

South East European Studies Programme
European Studies Centre
St Antony's College
University of Oxford

**EU Conditionality in South East Europe:
Bringing Commitment to the Process**

Othon Anastasakis & Dimitar Bechev*

April 2003

* The following paper draws on the discussions during a workshop entitled "EU and the Balkans: The Implications of EU conditionality" which was organised by the South East European Studies Programme at St Antony's College on 22 November 2002. The authors also benefited from interviews conducted in the region. Special thanks should go to Kalypso Nicolaïdis, Richard Caplan and Elizabeth Barrett for their comments and contributions to this paper.

Contents

Executive summary	3
1. Introduction	4
2. The multi-dimensional nature of EU conditionality in South East Europe	5
3. Difficulties in applying conditionality in SEE	9
i. Differentiation and regional antagonism	9
ii. The unsustainability of the reform process	11
iii. Priorities and the lack of regional input	13
4. Commitment deficit	15
5. Towards a positive conditionality in the Balkans	17
i. Reassessing the long-term vision	17
ii. Addressing the needs of the region	18
iii. Re-positioning the regional dimension with the bilateral	19
About the Authors	21
About the Programme	22

Executive summary

Conditionality is the EU's most powerful instrument for dealing with the candidate and potential-candidate countries in post-communist Europe. In the Balkans, EU conditionality is a multi-dimensional and multi-purpose instrument, geared towards reconciliation, reconstruction and reform. It is regional, sub-regional, bilateral and project-specific and relates to economic, political, social and security-related criteria.

EU conditionality is also aimed at integrating the Balkan states into the EU: its intention is to promote reform, to prescribe criteria attached to EU-granted benefits, and to differentiate among countries by assessing each on its own merits. However, the application of EU conditionality has met some problems in the Balkans:

- It has proved unable to sustain reform and to generate local consensus about the need for reform.
- It overlooks the widening discrepancies between the priorities of the EU and the priorities of Balkan governments and populations. The limited input from the region in shaping the priorities inhibits the build-up of reform consensus and prevents local 'ownership' of policies.
- By emphasising the heterogeneity of the region, it exacerbates antagonism among the countries. In particular, the blend of bilateral and regional conditionality spawns a climate of suspicion where the stronger feel that they are delayed by the weaker countries and the weaker do not benefit from the progress of the stronger.

The conditionality drawbacks in the Western Balkans are a direct result of the deficit of commitment. On the supply side, the EU has been uncertain what its pledge to the Western Balkans is, and in particular whether it should offer the prize of eventual membership. On the demand side, support for the EU among Balkan governments and populations does not translate into a consistent trend for more reforms as a route to membership.

The absence of a clear EU strategy with visible benefits for the Balkans runs counter to the main objectives of the EU conditionality. This paper recommends that the EU should adapt its policy in three main ways:

- make it explicit that accession is the key objective of its conditionality in the Western Balkans;
- make the criteria more relevant to the needs of the citizens in the region;
- finely tune the regional and the bilateral dimensions of its policy in order to tackle all negative externalities of the current confusion.

1. Introduction

Conditionality is at the heart of EU relations with the Balkan countries, yet as a topic it remains insufficiently studied and has generated little policy-making and academic debate. While it affects many different aspects of political, social and economic life in the Balkans, it is difficult to assess its impact and effectiveness. The effects of conditionality have been more apparent and tangible in the Central European and Baltic candidate countries, which are now one step away from EU accession. In most of these countries, EU conditions have catalysed marketisation and democratisation reforms and encouraged the embrace of the Union's norms and practices. Beyond any doubt, the "visible and realistic" prospect of membership has been the main carrot along the way.

An equally demanding and pressing conditionality, but with a less certain carrot, has been applied in South East Europe - a region comprising two 'candidate' and five 'potential-candidate' states. Here EU conditions have arguably been even more demanding, given the fragile state of Balkan economies, politics and societies and the legacy of conflict. Moreover, the uncertain economic development, political volatility and shortage of funds have made the region increasingly dependent on the EU. With decreasing US commitment to the Balkans, the EU has become for these countries "the only game in town". It is currently assumed that the downfall of the Milosevic and Tudjman regimes, in Yugoslavia and Croatia respectively, heralded the triumph of pro-EU politicians, and accession has subsequently emerged as the number-one foreign policy priority in all the countries of the region. The 2000 Zagreb Summit, riding this wave of optimism, is believed to have ushered in a whole new era in EU ties with the Western Balkans. On the other hand, the recent assassination of Serbian Premier Zoran Djindjic shows that the current process of reform and integration with the EU is particularly vulnerable, impeded by extreme nationalism, organised crime and a war legacy.

This means that the EU shoulders great responsibilities, at the core of which lies the question of how it can best contribute toward stability and political and socio-economic progress in SEE and, importantly, through what conditions. The policy of reconstruction must give way to one of development, aimed at integrating the Balkans into the EU.¹ In pursuing such goals, conditionality - the most powerful instrument available to the EU in dealing with candidate and potential-candidate countries - will remain important as a source of leverage.

However, we cannot assume that conditionality will work the same way in South East Europe as it has in Central Europe. Currently, the policy of conditionality in SEE is weakened by the fact that the EU still has difficulties forging a coherent long-term strategy vis-à-vis the region, despite the progress made in recent years. The imminent big-bang enlargement raises the question of 'when?' for Bulgaria and Romania (and Turkey), but the question of 'what then?' for the Western Balkan countries. Moreover, there are signs of 'Balkan fatigue' –not to mention 'enlargement fatigue' in many

¹ This is suggested by a number of recent reports. See, for example, the European Stability Initiative (2002) *Western Balkans 2004: Assistance, Cohesion and the New Boundaries of Europe* and the Centre for Applied Policy Research/Hellenic Foundation for European and Foreign Policy (2002) *The European Union and the Balkans: from Stabilisation Process to Southeastern Enlargement*.

Western capitals; the levels of financial support under existing programmes are decreasing² and, with the shift of focus to other priorities and regions, the trend of disengagement is likely to be exacerbated. The successor states of Tito's Yugoslavia, which ironically in the past enjoyed the most advanced relations with the European Community of any East European state, now face the threat of sustained marginalisation.

To avoid this, the EU needs to reaffirm its commitment to the Western Balkan region, devising a new visionary strategy that will bring the region steadily onto the enlargement track. It is, therefore, essential to establish clear links between the reform process and its outcome, between conditionality and the objectives it is geared towards, including EU accession. Conditionality can function successfully only as one element in a well-defined relationship with the Balkan states.

This paper focuses on conditionality as the cornerstone of relations between the EU and the Balkans. It explores the nature of conditionality and assesses its effectiveness by looking at the linkages between EU conditionality and differentiation, reform and policy ownership in the countries concerned. It highlights the level of commitment, on the part of both the EU and the Balkan states, as the main variable determining the success of conditionality. Finally, it recommends the use of positive conditionality in the form of medium and long-term benefits attached to the fulfilment of the different criteria. It argues that the criteria and benefits of conditionality must be visible not just to the elites but also to the citizens, in order to sustain momentum for reform along the long and difficult road to accession. While focused mostly on the Western Balkans, the paper builds on the comparison with EU candidates Romania and Bulgaria (or the Eastern Balkans). Despite the significant differences between the two parts of the region, what unites all countries of South East Europe is the fact that they are excluded from the first EU eastern enlargement.

2. The multi-dimensional nature of EU conditionality in South East Europe

Conditionality has always been part of EC/EU policies in one way or another, directed towards Member States, candidates or third countries. Its significance rose in the 1980s and, particularly, the 1990s with the practice of setting out both political and economic conditions. Post-communist Central and East European countries (CEECs) thus became the first target of a very demanding political, economic and social conditionality, closely linked with the process of transition towards democracy and market economy. From the beginning, it was clear that political and economic integration and future membership of the EC/EU strictly depended on the fulfilment of a series of conditions set out by the European Commission, as mandated by Member States. In that sense, EU conditionality is rooted in a set of criteria which represent, more than anything else, hurdles on the way to integration. In the case of the candidate states, conditionality and accession are two sides of the same coin. Meeting the EU set of targets brings candidates closer to the

² As pointed out by the European Stability Initiative, the EU assistance funds to the Western Balkans is drying out. The relevant figures are as follows: € 956 million (2000), € 766 million (2002), € 600 million (2004), € 500 million (2006). It is highly likely that next EU budget due in 2006 will not be more generous for the region. (*"The Road to Thessaloniki: Cohesion and the Western Balkans"* March 2003)

coveted goal of membership, in that they achieve a greater degree of convergence with its socio-economic standards as well as its political values.

EU-East European relations have seen a gradual build-up of EU conditionality. The latter was introduced with the launch of the PHARE programme and the Europe Agreements whereby Poland and Hungary, and later the rest of the CEECs, were granted associate status. Initially, however, the EC/EU conditions were not backed up by the promise of membership, despite the CEECs' demands. Rather, better access to the common market as well as enhanced political cooperation with Brussels and the Member States were the chief benefits envisaged by the Europe Agreements. The decisions taken at the 1993 Copenhagen Council were, therefore, momentous on two accounts. First, the summit agreed that the CEECs may join the EU and, second, it put forward certain, albeit very broadly defined, criteria to be met before accession. Since 1993, therefore, EU conditionality has been firmly embedded in the enlargement framework. The Copenhagen criteria³ have been widely accepted as the main point of reference in assessing the success of transition in CEE and individual candidates' progress towards the EU, giving the EU a powerful leverage to influence the outcome of the reform efforts in the individual candidate countries. They were further clarified and extended by the Accession Partnerships and by the process of accession negotiations. Importantly, apart from the long-term membership perspective, the enlargement process entailed short and medium term benefits such as financial aid, technical assistance, policy advice or political cooperation as well as facilitated access for candidate countries' citizens to the EU territory.

The eastern part of the Balkans – Romania and Bulgaria - has thus been subject to this pattern of conditionality since signing the Europe Agreements in 1993. Yet, both countries were always perceived as laggards of the eastern enlargement family. Particularly in the early and mid-1990s, much-needed reforms were deferred and both countries were plagued by economic and political instability. The decision to open accession talks with them, taken at the 1999 Helsinki council, partly reflected political considerations in the aftermath of the Kosovo crisis, although it was also partly the achievement of the reform-minded governments which had come to office in both countries in 1996-97. The reward was twofold: the countries were promised membership, but they were also granted access to funds released under the SAPARD (agricultural aid) and ISPA (regional aid) programmes, in addition to the PHARE. Despite systemic problems such as the slower pace of reforms, widespread corruption and weak administrative capacity, the annual Commission reports issued since 2000 recorded considerable progress in the accession negotiations and the implementation of the acquis. That trend is clearly more promising in the case of Bulgaria, which has advanced more in the negotiation of individual chapters and has a better functioning market economy. The decision to leave both countries outside the 2004 enlargement was partly mitigated by the

³ “The stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities; the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union; the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union” European Council in Copenhagen, 21-22 June 1993, *Conclusions of the Presidency*, SN 180/93.

Copenhagen Summit's opinion that 2007 may be a reasonable date for accession. Although this does not amount to a binding commitment on the part of the EU, it has been backed up by detailed roadmaps and increased levels of funding.

The countries of the Western Balkans are at present not included in the enlargement process, yet they are required to deal with even more demanding types of conditionality. In 1997, the EU launched its Regional Approach, which set conditions such as respect for democratic principles, human rights, the rule of law, protection of minorities, market economy reforms and regional cooperation. The contours of a distinctive model of EU-Western Balkans relations became clear. While refraining from extending the offer of membership, Brussels developed relations with the regional states both on an individual and collective basis. Countries meeting the conditions were to be rewarded with trade concessions, financial assistance, and economic cooperation on the part of EU. The EU launched the OBNOVA financial programme designed to help reconstruction in the Western Balkans, having already included countries like FYR Macedonia, Albania, Bosnia-Herzegovina in PHARE. Yet, in reality, bilateral relations barely progressed in the post-1997 period and negative conditionality prevailed in the form of limited contractual relations, exclusions from Association Agreements and, in cases like Serbia outright sanctions.

In the aftermath of the 1999 Kosovo war, the bilateral Stabilisation and Association Process (SAP) and the multilateral Stability Pact for Southeastern Europe (SP) replaced and updated the Regional Approach. While the SP focuses on regional cooperation in the fields of politics, economics and security, the SAP is intended to act as a mechanism for upgrading EU relations with the individual countries. The two elements are interrelated, in that the conditionality instituted by the SAP urges the Western Balkan states to engage in regional cooperation activities (partly in the framework of the SP). It places a particular emphasis on projects like the establishment of free trade in SEE. The SAP countries are also required to demonstrate commitment to democratic and market reforms and respect for human rights, to work for the return of refugees and cooperate with the Hague-based International Criminal Tribunal for Yugoslavia (ICTY), and to build up their capacity in the domain of justice and home affairs. Once the EU judges a Western Balkan state to have made progress in meeting the SAP conditions, it signs with that state a Stabilisation and Association Agreement (SAA). The benefits include asymmetric trade liberalisation, economic and financial assistance as well as budgetary and balance of payments support, assistance for democratisation and civil society, humanitarian aid for refugees and returnees, cooperation in justice and home affairs, and the development of a political dialogue. For the period 2000-06, financial assistance is granted through the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme, replacing OBNOVA and PHARE.⁴ The one incentive the SAP shrank from providing, however, was an explicit promise of membership. At the 2000 Santa Maria Da Feira Council, the EU stated that the SAP countries are 'potential candidates', representing a promotion compared with the 1997 Regional Approach, but not a breakthrough by any means.

⁴ *Council Regulation* (EC) No 2666/2000 of 5 December 2000.

Thus, following a long period of limited contractual relations and negative conditionality, the Western Balkans were provided some positive incentives with respect to their desire to build closer bilateral ties with the EU. Political expediency often played a leading part. Thus FYR Macedonia was offered a SAA as a political reward for support given to the West during the Kosovo war.⁵ Croatia was next to sign the agreement as a reward for the formation of a new government following the death of Tudjman.⁶ Serbia gained financial rewards as a result of Milosevic's fall and his subsequent extradition to The Hague, and Albania as a reward for its restrained behaviour during the ethnic conflicts in Kosovo and FYR Macedonia. On 31 January 2003, the EU formally opened SAA negotiations with Albania as a means to step up the pace of the reform process.

Overall, EU conditionality in the Western Balkans is established by the following:

- (a) the general Copenhagen criteria – political, economic and acquis-related - applied to all candidate and potential candidate countries;
- (b) the 1997 Regional Approach and the 1999 SAP;
- (c) country-specific conditions to be met before entering the SAA negotiation phase and conditions arising out of the SAAs and the CARDS framework;
- (d) conditions related to individual projects and the granting of aid, grants or loans;
- (e) conditions that arise out of peace agreements and political deals (e.g. Resolution 1244 of the UN Security Council, and the Dayton, Ohrid, and Belgrade agreements).

In other words, EU conditionality in the Balkans is a multi-dimensional instrument geared towards reconciliation, reconstruction and reform. It is regional, sub-regional and country-specific; it is economic, political, social and security-related; it is positive as well as negative. The content of conditionality has developed gradually along with the evolution of the EU; it was based on the single market in 1993, but also on Common Foreign and Security Policy and Justice and Home Affairs by 2003. The European Commission in its yearly reports is closely monitoring progress in fulfilling the ever-increasing conditions. Through the screening process and the accession negotiations, the European Commission identifies the main weaknesses and technical adaptations needed by candidate countries and accordingly sets out criteria and priorities and directs EU funds towards relevant projects. Similarly, the SAP is monitored and reviewed annually in order to highlight the key priorities and channel funds in the Western Balkan region.

⁵ European Commission, *Report on the Feasibility of Negotiating a Stabilisation and Association Agreement with the Former Yugoslav Republic of Macedonia*, COM(1999) 300 final, Brussels 16 June 1999.

⁶ European Commission, *Report on the Feasibility of Negotiating a Stabilisation and Association Agreement with the Republic of Croatia*, COM (2000) 311 final, Brussels 24 May 2000.

3. Difficulties in applying conditionality in SEE

The impact of EU conditionality has been significant in the post-communist transition process. As a regional instrument defined by the Copenhagen criteria it set out the main guidelines for change in post-communist societies aspiring to become members of the EU. As a bilateral instrument tied to the Europe Agreements, the Association Partnerships, the Stabilisation and Association Process and individual projects, its impact has been even more forceful in the domestic context of each candidate or potential candidate country. EU conditionality has by and large functioned as an agent of differentiation, reform and agenda/priorities setting by:

- distinguishing frontrunners from laggards;
- stimulating reforms towards democratisation, marketisation and harmonisation with the *acquis communautaire*;
- setting the priorities and criteria for each individual country, based on national specificities and input;

In doing so, EU conditionality relies upon three implicit assumptions:

- that differentiation among the countries generates a positive climate of competition on the way towards accession;
- that the reform process enjoys consensus and support from the local elites and populations; and
- that the EU's guidelines and templates are equally beneficial for all of the countries, at least in the long run.

However, while the instrument of EU conditionality has by and large worked effectively in the candidate countries of Central and Eastern Europe, in the Western Balkan countries its ability to generate change in the desired direction has been less conclusive. This may reflect flaws in the implicit assumptions underpinning the policy as well as its relevance and effectiveness. In what follows we discuss the main impact of EU conditionality in the Western Balkan countries in the light of these functions and assumptions.

i. Differentiation and regional antagonism

Whether intended or not, a major outcome of applying EU conditionality in CEE was to differentiate the countries. While establishing one framework to govern relations with all candidate countries, the EU developed bilateral ties at a differing pace. This reflected not just the actual speed at which reforms were introduced by different national governments, but also the West's differing strategic interests in post-communist CEECs (though these were never explicitly stated). Poland, Hungary and Czechoslovakia were deemed better prepared for closer integration because of their greater commitment to democratisation

and economic reform.⁷ Bulgaria and Romania seemed less promising and with much less political and economic capacity for reform. The principle of differentiation became explicit in 1997 when the Commission declared that Slovakia did not fulfil the political criteria and that the Baltic states (minus Estonia), Bulgaria and Romania did not fulfil the economic criteria. This led to the exclusion of the latter from the group of candidates to start accession talks in 1998. The rest of the CEECs were given a chance two years later, in Helsinki, a decision which the EU took in part motivated by a change in approach after the Kosovo crisis. Healthy competition in the ‘Helsinki group’ helped Lithuania, Latvia and Slovakia to catch up with the frontrunners and become part of the 2004 big-bang enlargement.

The principle of differentiation is even more visible in the Balkan region than in CEE, with the division between Bulgaria and Romania, on the one hand, and the Western Balkans, on the other. In addition, differentiation is great within the Western Balkans, as a result of various factors, one of them being capacity to meet the SAP criteria. Croatia is undoubtedly the frontrunner in light of its economic performance and pace of administrative reforms. Although its progress is inhibited by problems of political will, such as cooperation with the ICTY, Serb refugee return and involvement in Croat-populated Herzegovina, technically it has been moving closer to EU standards. In February 2003, Croatia applied for full EU membership, arguing that it had fully implemented its SAA. Many observers consider it plausible that Croatia could join Bulgaria and Romania in a future accession, taking place in 2007 or thereafter. FYR Macedonia, the only other Western Balkan SAA signatory, is keen to follow the Croatian example, but its ability to meet the conditions is clearly more limited. Serbia, despite not yet having signed an SAA, could *ceteris paribus* follow the Croatian example, since it possesses the know-how and human capacity to meet some of the conditions posed by the EU.⁸

This differentiation is clearly not solely a result of conditionality and compliance with the Commission’s criteria. It also reflects diversity in terms of the status, sovereignty and legitimacy of the authorities in the Western Balkans, which in turn affects the ability of countries to meet the conditions. The region encompasses self-governed states such as Croatia and Albania, international protectorates (Bosnia-Herzegovina and Kosovo), semi-protectorates (FYR Macedonia), and a loose federation with low chances for survival as one state (Serbia-Montenegro). This heterogeneity constrains EU efforts to establish a uniform framework of relations with the region (SAP). This a priori differentiation is at the root of the varying progress in bilateral relations with the EU, which in turn exacerbates local disparities.

⁷ Susan Woodward, *The Balkan Tragedy; Chaos and Dissolution after the Cold War* (The Brookings Institute, Washington: 1995), p.150.

⁸ Western diplomats are surprised at the speed with which Serbia’s reformers have stabilised the economy and established a foundation for growth. According to a report of the *Financial Times* (28.01.03), Rory O’Sullivan director of the World Bank in Yugoslavia praises the current economic team for running the “best economic reform programme in central and eastern Europe”.

Such differentiation contradicts certain elements of EU conditionality, which promote a greater degree of regional cooperation. More often than not, it is unclear whether the EU is more committed to reinforcing existing regional schemes like the Stability Pact (SP) or to encouraging bilateral relations with those states that are relatively better equipped to meet its conditions. The relationship between the EU and the SP is far from optimal and the role and contribution of the SP to the process of European integration is often contested.⁹ For their part, most Balkan states tend to regard regional schemes with suspicion, sceptical of the benefits they can bring or concerned that they contradict the principal goal of European integration. The Balkans' troubled past has created objective barriers at the political, economic and personal levels, reinforcing the preference for bilateral links with the EU rather than multilateral engagement. Regional elites, furthermore, perceive regional cooperation as a stumbling block for their countries' integration into the EU.¹⁰ The EU itself has done relatively little to address this sensibility, failing to provide guarantees that regional schemes are not a tactic for delaying membership but rather a method for solving pressing issues.

Given the extensive regional diversity and the existing obstacles to cooperation, it is difficult to see how the differentiating effect of conditionality could generate healthy competition among aspiring EU member countries. Each country focuses on its own bilateral relationship with the EU and the advanced ones feel that they are delayed by the laggards. Bulgaria, for instance, finds it difficult to understand why it belongs in the same category with Romania given that the European Commission has recognised the growing gap between the two. Similarly, Croatia feels that it is unjustly placed in the SAP, given that its economic performance is well ahead not just of its Western Balkan counterparts but, in many respects, of the Eastern Balkans as well. By applying for membership, it has entered into competition with Romania and Bulgaria, potentially fuelling mutual antagonisms. Sofia fears that its accession could be slowed down in order to accommodate Romania and Croatia; the latter is not even mentioned in the Nice Treaty. The current blend of bilateral and regional conditionality, in other words, spawns a climate of regional antagonism where the stronger feel that they are delayed by the weaker, while the weaker do not benefit from the progress of the stronger.

ii. The unsustainability of the reform process

In principle, EU conditionality (with the rewards attached to it) is expected to function as an incentive for national authorities to pursue reform and prepare for integration. It also provides an excuse for national governments to proceed with unpopular policies. The example of Member States such as Greece making a great effort to meet the EMU-related conditions, motivated by the benefits of entering the euro zone, is illustrative of that dynamic. Similarly, EU political conditionality, linked with the promise of opening

⁹ The issue has been mainly a political one in that the Stability Pact is viewed as a sort of substitute for accession. The Eastern Balkan candidates tend to be more vocal in criticizing the Pact's sluggishness and inability to deliver its promises. In May 2001, for instance, the Bulgarian government went as far as threatening to withdraw from the SP.

¹⁰ Othon Anastasakis & Vesna Bojicic-Dzelilovic, *Balkan Regional Cooperation and European Integration*, London School of Economics, July 2002.

accession negotiations, has since 1998 been a significant driving force for constitutional reforms in Turkey aimed at improving human rights standards or abolishing the death penalty. The EU has also been an important anchor in the process of transition in most CEECs. The reforms in the candidate states have generated virtuous developmental circles: good progress reports on meeting the EU criteria tend to raise investors' confidence, while FDI has been essential for growth and further reforms. Countries like Hungary, Poland and the Czech Republic are praised by the international financial institutions (IFIs) and the EU, and have also taken the lion's share of FDI directed towards CEE.¹¹

EU conditionality has helped laggards step up reforms too. To implement the *acquis*, Bulgaria and Romania embarked on a major overhaul of the frameworks governing such key sectors as the public service, banking or company law. Although it is more problematic to verify the linkages between conditionality and the above reforms, it is true that both countries have experienced sustainable economic growth in recent years. Progress has been achieved in the field of justice and home affairs too. In 2000-01, the Bulgarian and Romanian authorities put a great deal of effort into improving passport and visa standards and policies, driven by its citizens' demand to be granted visa-free travel in the Schengen space. In sum, conditionality, empowered by the carrot of accession – or other intermediate gains like lifting the Schengen barriers, for instance – has proved a powerful incentive for reform and progress towards EU membership.

However, while EU conditionality can have this important catalytic role in prompting reforms, a sustainable reform process also requires certain domestic conditions to prevail. Reforms will not be sustained without, first, the presence of reformist parties alternating in power, and second, a broad consensus among the political, economic and social elites and the citizens as to the necessity of EU-guided democratisation and marketisation. By and large, these factors did exist in the CEECs. Based on that positive experience, the EU assumes that all current democracies and societies in SEE should share an unqualified consensus as regards the future – no matter how vague – prospect of EU membership. As a result, reform-minded and pro-EU parties are often expected to dominate the political landscape and keep the reform momentum going.

The truth is that the SAP and the 'potential candidacy' agenda have not improved the credibility of reformers. The promise of better relations with the EU did not dissuade the Bosnian electorate from supporting nationalist parties in the October 2002 parliamentary elections, nor did it tilt the balance in favour of the EU-minded Miroljub Labus in the 2002 Serbian presidential race where he had to confront the moderate nationalist Vojislav Kostunica. The experience of a number of SEE countries suggests that conditionality does not generate citizen consensus, even if it is understood to be necessary in principle. The EU does not help parties to win elections in the Eastern Balkan candidates either. In the 2001 parliamentary elections, Bulgarians voted down the government of Ivan Kostov,

¹¹ Over the period 1989-2000, Central Europe and the Baltic states have received US\$1200 per capita in FDI compared with just over US \$300 per capita in South East Europe (World Bank & IMF, *Building Peace in South East Europe: Macroeconomic Policies and Structural Reforms since the Kosovo Conflict*, 2001).

despite it being credited for the economic stabilisation after 1997 as well as Bulgaria's inclusion in the Helsinki group. The return to power of the Social Democrats in Romania in 2000, following the ousting of a reformist government, is another case in point. On the other hand, it is important to note that in both Bulgaria and Romania, the new governments have since demonstrated their own commitment to EU integration. Being part of the enlargement track and actually negotiating accession has kept reforms going, though to varying extents.

In both the Western and Eastern Balkans, one observes a growing gap between elites and publics. While the effects of this phenomenon are mitigated when there is a pro-EU consensus at the elite level, it is a different story when the choice is between reformists on the one hand and nationalists keen to ride the wave of popular discontent on the other. The public may not share the reformist agenda of the elites and hence illiberal and/or anti-Western ideas can gain influence.¹² One must also take into account that many people in the Balkans perceive the West in a rather ambivalent way. While they see their countries' future only within the EU, at the same time they feel betrayed and blame the West for their ills. While they realise their dependency on the West is inescapable and necessary, it hurts their national pride and creates aversion towards their western patrons. Such contradictory attitudes erode the efficiency of EU conditionality.

All this is not to suggest that the EU's influence on developments in the Western Balkans is not as significant as in the accession candidates to the east or, for that matter, that its involvement is marred by successive failures. The peace agreement in FYR Macedonia, the end of the constitutional deadlock in Serbia-Montenegro, the settlement of the Prevlaka dispute, and the peace-keeping and police missions in Bosnia-Herzegovina and FYR Macedonia all demonstrate the substantial EU leverage in the region and heavy use of political conditionality. Moreover, Croatia presents a hopeful case: its bid to become a full accession candidate is a powerful motor of economic, but also political, reforms in sensitive areas like minority rights and the freedom of expression.

iii. Priorities and the lack of regional input

EU conditionality towards the post-communist countries has to date been a one-way process, where conditions are defined exclusively by the EU and its Member States and must be accepted unconditionally by the eastern candidates. This unequal relationship has been aimed at the transposition of policy templates, which reflect EU preferences and practices. That is wholly the case with the third Copenhagen criterion, which is about incorporating the *acquis communautaire* in national laws and policies. The EU assumes that its prescriptions have universal applicability and should therefore be adopted and implemented irrespective of the particularities of the different countries or regions. However, local priorities often prove out of sync with those of the EU. This problem is even more pronounced in SEE, a region that did not pursue the 'classic' transition path and that is constrained by the scarcity of human and financial resources. Any shift from a purely "development and growth" agenda towards one focused on implementing the

¹² Ivan Krastev, "The Balkans: Democracy without Choices" in *Journal of Democracy*, Vol 13, No 3 July 2002.

technical aspects of the *acquis* can become very costly and counterproductive. As Laza Kekic points out, there are some indicative areas where harmonisation with the EU can be inimical to economic growth – for example, capital account liberalisation, labour market and environmental regulations or competition policies.¹³

Conditionality under the second Copenhagen economic criterion can be equally problematic. In some of the Balkan countries, for instance, inflation has been driven to levels that are too low to promote growth, while EU-style social-market policies are incompatible with the level of employment. Moreover, economic conditions advanced by both the EU and the IFIs at times clash with the corresponding political conditions. During a visit to Brussels in February 2003, FYR Macedonia's Foreign Minister complained that the process of interethnic reconciliation and strengthening Albanian representation in the central and local institutions of power requires increased public spending, yet at the same time, the IMF and EU demand cuts in the administration and scaling down of expenditure. This paradox reflects the shortcomings of the one-way approach in setting policy targets.

In addition, there are a number of unexplored policy options which are not included in the EU agenda but may be quite relevant to local needs. To quote one characteristic example, with the launch of the euro in 2002 a great majority of the former Yugoslav republics' population had to change its savings, mainly held in German marks, into the new currency. The huge amount of money that came into the open suggests that the Western Balkans are generally money-rich, yet investment is by and large lacking while trust in the financial sector is almost non-existent. Neither Brussels nor local politicians seem to have an answer to the question of how to harness that considerable potential.

There has been wide acknowledgement of the need for regional 'ownership' of policies and greater consideration of the domestic interests of countries in the formation and adoption of any regional or bilateral schemes; there is little point in having the EU and other IFIs indicate what should be done without any feedback from those actually concerned. Nevertheless, regional ownership requires sovereign governments capable of articulating their needs and demands, as well as a perceptive and understanding international community which can demonstrate vision and flexibility. The reality is that sovereignty is a scarce resource in the Western Balkans. When one considers the extensive powers of the High Representative in Bosnia-Herzegovina or the Special Representative of the UN Secretary General in Kosovo, one questions the ability for local ownership or the ability to address local needs and priorities. On their part, EU officials and other international agents, as a rule, do not trust the local elites. The end result is external conditionalities that do not involve regional input, generate little reform consensus, and poison relations between the public and domestic political elites - and, by extension, with international actors.¹⁴

¹³ "The EU and the Balkans-To harmonise or not to harmonise" *Economist Intelligence Unit*, Viewswire, August 2002.

¹⁴ Ivan Krastev, *op.cit.*

4. Commitment deficit

What lessons can be learned from the Central European experience and transposed to the South East European case? Certainly, enlargement conditionality has not been an unqualified success. On the one hand, it stimulated much-needed reforms, reduced the possibilities of state capture, encouraged investment and brought the countries closer to their goal of EU integration. On the other hand, EU conditionality has been criticised for running counter to democratisation by favouring non-majoritarian institutions, depoliticising civil society and over-supporting the neo-liberal agenda; in many cases, the EU reproduced its own democratic deficit, as the conditions and criteria of harmonisation were rarely debated in the national parliaments of the candidate countries. The process of integration has not paid enough attention to local societies nor has it strengthened the capacity of national authorities to respond or even address the needs of citizens. The actual speed of changes and demands has raised some questions as to whether it is fair to ask new democracies and market economies to incorporate changes that even current member states are struggling to incorporate.

However, this experience has shown that commitment is central to the way the EU uses its conditionality in the Balkans and is the key to understanding recent successes and failures. One cannot fail to observe that in the case of the Western Balkans, in particular, there is a lack of commitment both on the supply EU side as well as the demand regional side. On the supply side, the lack of EU commitment is reflected in a) the lack of a membership perspective; b) the lack of interim rewards tied to a structured and gradual prospect of accession; c) the prospect of diminishing funds for the region; and d) the diversion of international interest elsewhere.

From the demand or regional side, exclusion or halfway inclusion in the EU sphere tends to inhibit transition, in that it deflates local demand for more integration and reforms. The commitment deficit fuels a profound and widespread cynicism about EU motives. Conditions are seen not as steps in a structured process ending with accession but rather as an instrument for deferring membership. Similarly, the charge is made that, by stressing the regional cooperation element in the SAP and SP, Brussels avoids engaging with national governments in the Western Balkans. These perceptions are of immense political importance. Although the polls show a considerable rate of approval for the EU, this seems to be offset by a lack of confidence in what the EU actually does in the region. In a way, there are two clashing conceptions of the Union cohabiting in local perceptions. One is related to the idealised image of prosperity, democratic values and peace. The other raises the not-so-distant memories of EU blunders in dealing with the Yugoslav wars of succession. Given that conspiracy-theory thinking is widespread, there are also suspicions about Member States' favouring certain states or ethnic communities at the expense of others. The perceived unwillingness to engage reinvigorates the second image, which is further boosted by the one-way method of condition setting. This schizophrenic attitude explains why the legitimacy of EU conditionality is disputed and its reform-driving capacity is impaired, despite a general consensus in favour of membership.

As with sovereignty, commitment is a scarce resource in the Balkans. While most local elites seem to demand greater EU engagement and inclusion in the enlargement process, there is a lack of consensus that EU membership is a political priority. Whether this is to be ascribed to states' suspicion towards Brussels' role in the Balkans, the potential candidate approach or the limited capacity of the EU to address the region's developmental needs, day-to-day politics and EU integration are presently worlds apart. High rates of EU approval mean little in the absence of EU-oriented national agendas. Popular demand is perhaps there, but it has remained rather abstract and certainly not focused on specific measures to be taken by the EU and the Western Balkan states on the road to rapprochement.¹⁵

It is worth looking more closely at the question of commitment from the perspective of Brussels. The EU is probably itself constrained by an internal lack of consensus on policy goals and priorities in the Balkans. Furthermore, the overwhelming task of completing the first round of eastern enlargement, the question of Turkish candidacy as well as relations across the new eastern borders are more than enough to fill up the EU's agenda in the east. Hence at present, it is clear that the issues related to the Western Balkans, with the possible exception of those which impact the ESDP, are given much less priority than back in 1999-2000 when both SAP and the SP were at the fore. However, this disengagement trend is unfortunate and potentially as costly for the EU as it is for the Western Balkans. If decreased EU credibility lessens the chances for success of domestic reforms, neglecting the Balkans could have major security consequences for the EU. Leaving a blank spot amidst the expanded Union, coupled with the deterioration of the political and economic situation in the Western Balkans – particularly in major countries like Serbia-Montenegro - will inevitably backfire. The failure to decide on the Western Balkans' place in the future architecture of Europe leaves a vacuum that is likely to pose paramount challenges – the spread of organised crime, increased migration, illegal trafficking etc. Yet while criminal networks are the more unsavoury face of interdependence between the EU and the Balkans, there is clearly much more to the relationship. The region is already highly integrated into the EU in economic terms (e.g. trade flows, labour migration, monetary arrangements etc). Its political marginalisation thus seems all the more senseless.

The EU and its Member States have shown awareness of the above-described interdependencies, but their strategy towards the Western Balkans has been marked by confusion. The EU brokers political deals and directs reforms, yet is unsure as to what sorts of relationship to promote with the countries of the region. It declares its readiness to take up the burden of peacekeeping in Bosnia and FYR Macedonia, but scales down the level of financial support. Most important, the EU shies away from indicating that membership is the end goal of its involvement, although that would undoubtedly empower its conditionality and render the SAP a much more credible framework. The relationship between the EU and the Balkans is currently fundamentally asymmetric. If

¹⁵ Popular, but specific, demands of the EU exist in perhaps two cases: calls for relaxing the Schengen regime; and for building infrastructure links both within the region and between the region and the EU.

the EU is ‘the only game in town’ for the Balkans, it is also true that halfway commitment is the name of the game for the policy-makers in Brussels.

The European Commission in its 2003 report on the SAP for South East Europe addresses the need to strengthen EU commitment and local political will.¹⁶ It fails however to recognise the ambivalent attitudes of the wider public, by assuming that there is solid and unquestioned support for the EU among the populations in the region. It recognises the limited public understanding of the SAP and proposes better communication strategies, as if this is just a problem of public relations. What we have argued in this paper is that some of the EU priorities and conditionality instruments are not necessarily relevant to the regional specificities and the needs of the people in the region, which result in wavering attitudes towards reformist leaders and the non-sustainability of the reform agenda. This is not to underestimate the grave danger to the reform coming from the still powerful extremist and patriotic sectors of Western Balkan societies, as the assassination of Premier Djindjic has so vividly reminded us.

5. Towards a positive conditionality in the Balkans

i. Reassessing the long-term vision

At present, EU conditionality in the Western Balkans is viewed as exogenous to Brussels’ relationship with the region. The political and economic conditions, by and large, are not identified as steps along the way to accession, but as an instrument of pressure, or even a delaying tactic, which legitimises exclusion. Conditionality is considered necessary but also as an unwelcome imposition from outside. The fact that its priorities do not reflect the preferences of local actors strengthens that perception. Most important, however, the modest rewards attached to compliance threaten the shaky reform consensus. In the eyes of the people in the region, conditionality in the Western Balkans is identified with western pressure in matters such as the International Criminal Tribunal for Yugoslavia (ICTY).¹⁷ Although such pressure is legitimate given that justice has to be done for all the atrocities committed during the war in Yugoslavia, it is mostly linked with short-term financial benefits and not with a longer-term vision.¹⁸ Linking conditionality with financial aid, grants or loans, exacerbates further the “dependency syndrome” in the region.

EU conditionality in the region has to be more imaginative and more cleverly sold to the people in the region. As a first long-term step, it is essential to address the SAP as a process leading clearly to accession. This entails transcending the ‘potential members’

¹⁶ Report from the Commission: *The Stabilisation and Association Process for South East Europe* Second Annual Report, Brussels 26.3.2003 COM (2003) 139 final

¹⁷ The most well known case of political conditionality in the Western Balkans had to do with the immediate response to the delivery of Slobodan Milosevic to the Hague Tribunal in April 2001.

¹⁸ The International Crisis Group (ICG) advocates the continuation of strict conditionality, following the assassination of Premier Djindjic, in order to help their reform forces advance their programmes against the forces of corruption, extremism and criminality. “Serbia after Djindjic” ICG Balkans Report No 141, March 2003, Belgrade/Brussels.

mindset and addressing the issue of SAP *finalité*. The first test will be Croatia's bid to open accession talks. In many ways Croatia will stand out as a model/country on its way to accession. The way in which the Croatian application is handled will thus have important consequences for the other Western Balkans countries. For the Croatian case to serve as a positive example, the rest of the SAP countries should be persuaded that Brussels does not apply a double standard. Croatia's promotion has to be linked with the fulfilment of the relevant political, economic and technical conditions. Bulgaria and Romania, for their part, should be reassured that the inclusion of Croatia will not postpone their accession, which is scheduled tentatively for 2007 providing membership negotiations are successfully closed and the Copenhagen roadmap completed.

ii. Addressing the needs of the region

Distrust of EU policy does not proceed solely from the vague nature of commitments, but is also rooted in the perception that Brussels imposes its own priorities on the region. Indeed, there is little dialogue with the regional states on what SAP should be focused and where CARDS funds should be channelled. While conditionality is inherently asymmetric and the EU must not step down from its role of reform-promoter, there is much to be done in terms of establishing a viable partnership with the Western Balkans. Beyond any doubt, conditionality has to be based on a process of adaptive learning by paying closer attention to the signals coming from the region. To do that the EU should enhance local human capacity, address citizens concerns and offer interim benefits as incentives to continue with the reform process.¹⁹

Part of the problem of limited or non-existent regional ownership, is due to the lack of experience of the administrations in many Balkan states in working with the complex body that the EU represents. This weak administrative capacity is clearly a general setback encountered in all CEECs, not least in Romania and Bulgaria. The implication is that, even if the Western Balkans are given a voice in the priority-setting process, it is disputable to what extent they will be in a position to make the most of that opportunity. This is one of the pitfalls of the protectorate mentality. The EU should, therefore, invest in people. What countries like Bosnia, Albania and FYR Macedonia need, are training programmes to build up local human capacity in all possible ways. Amongst other things, this will greatly help in achieving compliance with EU conditions under the second and, especially, the third Copenhagen criteria. The extent to which the local administrative and political elites are familiar with the Union's institutions, norms and policies, is one indicator of how advanced the process is. Learning must be, by definition, a two-way process and the EU must show it is both a good student and a qualified teacher.

There is general agreement across the region, verified by opinion polls, that social and economic matters - as opposed to the old ethnic politics repertoire - are currently the

¹⁹ An example of interim reward, relevant to the local needs in the Western Balkans, could be a roadmap specifying steps for lifting the visa requirement to travel to the Schengen countries. Similar to Bulgaria and Romania, the SAP countries (with the exception of Croatia which enjoys visa-free status) could be presented with a set of conditions to be met along the way. (e.g. border controls standards, guarantees against illegal trafficking etc).

main concern. High unemployment, poverty, and corruption typically score high in the list of problems that preoccupy people in the Balkans.²⁰ EU commitment should be linked to addressing issues that matter to citizens like personal security, refugee return, reducing poverty and unemployment. People have to feel that they are part of the process of integration and that the EU cares for the citizens' well-being and prosperity as much as it cares for institution-building and the rule of law. It is only by wooing the citizens in the region that the EU will be able to sell its reforms and criteria.

Membership remains, in most cases, a long-term project, but it is not an end in itself. It is popular because elites and publics look at it as a recipe for high living standards and economic growth. This, in turn, gives the EU greater leverage. While it is unrealistic to foresee most of the Western Balkan countries as members of the EU in the present decade, the EU is in a position to respond to local demands. It is also imperative that the EU maintains its financial commitment beyond 2006. Coupled with the promise to enlarge in the direction of the Western Balkans, this would greatly boost Brussels' profile, which is likely to feed into the political process in the states in question. Taking on board the regional agenda would send a clear message to local policy-makers and constituencies that EU commitments will be substantiated in the short run.

iii. Re-positioning the regional dimension with the bilateral

Although conditionality leads, by definition, to bilateralism and competition, the Western Balkans also require a region-wide strategy. The EU must give all Balkan states the promise of membership and acknowledge that there may be different paths towards that goal, but it must also manage the political effects of disaggregation. While packaging the countries into a discrete region is not viable (and is hard to sell to countries like Croatia), the institutionalisation of the dialogue between Brussels and the Western Balkans is a step in the right direction. The Greek presidency convening a regional summit in Thessaloniki, as a follow-up to Zagreb 2000, should push for such a development. Amongst other things, an upgraded regional dialogue could concentrate on the question of EU conditionality in the Balkans and the role of regional cooperation within this conditionality. It is imperative that the countries in the region be involved in setting the regional cooperation agenda.

The EU should take a clear stand on the Stability Pact too. Back in 1999, the SP was mistakenly interpreted as a sort of latter-day Eldorado: a pledge on behalf of the international community to pour billions into the Balkans. Of course, the overblown expectations were soon thwarted, but the SP has, nonetheless, done much to promote infrastructure development and the liberalisation of intra-regional trade. Overly ambitious it might have been, but the SP has carved itself a niche and produced some palpable results. The EU should now shoulder the responsibility for its own brainchild. Interestingly enough, the Stability Pact is barely mentioned in the 2003 Commission

²⁰ Based on an extensive survey of public attitudes conducted by the International Institute for Democracy and Electoral Assistance (International IDEA) during January and February 2002, available at www.idea.int

report. The link between the SAP and the SP should be made more explicit than what it already is. Brussels should assume the leading role and find ways to coordinate the SP and the regional component of the SAP. Regionalism in South East Europe would, in that way, be more closely linked with the EU integration project than it is at present. This, in turn, would alleviate residual fears that the SP reflects Brussels' unwillingness to engage with the Western Balkans. Regional cooperation can be a stepping-stone to accession only when the EU acquires a stake in the overall venture. Importantly, the move we suggest would also increase the likelihood of compliance with the SAP conditions pertaining to regional cooperation. The latter would no longer be perceived as obstructing accession, given the new relationship between the SP and the EU. By making it clear that packaging is not its policy and that the SP is much more than merely a substitute for membership, the EU would help the Western Balkans transcend the regionalism-vs-bilateralism dilemma.

About the Authors

Dr Othon Anastasakis is the Director of the South East European Studies Programme, St Antony's College, Oxford. He received his BA in Economics from the University of Athens, his MA in Comparative Politics and International Relations from Columbia University, New York and his PhD in Comparative Government from the London School of Economics. Previously he was Research Fellow at the London School of Economics, Expert and Advisor on European Union matters at the Greek Ministry of Foreign Affairs and taught at the National School of Administration in Athens. He has written on the extreme right in Europe, EU enlargement in Central and Eastern Europe and the EU and the Balkans. In 2001-2002, he was awarded a fund by the European Commission for a project on "Balkan Regional Cooperation and European Integration". He is currently involved in another Commission funded project partnership project on "Functional Borders and Wider Security in the Balkans".

Dimitar Bechev holds a MA from Sofia University and a MSc from the University of Oxford. He is a doctoral candidate in international relations at St Antony's College, Oxford and works as a research assistant with the SE European Studies Programme. His research focuses on the politics of interstate cooperation in South East Europe and the issue of regional identity. The title of his doctoral thesis is "Regional cooperation in South East Europe".

About the Programme

SOUTH EAST EUROPEAN STUDIES PROGRAMME (SEESP)

**European Studies Centre, St Antony's College
University of Oxford**

The South East European Studies Programme was launched in 2002 as part of the European Studies Centre, St Antony's College, University of Oxford. It focuses on contemporary politics and society in the post-communist Balkans, Greece, Turkey and Cyprus. Drawing on the academic excellence of the College, the University and an international network of associates, this Programme seeks to foster academic and policy relevant research and discussions on the dynamics of post-conflict reconstruction, transition emphasising the role of, and relations with the European Union. In investigating each of these poles as well as their interrelationship, its ambition is to be provocative and constructive.

General Objectives of the Programme

- To support high quality action research on South East Europe with special focus on the politics of long-term EU enlargement;
- To organise conferences, workshops and research seminars;
- To promote a multi-disciplinary study of the region's developments within Oxford University (e.g. politics, law, sociology, economics, international relations) working in collaboration with students' groups, academics, Centres and Programmes within the University;
- To spearhead exchanges and debates among networks of individuals and institutions beyond Oxford on these issues;
- To foster cooperation between the academic and the policy making community.

Thematic Priorities

- **The Balkan Pillar:** Organisation of brainstorming sessions - between academics, experts and policy makers involved in the region- supported by background research and followed by action papers.
- **The Greek-Turkish Pillar:** Set-up and operation of a Greek-Turkish Network to promote greater mutual understanding on each country's politics and society and their impact on Greek-Turkish and EU-Turkish relations. Discussing developments in Cyprus.

Contact

Telephone: + 44 (0) 1865 284761 & +44 (0) 1865 274477

Fax: + 44 (0) 1865 284478

Email: othon.anastasakis@sant.ox.ac.uk & ulli.parkinson@sant.ox.ac.uk

web: <http://www.sant.ox.ac.uk/areastudies/southeasteur.shtml>

St Antony's College was founded in 1950 as a graduate college focusing on area studies. The College is the most international of the graduate colleges of the University of Oxford specialising in international relations, economics, politics and history of various parts of the world. The European Studies Centre opened in 1976 to promote the interdisciplinary study of Europe within Oxford University and extended its field of interest into transition in Central and Eastern Europe.
