

The relations between EU and the Western Balkan countries: state of play

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The role of civil society

- CS covers the area between market coordination and government decision making
- Enforceability of government decisions (rule of law) is a precondition for a well-functioning society
- CS is instrumental in ensuring acceptance and therefore enforceability
- ⇒ A mature CS is a necessary condition for successful statehood
- Case in point: Problems in Greece



The seven Western Balkan countries I

- Candidate countries
 - ① Croatia
SAA in force since 2/2005; accession negotiations since 10/2005; currently 18 chapters provisionally closed, 30 chapters open; no visa required
 - ② FYR Macedonia
SAA in force since 4/2004; candidate status since 12/2005; no visa for holders of biometric passport
- Potential candidate countries
 - ① Albania
SAA in force since 4/2009; application for EU membership submitted in 4/2009; visa required
 - ② Bosnia and Herzegovina
SAA signed in 6/2008, not yet in force; EUFOR/Althea mission still active; government functions partly still exercised by High Representative; visa required



The seven Western Balkan countries II

- 3 Kosovo
EULEX, KFOR plus financial assistance, mainly under IPA (instrument for pre-accession assistance); visa required
- 4 Montenegro
SAA in force since 5/2010; application for EU membership submitted in 12/2008; no visa for holders of biometric passport
- 5 Serbia
SAA signed in 4/2008, not yet in force; no visa for holders of biometric passport

More detailed information on a country-by-country basis in:
Democracy and Market Economy, special issue of *Südosteuropa*,
Vol. 57, 2009



Governance Indicators for the Western Balkan countries

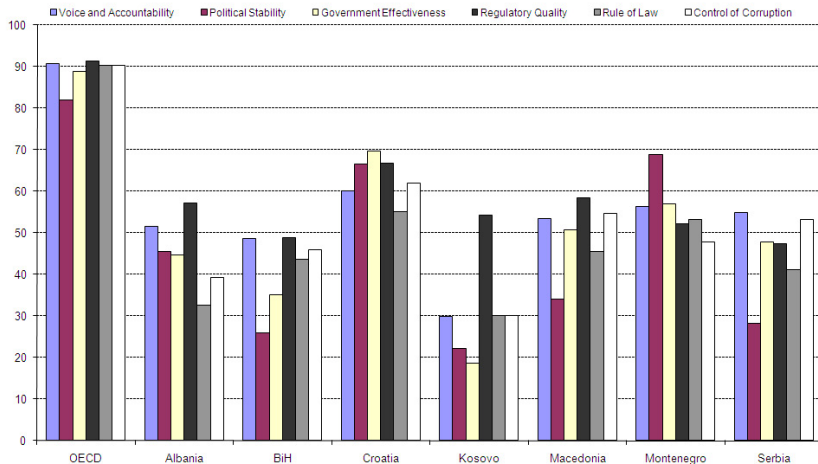


Figure: Governance Indicators for 2008 (World Bank)



Freedom House Indices for the Western Balkan countries

Country	Political Rights	Civil Liberties
Albania	3	3
Bosnia and Herzegowina	4	3
Croatia	2	2
FYR Macedonia	3	3
Montenegro	3	3
Serbia	3	2
Germany	1	1

Table: Freedom House Indices for 2007

Indices run from 1 (best) to 7 (worst)



Western Balkan countries and the current economic and financial crisis

Main channels with different degrees of importance for any single country:

- ① Slump of demand for exports
- ② Country risk (or the perception thereof) and its costs
- ③ (Danger of) devaluation
- ④ Burden of debt denominated in foreign currency
- ⑤ Decreasing flows of remittances

(More details in: Jerger/Knogler 2009: The Economic and Financial Crisis in South-Eastern Europe)



Integration at the regional level vs. European integration

- Some discussion about the two patterns: RI \Rightarrow EU-I versus EU-I \Rightarrow RI
- Only sensible solution: RI \Leftrightarrow EU-I
- Most important point: Political will to integrate *at both levels*
- This has to be made the problem of each country by sensible and credible incentive mechanisms
- It might be that not everyone can be forced to do what's good for her/him. In this case the EU should stick to its principles – also in the long-term interest of the country.
- Why is integration so desirable?
 - All countries theoretically can and empirically do benefit from open borders (not only) for trade, especially small ones – and all countries in the region are relatively small.
 - Diversity is economically beneficial – if open conflicts can be avoided.
 - Integration may be the only way out of (the violence of) ethnic and other disputes.



Widening vs. deepening of the European Union

- Trade-off between widening (= enlargement) and deepening?
- A 1: Countries are heterogeneous with respect to their (perception of) net value of membership
- A 2: Countries choose their level of support of the union
- Implications:
 - Unanimity gives huge power to the weakest (lowest level of net benefit) member; this is not solved by the Lisbon treaty concerning membership decisions; case in point: Slovenia/Croatia
 - If strong countries can form an „inner“ union, weak countries have an incentive for a higher level of contribution (in order to avoid the formation or participate in the inner union)
⇒this rationalizes the notion of a multi-speed Europe
 - The entrance of relatively strong new members opens the possibility that widening and deepening are complements
⇒ this explains the demanding accession procedure and the reluctance of admitting „weak“ countries

(more in: Berglof et al. 2008, AER)



The impact of the crisis on the willingness to integrate

- Seemingly sensible instinct: Don't introduce (additional) changes in uncertain environments
- ⇒ Some commentators argue that further integration steps might be postponed
- But: Current crisis ...
 - ... is a chance to show and benefit from solidarity;
 - ... is in many ways due to a lack of trust;
 - ... requires international action, e.g. in regulatory issues;
 - ... entails the danger of protectionism;
 - ...

and thus necessitates international coordination/integration.

- ⇒ Crisis is a reason for more rather than less integration.
- However, EU possibly changed quite dramatically during the rescue of Greece; integration may not stand in the way of a more comprehensive, credible institutional framework of the (monetary) union



Thank you!

