



**CATCHING UP?
THE WESTERN BALKANS AND THE NEW EUROPE
12-14 May 2003
Hotel Voksenasen, Oslo**

SUMMARY

A new generation of leaders is emerging in the Western Balkans. Ministers and Mayors from the region present at the conference presented a strikingly similar set of priorities; enthusiastically embracing European Commission President Romano Prodi's promise in Belgrade on 9 April 2003: "*we want you to become members of the Union - with no "ifs", and no "buts"*". Regional leaders are well aware that to achieve their goal of EU accession they need to maintain a common approach to lobbying the EU, while delivering on domestic reforms. However, the cautious approach taken by most EU Member States on new policies for the Western Balkans for the 21 June European Council in Thessaloniki shows it won't be an easy task.

INTRODUCTION

"*The moderates are winning,*" the adviser of one regional Prime Minister remarked at the opening of the Wilton Park conference in Oslo. "*A strikingly coherent set of priorities were outlined*" at the conference, as one OSCE adviser observed. This is not an overnight phenomenon but the result of several years of change in the region, which has only become apparent relatively recently. "*The difference in language between now and last October's Wilton Park conference is clear*", the Prime Ministerial adviser also observed.

This progress is not a forgone conclusion. The Norwegian State Secretary for Foreign Affairs, Kim Traavik, observed: "*the outcomes of last year's electoral processes in the region indicate a worrying disaffection and apathy.*" The building of a national consensus on societal transformation is crucial if the reform process is to stick.

Our conference partners, ESI, (European Stability Initiative) are due to produce two reports after the Thessaloniki. European Council. This summary will focus therefore on four key questions, which will remain critical after Thessaloniki and beyond:

1. What is the vision for the region, from the region?
2. Is this vision being communicated effectively enough to the EU?

3. How does one build a national consensus/common ground based on this vision?
4. What are the signs of progress at the municipal level – how can the municipalities be engaged?

1. The vision:

There was unanimity that the region was undergoing a “*shift from stabilisation to normalcy*”, as Ana Trbovich, Serbian Assistant Minister for Economic Integration, remarked. The region has moved from post-war reconstruction towards a focus on priorities for European integration. As the Presidents of the five countries of the region declared at Ohrid on 2 June 2003: “*governments and citizens have repeatedly stressed the commitment and overwhelming priority of full integration in European and Euro-Atlantic structures*”.

They went on: “*we are greatly encouraged by the Greek (EU) Presidency's proposal that the Thessaloniki Summit focus on possibilities of applying cohesion and development policies in our region... At the same time, we want to work out with the EU how to spend more effectively the funds we receive. And we also welcome those in the European Union who have suggested for pre-accession mechanisms to apply on the cohesion in our region. We fully accept the conditionality that must accompany any shift from reconstruction to cohesion, including a commitment on our part to co-finance European projects*”.

The Presidents' statement is part of the new language of engagement coming from the leaders of the Western Balkans. This new rhetoric applies not just to carefully co-ordinated Presidential declarations, but also to the comments, on and off the record, by Ministers and Mayors at the Oslo conference. But one leading regional minister rightly cautioned in Oslo against “*excessive expectations for Thessaloniki*”.

The EU and the Western Balkans

“*A clear road to membership...a contractual guarantee*” is what the region wants from the EU, as Macedonia's Deputy Prime Minister, Radmila Sekerinska, put it. The promise of EU entry was crucial to the transformation of the candidate countries in Central Europe; it would play the same role in the Western Balkans. She warned that current EU policies are leading to the Western Balkans becoming “*a European black-hole.*” One diplomat from a Member State hotly disputed this, pointing out the scale of EU engagement in the region, which is increasing with Operation Concordia in Macedonia, and a proposed new role in Bosnia in 2004, as well as the soon to be renamed Stabilisation and Association Process. One regional official described these radically different perceptions as “*parallel worlds*”.

Deputy Prime Minister, Radmila Sekerinska, called for a shift in EU priorities to focus on integrating the region into the EU. This would entail moving:

- From aid to investment;
- From rehabilitation to association;
- Increasing delegation of responsibility to the region.

Other Ministers endorsed this. “*The EU needs to be more attentive; the countries want more say in the design and disbursement of assistance,*” Sokol Nako, the Albanian Minister for European Integration, said. Neven Mimica, Croatia’s Integration Minister, called for improved conditionality: “*the carrot is too small; a better balance is needed*”, he said.

Radmila Sekerinska’s detailed proposals go further including:

- Increased political co-operation;
- Enhanced co-operation in Justice and Home Affairs;
- Screening of selected sectors for compatibility with EU law and practice;
- Channelling aid towards association process priorities, including decentralisation, additionality, and partnership;
- Availability of the twinning programme TAIEX; pre-accession guidance including mentoring/twinning;
- As part of an opening of Community programmes, funding improved in line with the funding given to the current EU candidates; ISPA, (environmental issues), SAPARD (agriculture), research and development and science funding;
- Liberalisation of EU visa regimes, which is a common demand across the region.

2) Getting the message across:

Articulating this vision of European integration and convincing EU Member States and the European Commission is going to be a major task, as the generally sceptical reaction by most Member States in run-up to the Thessaloniki Summit has shown. Statements, joint letters and presentations are now regular tools used by Western Balkans leaders. But as one seasoned observer remarked, it is clearly still not enough when the EU is so preoccupied with other vital issues. They need, said a leading Irish expert on cohesion policy, Professor John Bradley, to make a “*compelling case in terms of trans-European equity... and efficiency*”.

To win the argument that they deserve this kind of assistance, the countries need to:

- Stress their own efforts and achievements;
- Fight the image that they are weak states incapable of fighting organised crime on their own. As one minister remarked: “*the level of organised crime is deeply exaggerated.*” Current international anti-corruption strategies were described by one Mayor as a new false ideology, which fails to address the key structural issues of public sector monopoly of key resources;
- Change the image of the region as hopelessly divided;
- Prepare their administrations to understand EU accession policies;
- Work with experts who know how to argue their case with the Commission and capitals.

Demonstrating the structural crisis

As well as showing that they need this kind of assistance, the Western Balkans states must also demonstrate that they are committed to continuing reform, keeping inflation down, and opening their countries to trade. In order to win the argument, they must prove that economic growth is also being held back by serious structural problems. Gerald Knaus and colleagues from ESI outlined the structural crisis affecting the communities studied by them throughout the region. A consistent pattern emerged:

- De-industrialisation on a massive scale;
- Low productivity in private agriculture;
- Difficulties in maintaining or expanding infrastructure, particularly in rural areas;
- Problems in making major investments in labour force re-training.

What is striking is how these are the same sort of classic economic structural problems faced by de-industrialising, peripheral or rural regions throughout the EU. Only when these structural problems are resolved will these countries see serious foreign direct (green-field) investment, as opposed to the current privatisation investment, which is concentrated in the same few sectors region-wide. [This will be outlined in much greater detail in the forthcoming ESI report]. It would also be in the Western Balkans' interest to win the argument that the most effective resolution of complex interethnic problems will follow from economic growth and employment creation.

To convince the EU that the political elites in the Western Balkan countries can follow through on the implications of this kind of assistance, they must provide evidence that they will continue to carry out all the necessary reforms including administrative reform and that they welcome the conditionality that such assistance requires: *"God helps those who help themselves,"* as one Croatian official observed.

The regional leaders themselves pointed to the need for more action to turn *"the rhetoric into reality,"* as one participant put it. Progress is needed on regional visa liberalisation, minority rights, reform of the security sector, and further co-operation with the Hague war crimes tribunal, and more action on the crime agenda.

Getting economic development right:

The key issue for the reform agenda remains economic development. John Bradley said; *"the Western Balkans have to start now, this is too systemic a problem to tackle piecemeal"*. He strongly encouraged *"immediate thinking on the long-term solutions, as well as developmental fire-fighting"*. Drawing on his research into EU cohesion policies in the Irish Republic and in Central Europe, Professor Bradley said that the Western Balkans, as economically developing countries, should:

- Focus on the overriding goal of raising income per capita;
- Take steps to identify their main constraints, such as peripheral location, poor infrastructure and institutions;

- Adopt suitable policies to increase investment in infrastructure, human capital, and communications;
- Carry out rigorous monitoring of policies to ensure effectiveness.

This requires a comprehensive development plan to be agreed with the EU. John Bradley said that as there is “*a crying need for information,*” detailed work is required immediately to gather the key statistics required to start the planning process. This information is essential for effective policy-making. A range of appropriate policies at national level can be then be identified and costed. The data is also crucial for making the case for structural reform persuasively with the EU.

3) Building common ground:

Analysing Ireland’s successful use of EU regional funding as part of its economic transformation, John Bradley pointed out that one of the keys to Ireland’s economic success has been the development of national consensus, involving trades unions, employers, farmers, the unemployed, and local and national government. “*Irish society had a vision, and a plan,*” as former Prime Minister, Garret FitzGerald, summed it up.

How can a social consensus or perhaps better put, common ground, be established in the fractured societies in the region? It is necessary to explain the consequences of the reforms – the costs and the time before benefits come through.

The evidence suggests that for the majority of people in the Western Balkans, as elsewhere, the key issues are jobs and building a personal future. This came through with force in the documentary *Bosnian Story*, shown at the end of the conference. It is also reflected in opinion polls. For example in Tirana one poll showed that the real issues for the public are infrastructure, jobs, water, energy, education and health. The issue so troubling international policy-makers, corruption, is the second least important perceived problem.

Achieving a national common ground will not be easy. As a schoolteacher from Novi Travnik, Lucija Budimir, asked at the conclusion of the video, “*How does one start to think differently? How does one change one’s way of thinking? I don’t know.... I can’t tell you that!*”

4) Progress in the Municipalities:

However some hopeful signs are emerging at local level in parts of the region. Many participants agreed that one of the most encouraging features of the conference was the presence of a group of energetic Mayors committed to local development, and with their own vision for their municipalities within a European context.

The Mayor of Kalesija, a small town in Central Bosnia, Enver Jukanovic, pointed out that decentralisation is essential as forces at the local level are trying to bring about change at local level. These local structures “*have grown out of despair*”. Kalesija “*shows all the symptoms of an absent state*”, as one participant remarked. The shadow of war hangs over the economy. It was

economically under-developed even before the war. However, the town has shown that there is local capacity and ingenuity in building new phone links locally, or carrying through successful programmes of refugee return. The overriding issue in Kalesija is economic and social development, not ethnicity and security.

Prioritising the economy

Several participants commented on what they saw as an over-focus on security issues by the international community. For example, in divided Mitrovica in northern Kosovo the international focus is, as one international official observed, on the well-known security and inter-ethnic issues. The economic implications of the town's economic collapse after the demise of its main employer, the Trepca mine, need to be urgently considered. Northern Mitrovica survives only on funding from Belgrade, or from UNMIK. Local economic development planning is now underway under the auspices of the new UNMIK Administrator.

One Mayor from Kosovo also pointed out that the EU has not changed its policies so that its instruments and institutions deal with the real challenges that his town faces. There are different perceptions of the problems between his municipality, UNMIK and ministries in Pristina, and with the EU, with its strong focus on corruption. A Mayor has to deal with the consequences of high unemployment with very limited resources, while unemployment policies are made in Pristina with little knowledge of the problems that his municipality faces.

The Mayor of one Macedonian city forcefully pointed out that lack of information means that there is a lack of evidence for substantive urban planning and infrastructure development, at both the municipal level and the level of national ministries.

Decentralisation

To solve this problem, the Mayors present were unanimous that decentralisation is an essential step. But weak central Governments are reluctant to do this. Only Croatia has redefined its local government structures. As ESI has pointed out, EU regional policies, by encouraging the development of multi-level governance, can over time create the incentives for the development of stronger sub-national tiers of government. Devolved administration, nothing short of an "*administrative revolution – a revolution in mindset, in capacity and administration*", is required. Current EU policy towards the Western Balkans is unable to tackle the systemic and structural problems faced by Balkans municipalities in a structured way.

Getting international policy right

Current international policy is often counter-productive, and "*helps to solidify perverse structures*", as one official candidly admitted. This is part of the tendency by the international community to continue to "*fight the battles of yesteryear*," as the former EU official observed. He also pointed to the problem of what he dubbed the "*warring parties*": the competing international organisations, OSCE, OHR (in BiH), United Nations, the European Agency for

Reconstruction office, and EU Delegations. “*When international budgets are constrained, such inefficiencies are important,*” he concluded.

Dialogue with international partners, even in a capital city such as Tirana, is far from perfect. Tirana’s Mayor, Edi Rama, vividly described his clashes with shocked EU donors over his decision to paint publicly-owned buildings in vivid colours. This wasn’t the first such experience. As Culture Minister he found that his plan to build the first state-of-art cinema in Albania just didn’t fit the EU’s aid priorities. He also highlighted three domestic problems: there is no money for urban planning, no local culture of management or of project management. He said that the international focus on corruption – “*a new post-communist ideology*” as he called it - effectively distorts the domestic political process. It allows accusation and counter-accusation, and there is insufficient focus on the basic structural problem – that public officials have a monopoly of scarce resources. That structural issue has to be actively addressed by the local policy-makers and the international donors.

Officials from EU Member States and institutions highlighted the successes they saw in current EU policies. However, a number of participants pointed to the cautious mood on the Western Balkans prevalent in most Member States, despite the best efforts of the Greek EU Presidency. This has become much clearer in the ensuing debate on Thessaloniki. As one official said, “*If the EU needs an alibi to delay, the EU will find the argument.*” Declining international interest in the Western Balkans was repeatedly emphasised. It was tantamount to “*a benign neglect*” of the region, with very little engagement by senior politicians in Member States. EU leaders are too focussed on Iraq after the war, the transatlantic rift and the resulting splits within the EU, the Convention on Europe’s future, EU enlargement, and domestic issues, to name but a few of the preoccupations cited.

CONCLUSION

It is clear that the issues on future EU policy towards the region raised at the conference, and also during the intense debate in the run-up to Thessaloniki, won’t go away. The road from Thessaloniki leads immediately to Rome and the Italian EU Presidency, which starts on 1 July 2003, and which like the Greek EU Presidency has an interest in the Western Balkans. Given the many pressing issues on the Italian EU Presidency agenda, the debate on EU Western Balkans policy will continue into 2004 and the start of the Irish EU Presidency. The EU enlargement issue will be a major one in 2004. Ten countries formally join the EU on 1 May 2004, while the formal opinion is due on the Croatia’s EU application by the late Spring 2004, and also on Turkey’s application by the year’s end. The Kosovo question is already rising rapidly up the international agenda too, as will the future of the Serbia and Montenegro federation. There will be other arenas too, in which international attention is focussed on the Balkans in different ways, not least the Athens Olympics in summer 2004.

In the unfolding debate the central question remains, are the countries of the region able to continue to demonstrate their commitment to reform, and is the EU sufficiently confident in its ability to achieve social transformation by “soft power” as it has done in Greece and Spain and Ireland in the 1980s, Poland

and Estonia in the 1990s, and now Romania and Bulgaria, to begin to include the Western Balkans in the “new Europe”?

“Now there is a need to change EU policy in South East Europe,” said the Mayor of Gjilan, Lutfi Haziri, at the end of the conference. He continued;” We cannot enter the big (EU) family by force. We are ready to become reintegrated starting at a low level. We want to learn. But are we in the classroom? Or in the corridor? Does the teacher really want us?”

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About this report

Wilton Park Reports are brief summaries of the main points of conferences. The reports reflect rapporteurs' personal interpretations of the proceedings; as such they do not constitute any institutional policy of Wilton Park nor do they reflect the views of rapporteurs.

About Wilton Park, ESI and the conference outcomes

The conference was organised by Wilton Park in association with ESI (European Stability Initiative). This conference summary draws on an ESI draft paper, *What is at Stake at Thessaloniki?* A conference website with on-the-record presentations, photographs and other material will soon be viewable at www.wiltonpark.org.uk. ESI's reports are downloadable at www.esiweb.org.

Norwegian Ministry of Foreign Affairs

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