

International Workshop

SOUTHEASTN EUROPE AND EUROPE 2014: RETHINKING AND REFILLING THE TOOLBOX

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REPORT



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GENERAL OBSERVATIONS

Taking stock of EU enlargement policies and instruments towards the Western Balkans (WB) was the first objective of the international workshop that the Southeast Europe Association (SOG) organized at the German Bundestag in April 2013. 2013 marks the tenth anniversary of the Thessaloniki European Council confirming the European perspective for the countries of the Western Balkans. Moreover, 2014 marks the centenary of the assassination of the heir to the Habsburg throne in Sarajevo and the beginning of the First World War. Today the fortunes of the Balkans and Europe are again closely linked. One year before this year of commemorations, and ten years after the 2003 Balkans summit of Thessaloniki, skepticism and pessimism on the future outlook of the EU and Europe abound and much doubt exists concerning the perspectives for a unified greater Europe for the foreseeable future.

The second issue concerns EU-Turkish relations. The high annual growth rates of Turkey are a stark contrast to the financial crisis and the economic weakness of the European common market. Too many political issues trouble the water between Ankara and Brussels. These issues have put the accession

negotiations on hold for a number of years and both parties seem to lose interest in full membership for Turkey.

Thirdly, albeit on a different level, relations between the EU and an increasingly authoritarian and Moscow-oriented Ukraine under Yanukovich remain strained, too. Hence, the small republic of Moldova with its recent turn towards Europe, might round off the small group of potential future members to the southeast of the European Union. The prospects for this group, however, are bleak and distant, and weak in terms of tangible medium-term targets and benefits.

THE BALKANS AND EUROPE AFTER CROATIA'S ACCESSION

On July 1st, 2013, **Croatia** will become the 28th member of the European Union. End of March 2013 the European Commission has clearly stated that the country is fully prepared for accession. This is certainly an important step and a signal for the countries "in the waiting room". There was an intensive discussion concerning Croatia's readiness to join the EU. Most participants agreed that Croatia undisputedly has undergone a huge transformation process. As one participant stated, Croatia is a perfect example that during the enlargement process "real" measures have inevitably to be taken.

Conversely, after the EU accession of Croatia the process of enlargement seems to run out of steam. The Euro-crisis runs much deeper than a mere phase of economic and financial malaise. The EU member states are presently utterly preoccupied with the structural flaws and the conflicting strategies for the EU's internal difficulties. The associated and candidate countries are struggling to prove their ability to implement reforms and their willingness to resolve their longstanding conflicts.

On the Eastern border of the EU a stalemate seems to emerge. There are numerous obstacles to further enlargement after Croatia, both on the part of the EU and on the part of the candidates and associated countries. Hence, the integration process for those countries (Serbia, Bosnia and Herzegovina, Albania, Macedonia, Kosovo and Turkey) is expected to be in limbo for some years to come. Even for Montenegro the completion of membership negotiations may be postponed due to hindrances, allegedly of a technical nature.

Croatia's accession on July 1st, 2013, is at least good news for part of **Bosnia and Herzegovina** (BiH), in particular for Herzegovina where Bosnian Croats will identify themselves with the EU more due to Croatia's new membership. This will not be the case for the rest of BiH where relations with Brussels are frozen, and the threats of non-membership do not work any longer. The perspective of IPA funds has shown little impact. However, BiH certainly is a special case. BiH's internal political set-up still includes a strong international community element. At the same time constitutional reform, necessary to meet the basic accession requirement to protect human rights, is not forthcoming. Governance in BiH only works in the municipalities but not at the higher levels of administration.

With all criticism of enlargement and accession fatigue, the warning was expressed that new myths should not be allowed to develop: It simply is not true that the EU does no longer want enlargement or that the countries of the region do not want to become members anymore. Pessimism was expressed

concerning the idea of a next “big bang” of EU enlargement to the Western Balkan countries in 2014: this idea obviously runs against the grain of public opinion within the EU.

In order to keep momentum and to provide for sustainability of the EU enlargement agenda, the following recommendations were made:

- Enlargement has to be made relevant to the people, enhancing grass-root and civil society engagement, involving media and parliaments and necessitating investments in mobility and training (IPA funds might be exploited in this direction).
- Reconciliation is an important goal, meaning both the “elimination of borders within countries” and “pan-Balkan reconciliation”.
- The EU has to take a fresh attempt to defend democratic values within its member states (with hints to Hungary, Italy and Romania) and therefore “put its own house in order”.

COSTS AND BENEFITS OF SOUTH-EASTERN ENLARGEMENT

Undoubtedly skepticism exists both in the member states of the EU and in South Eastern Europe whether a positive balance from costs and benefits of further southeastern enlargement will emerge. A rethinking of the Thessaloniki agenda, including increasingly realistic options of multi-speed integration, partial membership, and even possible exits from the Union, has become part of the discussion. The European crisis has eroded the pro-enlargement momentum in the EU and diminished the attraction of membership for candidate or associate countries in the region. Transformation fatigue in the Western Balkans is on a par with enlargement fatigue in the EU. Due to the Euro-crisis politicians are overcommitted and fail to act on the lack of public opinion support for further enlargement.

The **new divide in Europe** is emerging between North and South, with countries in the South (for example Greece), sometimes lacking basic preconditions demanded by the EU Acquis, rather than between members and non-members. Overall, the countries at the European peripheries are severely affected by the financial crisis. With EU integration becoming a distant option, according to another skeptical voice, other issues are becoming dominant in the region: bi-lateral issues and “greater national questions” (like the Albanian question) are gaining importance. Alternative players, like Russia and Turkey, enter into the vacuum, creating new strategic divisions in the region.

In the EU we witness the call for a temporary stop of enlargement in order to first settle own internal issues, and not to run into even more solidarity claims from additional weak members. The experience of promises not kept after accession, the examples of Bulgaria and Romania, has led to the demand of tightening accession criteria for future enlargement rounds. Ultimately, the EU is primarily of interest for the candidate countries as a donor that can help to overcome the economic backwardness through the common funds.

But it was stated in the discussion that **economic integration** so far is limited to negative integration because the countries from the region have not become competitive. The main positive impact of the EU’s enlargement so far has been its peace project, its role as a mediator between ethnicities and states.

Even the assessment that one of the main benefits of EU engagement in the Balkans is political stability was challenged in so far as in several countries (EU members and non-members) political volatility rather than stability predominates.

Instead of economic and democratic convergence some participants identified the rise of a divergence narrative. Risks from the Western Balkans for the EU are increased corruption, a spread out of organized crime and a Balkanization of the EU labor market via migration which will unavoidably bring about an increase of xenophobia. On the other hand risks for the Western Balkans from their close integration with the EU and thus from the present euro crisis are real, like a sharp decline in foreign direct investments, withdrawals of money from foreign banks, a reduction of remittances, and returns of migrant workers who will increase the anyhow difficult situation on the labor markets in the Balkans.

Trade agreements and Association agreements which provide free trade in the framework of the EU perspective have positive ingredients whereas the CEFTA arrangement must be partly seen as opportunity costs for the South East European countries when they have to leave the CEFTA group upon becoming member in the EU. The example of Croatian farmers is obvious: they will face strong competition from EU agricultural producers, and at the same time will lose preferential tax free markets in the Balkan neighborhood.

It was commonly agreed that there is no real **alternative to the EU integration**. Other players, like China have had a perspective in the past in Albania with Enver Hoxha in power; Russia was particularly engaged with Kosovo crisis and does play an important role in the energy sector, and Turkey is involved in Balkan affairs politically and economically – yet, all three of them despite their primarily economic investments in the region are no alternatives in social and economic terms to the EU. However, as one participant critically stated, Turkey does provide special offers to the political leaders in terms of governance and with an interest in keeping EU aspirant countries off the EU track. While neither China nor Russia and Turkey will replace the EU, Chinese, Russian and Turkish companies are active in the region.

THE TOOLBOX AND OTHER INSTRUMENTS OF INTEGRATION

Based on the assumption of a longer pause or an end to the classical process of enlargement, but at the same time with a continued shared interest in enhanced relations between the EU and the Balkans, a rethinking of the toolbox is mandatory. And so is an ‘out of the box’ quest for alternative and additional instruments. Reassessment of the regional approach and the recent strategic use of the integration leverage in open conflicts in the region seem necessary. The potential of IPA II funds and/or visa liberalization as reform incentives are open to debate in the present situation. So are the criteria of regional cooperation and ICTY cooperation as part of the political dimension of integration.

Severe criticism was expressed as to **the quality of the enlargement process**. The Commission is gradually transforming the political process into a technical one, as some analysts stated, and therefore it is not to be considered as sustainable. As concerns the setting of the “enlargement agenda”, there is a gradual shift in decision making from the EU Commission to the European Council. The EU Commission of today was assessed as being weaker than in previous enlargement rounds. It was stated that there is a

lack of political soberness in the process, as the EU Commission has been creative in inventing different instruments and different methodologies and thus was losing credibility among new member states as well as credibility on the ground. On the other hand, the same voice stated, we have EU member states adopting a “wait and see approach”. The question was raised whether the European strategies vis-à-vis potential members and neighbors will be shaped by Brussels, i.e. the Commission, or by a smaller number of member countries that take the lead in the discussion and have the necessary political weight. Conversely, despite a plethora of regional organizations and forums, the Western Balkans is not anywhere near a joint approach for the continued attention of the EU for its shared interest.

According to one voice from the region, the “**political conditionality**” imposed on countries like Serbia has prevented them from concentrating on “real reforms”. Thus, in Serbia, people are increasingly skeptical vis-à-vis the EU not because of the reforms of the judiciary, but because of pressure imposed on Serbia in the Kosovo question. On the other hand, recent achievements in the Serbia/Kosovo issue are – according to another voice – a perfect example for the effective power of the EU perspective. The European Commission has obviously learned lessons from earlier mistakes. The “front-loading” of conditionality and, more specifically, starting negotiations (as in the case of Montenegro) with chapters 23 and 24, is a clear proof to this fact.

In the WB countries, political parties and politicians often lack any a proper plan or long term perspective as to EU orientation. Today, the annual progress reports are setting the scale for political actions, with new laws and institutions readily invented but rarely implemented. As an example, anti-corruption agencies have been established in all countries, but their competence and role remains very limited all over. While people can observe progress in the status vis-à-vis the EU, there are few substantial changes “on the ground”.

Benchmarks introduced by the EU Commission for opening as well as for closing the negotiation chapters and closely monitoring the track records - as it was the case with Croatia - were positively assessed by one representative from the WB region. Thus new tools were invented, which to this opinion are helpful on the way to adapting the system to the Acquis and to go smoothly into the modernization and transformation process, which is much more important than the date of eventually entering the EU. This stricter approach of the EU was welcome, also in the case of Serbia. Finally to this opinion, the “**toolbox is full of tools – we just need to use them.**”

A revitalization of regional forums especially since the Kosovo-Serbia Agreement of 19 April 2013 was appreciated by the participants. The Regional Cooperation Council RCC was presented as a forum to effectively link the regional agenda with the national agendas and reform processes. RCC and the EU Commission are cooperating. First, the RCC has developed a WB project 2020, and now the organization is designing a **2020 strategy for Southeastern Europe (SEE)** which aims at enhancing governance for growth for SEE to catch up with Europe, mostly in the fields of employment, mobility, inter- and intra-regional trade and trade with the EU. The SEE 2020 agenda is based on the EU agenda in many respects.

One aim to be achieved by the strategy is to increase the average GDP of SEE by 2020 to a level closer to the EU GDP average. The strategy is expected to be adopted in November 2013.

Frequent references were made to the **Greek crisis**: This crisis may be considered the failure of an entire model, labeled “the parasitic use of development aid” by one analyst, a model that has to be fundamentally changed. Greece is seen as a perfect example that development and solidarity is not mainly a matter of increasing funds but rather of their effective use. IPA II should learn from the mistakes of the past. Indeed, competitiveness is difficult to achieve: one participant reminded to in his view “disastrous example” of integrating Eastern Germany into the German economy.

It was recommended that the EU Commission should define a clear **road map on EU accession** which should be adjusted with **IPA II** and regional infrastructure projects. Another opinion argued that there is no need for a roadmap for the entire process. The positive momentum of the visa liberalization roadmap was, that it had an impact and a relevance to the population and pushed people to action, was achievable and result oriented. It was recommended to look instead at the **labor market** and to provide incentives for the vocational training in the countries, if EU countries declare specific needs in areas like medical care for example. It would motivate people to upgrade their skills as well as the administration to provide services for the qualification, to reform the vocational training sector.

Furthermore there is a clear need to boost mobility of the people in the region and to connect the WB with the EU in terms of energy, tourism and cross-border projects. It was mentioned that the main share of the IPA I assistance for the WB went to Justice and Home Affairs. This should change, because WB countries are agriculture and service based economies and need IPA assistance in these fields. So diverting technical towards social and economic transformation would be more productive, because people will see tangible results. Finally, OSCE, UNDP and other agencies were regarded as competitors for IPA II funds with many of them trying to survive, basically on EU Funds.

It was commonly agreed that the economy must get more focus. Beside the need to adopt the Acquis the EU aspirant countries have to integrate into the economic sphere. Instruments for the countries in this context are, as one participant argued, not IPA Funds. WB economies are small and not able to accumulate enough capital and are thus depending on foreign investment and finances. One effect of the euro-crisis however is, according to this opinion, that while the European Investment Bank (EIB), the World Bank and the EBRD have provided a facility of Euro 30 bn for Central and Southeastern Europe, nobody is taking these loans because it is highly risky to invest in a region where growth is highly unexpected due to its close proximity to the EU. The forecast for the next 10 years is bleak with only little growth in the EU and peripheral economies, like in the WB. Thus, governments tend to give up the idea of privatization as a way to growth, like Serbia did in Kragujevac with FIAT. Poland and Hungary have had the advantage of becoming strongly integrated into German industrial production. And, the enlargement with the GDR only succeeded with massive state funding. The WB countries have neither a chance of becoming parts of the German industry nor access to significant state subsidies.

Regional cooperation yet was also reflected as a story of stepping stones. It can be observed that those most close to the EU would also invest the most in regional cooperation and be the front runner. But, as soon as they are in, one will see a complete different participation in these regional bodies. Croatia was mentioned as one example where participation has dropped in terms of the level of political investment. It was stated that one of the explanations for dropping interest and different waves of interest in regional cooperation seems that the EU has been quite inventive and has opened up policy areas – as parts of the CSDP missions for example – for non-EU member states. Thus, the EU is moving to operational agreements with almost full participation in certain aspects, and the toolbox is constantly developing – which was appreciated as good news.

Recommendations:

- Toolbox is full of tools and we don't need to invent new ones. Just do it!
- The EU and the RCC should concentrate more on education in the broadest and deepest sense.
- A serious communication strategy is needed to explain the substantial meaning of EU integration.
- If there is a chance for a Thessaloniki II in 2014, the region needs to consult and to elaborate a common view on how the future process should look like.
- Communication within the region is crucial. Thus one may again think of a region wide and regionally based TV, connecting the region.
- Look at the labor market and provide incentives for the vocational training in the countries, if EU countries declare specific needs in areas.

THE WESTERN BALKANS 2014

Some facts and developments have created a positive momentum in an otherwise bleak situation: This is, first, Croatia's forthcoming EU accession, and, second, the latest agreement between Serbia and Kosovo of April 19, 2013. In Serbia, as one western analyst put it, against all expectations not the "euro-friendly liberals" but the "euro-compatible nationalists" have been the mayor agents of change in the Kosovo issue.

The German MPs drew the attention to the political process in Germany. The German public undoubtedly suffers from enlargement fatigue. Currently, there is no visible public support for enlargement. Yet the Parliament remains committed to the political promise and the European perspective of the Western Balkans countries, given at the Thessaloniki European Council in 2003. However, there is rarely sufficient "good news" coming from the region, which would allow advocating more convincingly for faster European integration.

Germany has invested substantial political capital in the region, even at the level of the Federal Chancellor Dr Angela Merkel. An example has been Dr Merkel's initiative to engage with the senior political leaders from **Bosnia and Herzegovina** in 2011 with the aim to facilitate a compromise for a constitutional settlement. Despite its failure, such an initiative and personal political involvement is

unprecedented. Its unsatisfactory outcome confirms the initial thesis that too few good news are coming from the region to justify in a credible manner the professional optimism of the political elites vis-à-vis the region of the Western Balkans. This seems to be particularly the case with Bosnia and Herzegovina. The country's integration into the EU has come to a halt because of the constitutional impasse. Bosnia and Herzegovina thus remains stalled by its dysfunctional system. However, participants of the workshop noted that there could be room to improve even within the difficult framework of the Dayton constitution. Through pressure and regional competition a positive dynamic could develop, as was the case with visa liberalization from 2008 to 2010. From a German political perspective the call for more outside pressure yet seems often absurd, as European integration should be voluntary character and based on domestic political commitment.

While the bi-lateral approach towards Bosnia and Herzegovina bore little or no fruit, one has to take note of the efforts led by High Representative Catherine Ashton and her staff in the case of **Serbia-Kosovo**. The participants and speakers agreed that the agreement signed between the representatives of Serbia and Kosovo on 19 April 2013 should be considered a break-through and could form the basis for important steps forward for both countries and the region as a whole. Much, however, depends on the implementation.

Several workshop participants remarked that the document is rather imprecise and bound to provoke problems in the implementation of its provisions. For instance, no reference is made to EULEX, in particular a joint commitment to EULEX's unlimited freedom of movement on the whole territory of Kosovo is missing. Several other points in the agreement were identified that lacked operational precision. Already the first point of the agreement hinted to a fundamental disagreement between the parties as it refers to a "community/association" of Serb municipalities in Kosovo. The term "community" having a meaning in constitutional law indicating the possible formation of an entity stands in contrast to the civil law term "association" which describes a functional rather than political or national form of cooperation of bodies of local self-government.

The agreement can be considered a break-through psychologically both on the side of the negotiators and the EU mediators as it may re-inject some positive energy in the overall process for the whole region. The agreement proves that agreeing is possible even between former prominent enemies such as Messrs Ivica Dačić and Hashim Thaçi. However, on the ground level risks persist in Northern Kosovo. Could small group of people in Northern Kosovo be in the position to derail the whole process? It was pointed out that obstinacy has become a business for the 45 000 people in the North. This question necessarily needed to be left open.

In sum, while the agreement was acknowledged in its historic importance, being the first agreement signed by both Serb and Albanian representatives since more than two decades, doubts remained if it would suffice to convince German MPs to agree on setting a date for the opening of accession negotiations with Serbia by end June 2013. In particularly among the members of the CDU/CSU group

there is hesitation about an early date. The SPD, FDP and Green groups seem to be more ready to move at this stage.

The question of dates refocused the discussion on the problem of front-loading substantial political conditionality before the “real process” of EU accession negotiations starts. It was remarked that the high initial stakes of conditionality may be problematic for the overall reform process, as experience seems to indicate that once the negotiation process starts reforms are coming along. In this respect, Serbian officials confirmed that they would like to deliver on the promises and move towards real EU-oriented reform action. The negotiations are seen as a good tool for change. All participants agreed that improved relations between Kosovo and Serbia are good for the whole region.

In contrast, the situation of **Macedonia** remains complex. It remains surprising that the EU could not exercise enough leverage to overcome the difficulties regarding the name of the country with Greece. The promising dynamic of the EU accession process of **Montenegro** was duly noted. The domestic political situation in **Albania** is considered with consternation and seems to have halted further EU integration steps, at least for the time being.

Moving to the strategic question if there is need for a symbolic Thessaloniki II, i.e. a re-launch of the Western Balkans enlargement, opinions varied. On the one hand, taking into account the enlargement fatigue, it was said that it would probably be better not to draw too much attention to the process. Symbolic gestures may even be counter-productive. On the other hand, some participants argued for a moderate acceleration by opening the screening process for all countries of the region and even a joint opening of negotiations, given that in any case negotiations will proceed at various speeds. It was argued that any such measures should be accompanied by more transparency whereby NGOs could play an important role. Once again, the positive role of NGOs in monitoring and reporting on visa liberalization was mentioned. In consequence the next phase of the enlargement process should be more tangible for everyone including through the presentation of topical and comparable road maps for different areas of the *acquis communautaire*.

On the strategic level it was noted that the US seems to be turning its attention gradually away from Europe. This trend can be clearly observed and becomes more obvious in smaller countries. They feel that such a lack of interest in the region is not good news. This means, that in absence of a forceful enlargement drive, other players gain *prima facie* prominence. Russia remains present in the region, China is thinking about its global role and the re-emergence of Turkey as an active player cannot be ignored. Participants opined that those trends are of little, if none, concern. Not least, as the EU helped to make nationalism less important in the region. This process is also turning new EU entrants more genuine about the need to have the others from the region moving on. In addition enlargement remains the strategic challenge for the EU. If the project cannot be completed, the EU's relevance and reputation would suffer, and marginalize her as foreign policy actor. Overall, the workshop participants shared a prudently optimistic outlook for the Western Balkans 2014.

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