hand, it obviously increased the benign pressure on all countries to speed up their internal reforms and adjust to EU norms in order to become members of the enlarged and further expanding Union in the foreseeable future. On the other hand, it has made clear that the region is lagging behind. This could have the effect of increasing the level of disappointment, or at least the indifference, in some parts of society, meaning that the catching up process may be delayed substantially or even rendered impossible. In any event, it will certainly be painful and costly.
- The 2007 EU membership of Bulgaria and Romania (two countries generally considered as the most successful in the region) as well as accession negotiations with Croatia are likely to deepen divisions within the region. Certainly, the already substantial economic gap may widen further, at least for the short- to medium-term. Moreover, some countries (and failed states) fear that they may be excluded from European integration.
- Parallel to the aforementioned developments, the strategy of the gradual enlargement of the EU, based on clear principles and conditionalities, is at a decisive stage. The Western Balkans seems to have reached a breaking point despite its apparent stabilization. Although immediate security risks are not high, conflicts remain that have been artificially hidden in recent years. These latent pressures could easily transform into real security dangers. A number of problems that were swept under the carpet by international agree-

ments during emergency situations did not disappear, nor could they be “absorbed” by imposed political solutions.

- 2006 was a year of far-ranging political decisions for the region. First, there was the May 21 referendum on the future status of the union between Serbia and Montenegro, which resulted in the independence of Montenegro. Second, negotiations began in February on the future status of Kosovo. Much more significant than the consequences of Montenegro’s independence, Kosovo’s future status will have a crucial though highly uncertain impact on all countries involved in the process. Third, Bosnia-Herzegovina had to come to a new constitutional arrangement with a much more stability-anchored framework, thus replacing the outdated Dayton constitution based on an immediate cease-fire. In contrast to these factors, the October decision on the date of accession of Bulgaria and Romania to the EU, a fundamentally important issue for both countries, seems to be a “minor” element. It was, however, extremely important both for domestic stability and as a clear message to the entire region.
- At this critical turning point in history, the EU has to deal with a large number of equally important issues, among them addressing the challenge of globalization, identifying community-level priorities, and encouraging state-level reforms. The global role of European integration is certainly dependent on what will happen in SEE, considered by many politicians as the real “backyard” of Europe. However, nobody would argue that greater competitiveness, the more effective use of resources, or the simplification and speeding up of the decision-making process are less important issues in shaping the future of the EU. Consequently, numerous relevant factors have to be taken into account once a coherent strategy is designed for SEE in general and for the Western Balkans in particular.
- Finally, the Balkans is not only a part of Europe, but also an important region in terms of global politics. Far beyond European efforts, the future of this region will be influenced by the attitude and basic strategic interests of the United States, which used to have a crucial stake in shaping the short-term security framework in this war-ridden and ethnically hostile part of Europe during the late 1990s. As a melting pot of “cultural globalization”, forward-looking European approaches have to consider the growing influence of other players with different traditions, values and religions as well.

This study, commissioned by the Budapest Office of the Friedrich-Ebert-Foundation, is based on several background documents. In 2005 the

Institute for World Economics prepared a paper dealing with the current economic issues of the countries belonging to the SEE region, with special attention to their institutionalized relationship with the EU. As a continuation of this study, the current monograph, while making use of several findings of the previous study, started from another position. In order to assess the effectiveness of the current EU approaches to the region and to call attention to potentially critical developments in the future, it focused on those issues that are of strategic importance in the short or medium-term. Thus, more or less uniformly structured studies on seven countries (including Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Romania and Serbia-Montenegro) have been prepared using a specially developed "questionnaire". The current document makes extensive use of the main findings of these country studies. The authors of the respective country surveys have been included in the literature review. In addition, the most recent international scholarly literature was consulted, as well as information available on the Internet. Also, basic materials from the European Commission and the Stability Pact were included, in particular the latter as the author of this study had the honour to be co-chairman of the Working Table 2 (on economic, trade, energy and infrastructure issues) of the Stability Pact in 2004 and 2005.

Although it has a clear economic focus, this study has an interdisciplinary character. Most of the developments in the SEE region cannot be understood just by using an exclusively economic approach. Moreover, all policy analyses and recommendations have to take into account the non-economic preconditions, realities and consequences of economic decisions.

Due to its nature, the study has several other specific features. First, it is strategy-oriented, due both to the nature of the discussed topics and to the necessity of a long-term and sustainable policy framework to be elaborated by the EU in cooperation with the respective countries. Second, following from the previous feature, its future-orientedness has to be underlined. Although a description of both the traditions and the current situation received substantial coverage in the study, the general analytic framework is clearly directed towards the future of the region in general and future EU policies in particular. This approach explains why such a large number of potentially critical issues have been included in the survey. These range from matters dealing with regional cooperation in migration to ethnic issues. Furthermore, the longer-term impact of the war will be considered, in addition to the (forceful) adjustment to EU norms. Third, its critical character has to be stressed, since most developments in the area are subject to an in-depth survey containing several points of investigation. Included in this method are, of course, EU poli-

cies towards the SEE region in general, and towards individual countries in particular. Fourth, the study is placed in a comparative context. Indeed, individual countries of the region are compared on several levels, as the predominant EU approach follows the same benchmark method. In addition, in some issues other levels of comparison of the SEE with Central and Eastern Europe seemed to be appropriate, both in the context of socio-economic transformation and preparations for and expectations of EU membership. The fifth and final point is that the analysis takes into account the global framework for SEE: it is not only a geographic area of Europe or an institutionally linked region to the EU (albeit on qualitatively different levels), but it is also part of the global balance of power, particularly in regards to international terrorism and crime. Moreover, it represents a very special and, in the European context, probably the most specific “melting pot” of different values, religions, mentalities and ways of life.

This study is structured as follows. Chapter I describes and analyzes the development and the current state of the EU’s official relations with the individual SEE countries in a comparative context. Chapter II focuses on the economic development of the respective Balkan countries, based on their macroeconomic performance, economic legislation, and the main factors that may affect the sustainability of positive trends in the years to come. Key development issues with a substantial impact on EU policy-making, be they of an economic, social, or mentality-related nature, are addressed in Chapter III. Chapter IV deals with non-EU international actors (both small and large) that have qualitative influence on the future of the region and, as a result, also on the future of the EU’s policies towards the Balkans. In light of current developments, a fundamental and critical analysis will be offered in Chapter V on the overall experience of the SEE countries regarding their adjustment to the EU norms and conditionalities, not only in economic and institutional terms but also in social and mental terms. Chapter VI offers a sweeping evaluation of EU policies, dilemmas and emerging goals, including the impact of developments in the geographic map of the Western Balkans on the future of European integration. On this complex basis, policy recommendations will be formulated. Chapter VII contains fundamental conclusions.

The study contains a relatively large number of tables. Most have been incorporated into the basic document, while others have been placed in the Appendix section (additional statistical tables, graphs and maps).

Work on the present study started in late 2005 and early 2006. Before the final draft was concluded, several new developments in the SEE region needed to be taken into account. They include the accession preparations for the EU membership of Bulgaria and Romania, the ongoing negotiations with Croatia, negotiations on SAA with other Western

Balkan countries, the independence of Montenegro, negotiations on the future status of Kosovo, and the planned institutional pattern to be applied in Bosnia-Herzegovina in 2007. The assessment of the adjustment process of the region and the evaluation of chances and risks of the further enlargement of the EU towards SEE in general, and towards the Western Balkans in particular, have been based on a detailed analysis of all known factors and anticipated developments.

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