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## **A Comment to the Interview with Mr Hidajet Biscevic, the Secretary General of the Regional Cooperation Council**

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In this interview, Mr Biscevic talks about the innovations and strengths of the Regional Cooperation Council (RCC) in South East Europe and some of the achievements to date. According to his interview, one of the most notable characteristics of the RCC has been the will to promote regional ownership and to give priority to the local needs. He also talks of the strategic role of the European Union and the need for coordination and synergies between the EU and the RCC, and most important to keep the enlargement agenda on track. He believes that the priorities and achievements of the RCC should be better communicated to the elites and the people in the region. Finally, he argues that the RCC has, from its inception, opted for a more focused approach on areas that are important in South East Europe, such as energy and infrastructure.

It is clear that Mr Biscevic is arguing against the weaknesses of the Stability Pact, which the RCC replaced to address the very problems for which the Stability Pact had been criticised. The Stability Pact started, at the beginning of the new century, as an ambitious scheme of grand regional cooperation designs and created huge expectations among the people in the region; it was an externally designed regional instrument with limited regional input and priorities which were devised by external sponsors; its relationship with the EU was often competitive and the two never managed to achieve mutual coordination; finally, the Stability Pact was not appreciated by the people in the region and its achievements were never communicated effectively. The RCC, on the contrary, wants to appear as a more pragmatic initiative, better connected with the region, with realistic and achievable goals and with true regional input, having appointed a Secretary General from Croatia and having

established its headquarters in Sarajevo. It seems to me that we still need to get a better understanding of the actual contribution of the Stability Pact in the region - a more balanced assessment of its strengths and weaknesses. After all, the Stability Pact started at a very low point in the region's development, immediately after the end of the war in Kosovo, with the Bosnian war and destruction still very fresh, and with the Macedonian conflict exploding during the first year of the Stability Pact's operation. When the Stability Pact was replaced by the RCC, the region was in a much better shape, politics were normalised and the economies were more stable.

When the RCC was launched in 2007, the region was gradually recovering from its conflicts and underdevelopment, and was going through a booming phase of growth, European integration, foreign direct investment, and stabilisation of pluralist politics. In 2007, South East European countries were registering an average growth of between 5 and 7%, double the EU average, and the region was becoming attractive for foreign direct investment. It was the year that Bulgaria and Romania became members of the EU, and despite an emerging enlargement fatigue in the EU, the Stabilisation and Association process was well underway for the Western Balkan countries. While there were still major problems with the status of Kosovo, the unity of Bosnia, and compliance with EU conditionality regarding the ICTY, when the RCC was introduced in South East Europe the regional picture was more optimistic and upbeat.

Today, three years later, the economic situation in South East Europe is yet again different. The global economic crisis has hit the region, growth rates have fallen sharply, foreign direct investment has dropped dramatically, unemployment is rising in most countries creating political and social pressures, and the governments are feeling the heat of global developments. All countries in the region (except Albania) registered sharp declines, with the biggest economies of Bulgaria, Romania, and Serbia having been affected the most. Greece, an important regional economic actor with investment in the region, is going through a deep recession and its current economic downturn has affected countries like Albania, Serbia, and FYR Macedonia, where Greece has a big economic presence. Most of the South East European economies, with the striking exception of Turkey, are in vulnerable economic shape, and while the region may be gradually coming out of the crisis, the signs are that the next decade will not reach the high levels of growth and foreign direct investment which were achieved before 2008.

For the first time in recent memory, the region is not the 'producer' of a crisis, but the 'consumer' of a larger global crisis. It is therefore in this light

that the RCC should look at the region with the focus on the causes and effects of the current crisis, using regional cooperation as the main instrument to bring all of these small and vulnerable states out of the crisis and on to a path towards more sustainable development.

According to Mr Biscevic, the biggest danger to the success of the RCC is the lack of political will and the unresolved bilateral questions between neighbours. Indeed, regional cooperation and European integration are hurt by the existence of bilateral issues in the Balkan region which have resulted from historical disputes, and the violent disintegration of Yugoslavia, creating not just ethnic and nationalist questions but territorial disputes as well. Slovenia and Croatia had territorial disputes which delayed the latter's accession process. Greece and FYR Macedonia have been at odds over the name issue, which has affected the latter's start of accession talks. Beyond the former Yugoslav territory, Cyprus, backed by other EU member states, is blocking the negotiation of EU chapters with Turkey as a result of the latter's insistence not to extend the customs union with Cyprus. It is also expected that rivalry between Serbia and Kosovo will at some point dominate the Western Balkan accession process in the near future, something that many EU officials have already started to dread. The regional summit in Slovenia in March 2010, which was meant to revive regional cooperation, revealed instead deep divisions in the Balkans caused by Kosovo's official representation in the summit, which was severely objected to by Serbs. The disintegration of Yugoslavia created 3,000 kilometres of new internal frontiers, some in and some out of the EU, and one can only imagine the Pandora's Box of bilateral issues that could be connected to the accession process.

But the regional picture is rather mixed, and alongside bilateral disputes there have been many hopeful developments that point to a more reconciliatory approach by most local actors in the region. Slovenia and Croatia overcame their territorial disputes, and the two agreed to resort to international arbitration. Croatia and Serbia have also created a very positive dynamic in the spirit of reconciliation through exchanges of visits of the Heads of States and closer economic cooperation. The Serbian parliament has acknowledged Serbia's responsibility regarding the Srebrenica massacres and has moved closer to acknowledging its own role during Bosnia's war. Similarly, Croatia has made some efforts towards acknowledging the Vukovar persecution of Serbs, and is being pushed to cooperate for the return of refugees to their former homes. Even Belgrade and Pristina have agreed to engage in a dialogue to discuss some unresolved issues under the auspices of the EU. In a period of economic stagnation and pressing socio-political issues, the political elites in

the region have found some courage to engage with each other in a constructive manner. The post-Yugoslav environment has a natural affinity to re-engage as a result of economic, cultural, and geographic closeness. As a matter of fact, most NGOs, academics, and other civil society actors never stopped engaging with each other in meetings and conferences, even during the toughest of times. With the normalisation of politics and market economics, the former Yugoslav region is witnessing increasing economic activity in FDI, trade, and infrastructure among neighbouring states, and an overall political and economic interdependence.

Pressure from the EU, the global economic crisis, and the region's pre-war legacy have led these small countries and small markets to appreciate that they need to work together and pool their resources rather than antagonise and compete. As opposed to arguing against bilateral disputes and the damage that they can inflict on regional cooperation, the RCC should build on recent achievements and capitalise on the existence of local actors who want to engage with each other.

Mr Biscevic emphasises the critical role of the European Union and of the enlargement strategy, and stresses that the Sarajevo meeting confirmed the European perspective of the Western Balkans. The reality with the EU's current situation is that enlargement is not a priority at present. This is due to two main reasons: first, the EU is consumed by other, more pressing, matters which include the survival of the euro, immigration, energy, and environmental issues; second, the EU is much more cautious with accepting ill-prepared member states and never misses an opportunity to remind us that it wants to avoid the past mistakes of accepting Bulgaria and Romania, which were not fully ready to accede, or Cyprus, which became a member state as a divided island. Moreover, the recent economic debacle in Greece sets another precedent of a country not complying with the rules and procedures of the EMU Stability Pact and putting in jeopardy the euro's achievements. For these reasons, enlargement has taken a back seat, and the European Commission, the only EU institution still working on the agenda, pursues a more managerial, less visionary, approach to enlargement, focusing on the imminent accession of Croatia and leaving the rest of the Western Balkan states and Turkey for after 2020. Moreover, the EU's transformative capacity has its limits, as is clearly notable in the resistance to conditionality by Bosnia's political elites. It could also be argued that the EU is also a source of instability, when it is itself divided on the recognition of Kosovo's statehood, with five member states not having recognised Kosovo's independence. Having said that, it should be noted that the recent example of visa liberalisation was a successful regional

carrot that combined many benefits: it pursued a regional approach consistent to all (except Kosovo), it forced the countries in the region to adjust some of the mechanisms and institutions of border control, and it showed some good will to the people of the region by allowing them to travel in the EU and by eliminating a number of cumbersome and costly visa restrictions.

Looking at the progress of the regional Stabilisation and Association process, one cannot fail to notice that the latter is highly fragmented, and that all the Western Balkan states are at a different step of the EU ladder. Croatia is on the one end of the spectrum, having made substantial progress with its accession a near-certainty, and Kosovo is on the other end, with a fuzzy and ill-defined tracking stabilisation and association mechanism. In between these two, there is a combination of candidates and potential candidates that are being judged according to their own merits. Contrary to the EU's Central and East European group enlargement, the current enlargement is based on individual country performances, while it is very clear that what happens in one country affects the other in one way or another. The EU therefore avoids giving any dates, and limits itself to interim carrots and shorter-term agreements. The impact of EU bilateralism on regional cooperation has obvious negative repercussions. It confuses the regional approach even more by creating various categories of applicant states within the same regional instrument, with different levels of association, additional conditions, and targets. This has ramifications on how EU financial assistance is distributed, which is quite uneven as a result of different degrees of association with the EU.

EU member states are funded differently from applicant countries, and within the second category candidates who have started accession talks are funded differently from candidates that have not started, or from potential candidates. The Commission tries to bridge these gaps by using additional financial instruments and initiatives for the applicant countries that cannot benefit from the full range of financial resources. Beyond the EU, regional cooperation requires the involvement of other external anchors including international financial institutions like the International Monetary Fund, the World Bank, the European Bank of Reconstruction and Development and the European Investment Bank. These are all very important in order to divert the countries in South East Europe from economic meltdown, and they are also important in order to give them some guidelines for reform and restructuring. A basic caveat with these international financial institutions is that their funding is attached to strict conditionality and local devotion to the reform process, which is being imposed on the countries in the region. The notion of reform being tied to austerity, less state protection, and full-blown

liberalisation, becomes quite sensitive during the times of contraction and recession, and can generate many reactions from a population which is already suffering from the effects of the crisis.

Hence, the biggest challenge for the future of regional cooperation, in my view, will not come from cross-border tensions and bilateral questions, but from domestic socio-political pressures and social reactions to post-crisis reform efforts and economic pressures. Governments in all the countries are already being confronted with public reactions to austerity measures and IMF prescriptions. More and more, citizens will be looking at the efficiency of their states to provide for good governance and fair distribution. More and more, citizens are having problems with their own governments rather than with neighbours and nationalist tensions. We are currently witnessing testing developments in most countries' internal politics: the two main Albanian parties are severely polarised; Serbian populism is on the rise, threatening the achievements of the Tadic' government, which brought the country closer to the West; the Bosnian central state is as divided as ever; developments in Kosovo show that the majority of problems with economic underdevelopment, corruption, organised crime, and the rule of law are ahead of us and are not solved by status alone; Romania, recently a destination for direct foreign investment, is becoming restless as a result of economic mismanagement and external economic pressures. We are therefore seeing the politicisation of economic discontent in most countries in the region, which could have a very serious impact on regional stability and cooperation.

The problem with South East Europe is that this is regional environment very dependent politically and economically, very vulnerable to external shocks and economic uncertainties. Attention in the region should therefore re-focus from inter-ethnic tensions to new socio-economic tensions that may threaten all the achievements of the past decade. There is a new narrative for the region, and this is related to the political economy of the countries, all of them small and vulnerable states, currently the 'consumers of crises' from abroad. Rather than focusing exclusively on constitutional and power-sharing arrangements, cross-border rivalries, and issues of reconciliation, we should pause and look into how these economies will survive in a highly competitive and often 'damaging' international system. In the end, it may not be that important whether regional cooperation is based on local ownership and local input, or whether regional initiatives are well communicated and visible to the people, but rather what the right agendas for growth are. As mentioned in the beginning of this text, circumstances have changed twice in the last decade.

From the aftermath of ethnic war and disaster in former Yugoslavia, we moved into the normalisation of politics and growth, and from that we moved to global economic crisis and slowdown. The aftermath of the economic crisis changes the priorities and narratives for South East Europe, and the goal becomes that of sustainable development.

