

## The Western Balkans: deadlock in the EU enlargement process

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On 9 November the European Commission presented the annual reports assessing the progress of the Balkans states in their preparations for EU membership, the enlargement strategy up to autumn 2011, and the assessment of the EU membership applications submitted by Albania and Macedonia. All these documents show that the reform process in the Balkan states has slowed down in comparison to previous years. The main reason for this slowdown is the negative consequences of the global economic crisis for these countries. Nonetheless, the transformation process is continuing, despite these difficulties.

Another increasingly serious challenge for integrating the Balkan states is the EU's growing reluctance to enlarge any further. Among other measures, the EU states have blocked the formal acknowledgement of the integration progress (objections have been raised to the submission of membership applications by Albania, Serbia and Montenegro, and to granting Albania candidate status), which has significantly prolonged the accession process. In fact, this illustrates the lack of political will to accept new members.

The European Commission is aware that the integration process may be blocked, and so in the coming year it is planning to focus on fostering the idea of enlargement among the EU member states. It will also focus on persuading the Balkan states to move on with reforms, especially those designed to strengthen state institutions (administration, the judiciary), even if their progress will not be formally considered during the integration process. The Commission assumes that by the end of next year, the reforms implemented by the Balkan states will be comprehensive enough to persuade the EU states to step up the integration process in subsequent years. However, if the EU member states' standpoint on the enlargement process does not change, the Commission's efforts will not bring about the expected results.

Considering that their prospects for EU membership are receding, the Balkan states may not have sufficient motivation to go on with long-term reform efforts. As a result, the transformation process may become impeded, and in the longer perspective, the situation in the entire region may be destabilised.

## The EU: consolidation instead of enlargement

The EU's internal problems (the economic crisis, implementing the Lisbon Treaty), as well as its reluctance to enlarge deriving from both the political elites and the public, have resulted in making the enlargement policy even less significant. Some Western European leaders believe that after the adoption of the Lisbon Treaty, the EU should concentrate on consolidation and solving internal disputes concerning the future of the EU project<sup>1</sup>. They have called for the postponement, or even the indefinite suspension, of the enlargement process<sup>2</sup> once Croatia joins the EU, which in all likelihood will happen by 2013. At the same time, the economic crisis has revealed how some EU states (for example Greece) have failed to adjust sufficiently to the principles of the Economic and Monetary Union, which has seriously shaken stability of the Eurozone. It has also undermined the credibility of some of the EU states which had been benefiting from membership without complying with its common principles. This has increased

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the level of mistrust within the EU, and also with regard to potential candidates. Economic difficulties in the EU have also led some Western European political elites to highlight the problems of newly-joined or aspiring members, and treat these problems as 'red herrings' in the public debate. These issues include the influx of Roma people to France from Bulgaria and Romania, and a wave of refugees coming to Belgium

from Serbia and Macedonia<sup>3</sup>. Both campaigns were meant to divert the public's attention from the ruling coalitions' problems and from the necessity to implement tough reforms. Economic problems have produced social tension, and the idea of solidarity has increasingly come into question. This occurred especially in the 'old Europe', whose societies were faced with the costs of assistance to the member states plunged in crisis (as in the Greek case), and are unwilling to bear further financial burdens that would be generated by the poorer countries' transformation and accession.

These aforementioned processes have adversely affected the EU's enlargement policy. Firstly, the difficulties with disciplining those member states which have failed to implement the EU's recommendations have led to a further tightening of the requirements for states aspiring to EU membership, even though these requirements had already been made much stricter compared to previous enlargements. Secondly, the 'enlargement fatigue', which has been observed in the last few years and which is primarily caused by a negative social response in the West to the consequences of Romania and Bulgaria joining the EU in 2007, has evolved into an unwillingness to sustain the idea of an 'open European Union'<sup>4</sup>. Such moods are increasingly being fuelled by EU politicians who highlight the negative consequences of the enlargement process, and thus win political points on their domestic stages.

Stricter requirements and the lack of political will on the part of the EU states have caused the enlargement process to be prolonged. Procedures that were formal and technical in nature, such as submitting the accession application from the Council of the European Union to the European Commission<sup>5</sup> or granting candidate status after European Commission's positive assessment<sup>6</sup>, are now being blocked, and have become politicised on the member states' domestic arenas. Similar tendencies can be perceived in other processes aimed at integrating the Balkan states with the EU zone, such as the liberalisation of the visa regime and the implementation of the Stabilisation and Association Agreements (SAA) and interim trade agreements<sup>7</sup>. Moreover, when the Balkan states meet all the criteria needed

<sup>1</sup> In March 2009, German chancellor Angela Merkel declared that once Croatia is admitted as a member, the EU must consolidate before further enlargement takes place. 'EU must 'consolidate' before further enlargement, Merkel says', 17 March 2009 <http://euobserver.com>. A similar demand was voiced in the 2009 election programme of the CDU/CSU, the current ruling party in Germany: after the EU has absorbed 12 new members, and after Croatia joins the EU, a consolidation phase should follow in order to strengthen the EU's identity and institutions. Further enlargement must equally depend on whether the EU is able to absorb new members and whether they meet the Copenhagen criteria.

<sup>2</sup> Geert Wilders, the leader of the Dutch Party for Freedom, has stated: "The Dutch think that Europe is already large enough. They oppose further enlargement and I share this view. We should have a smaller Europe with a fewer number of tasks, and not a larger one, even if it should become less influential". "Geert Wilders: I'm in favour of Romania and Bulgaria leaving the EU", 6 July 2009, <http://www.euronews.net>

<sup>3</sup> After Montenegro, Macedonia and Serbia lifted their visa regime with the Schengen zone, the media (especially in Belgium) started publishing articles about a massive immigration by these countries' citizens submitting asylum applications. In February 2010, when this media campaign started, the number of applications had indeed doubled, but its extent was still insignificant (287 applications from Serbian citizens and 349 from Macedonian citizens).

<sup>4</sup> Currently 48% of the EU citizens are opposed to further enlargement, especially in Austria (71%), Germany (71%), France (66%), Finland (64%), Belgium (59%) and the Netherlands (57%). Eurobarometer 73, spring 2010.

<sup>5</sup> Croatia submitted its accession application in February 2003 and it was passed to the European Commission in April. In comparison, the Serbian application submitted in December 2009 was examined by the Council as late as October 2010.

to finalise their respective stages of integration, the EU states try to introduce additional control mechanisms or further conditions. This can be seen in how a visa-free regime was introduced for citizens of Albania and Bosnia & Herzegovina<sup>6</sup> or the process of granting EU candidate status to Albania. Such actions enhance the impression of arbitrariness, and the conviction that different standards are being applied with regard to individual states, and that there are no clear principles in the process of enlargement. They also give rise to the suspicion that even if the Balkan states join the EU, they will still be treated as second-class members, as they will be subject to numerous exceptions and control mechanisms.

## The European Commission seeks to overcome 'enlargement fatigue'

The Commission has given up its plans to step up the enlargement process in 2011, since the member states are unwilling to enlarge the Union. Moreover, the Commission is aware that it has limited influence on states that may block this process for individual reasons (an example of this being the Greek stance on Macedonia). The EU institutions' main objectives in the coming year will be to enhance the image of the enlargement policy among the member states and to step up reforms in the Balkans, even if their progress in the enlargement process is not formally noted (for example, without starting negotiations or granting candidate status).

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For this reason, in its strategy for the coming year the European Commission has for the first time highlighted the benefits that the Balkan states' accession may bring to the individual member states and the EU as a whole. The Commission argues that in the process of enlargement, these countries will undergo a fundamental transformation and will cease to be a source of threats, and that the accession of the Western Balkans will put an end to the zone of instability stretching

along the EU border. This will bring about a general improvement in the region's security (the reduction of organised crime and immigration, the tightening of the EU's external borders). The enlargement will also positively affect the EU's economy by increasing the area of the common market. According to the European Commission, an effective enlargement policy can also strengthen the EU's position as a political player, and reinforce the attractiveness of the European model of integration.

The European Commission has also announced the implementation of a communication strategy which is meant to explicate the changes and conditions which have been introduced to the enlargement process currently being implemented. This process is now based on much stricter criteria compared to the 2004 and 2007 enlargements; benchmarks for opening negotiation chapters have been introduced, among other measures. According to the Commission, this has eliminated the risk of admitting states that would be insufficiently prepared for membership. The European Commission expects the member states' governments to engage in a positive information campaign for EU enlargement. The Commission has also appealed to EU member states to stop exploiting the problems of aspiring states in their short-term domestic political manoeuvres. Without the support of the member states, the initiatives put forward by the Commission will not translate into a rise in popularity of the idea of an open Europe.

<sup>6</sup> In the case of Croatia, the whole procedure took two months. Albania and Montenegro, despite positive assessments of their applications by the European Commission, should not expect to be granted candidate status this year. The Commission has even refrained from issuing a positive recommendation to Albania.

<sup>7</sup> Serbia signed the Stabilisation and Association Agreement (SAA) and the interim agreement in April 2009. Due to objections from the Netherlands and Belgium, the interim agreement came into force in December 2009, and the process of ratification of SAA by the member states started as late as June 2010.

<sup>8</sup> In 2008 the EU presented the Balkan states with conditions whose implementation was intended to guarantee them the abolition of the visa regime with the Schengen zone. However, in October 2010, when the aforementioned Balkan states complied with these requirements, the French and Belgian governments questioned the validity of the decision to lift the visa regime. Eventually, the visa regime was lifted, but additional control mechanisms were introduced for all the Balkan states included in the liberalisation initiative.

## The Balkan states: the transformation process risks stagnation

The economic crisis, which has deeply affected the Balkan states, has also influenced the pace of reforms in the region. Falls in foreign investments and economic slowdown have revealed the shortcomings of the regions' economies (Serbia and Bosnia & Herzegovina have been forced to apply for IMF loans). The governments focused on combating the negative consequences of the crisis, and so they paid less attention to introducing systemic reforms connected with the EU accession process. The economic crisis has also brought a decline in living standards, which in turn translated into public unwillingness to implement reforms. Despite this, most of the region's governments have declared that their transformation efforts will be continued in the coming year, and seem determined to implement the EU recommendations. These declarations have been supported by tough reforms implemented within the visa liberalisation process, positive assessments of Albania's and Montenegro's accession applications, a significant improvement in regional cooperation (especially between Serbia and Bosnia & Herzegovina, and between Serbia and Croatia), and successful fights against corruption (Croatia) and organised crime (Serbia).

Weak state institutions remain the Balkan states' main problem. These institutions lack the administrative potential that is required for a prompt preparation and implementation of the reforms stipulated by the EU. Another problem is the poor effectiveness of the judiciary, which affects its efficacy at fighting organised crime and corruption. Political disagreements create additional problems, both internal conflicts (Albania, Bosnia & Herzegovina)

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and disputes between individual states (Greece/Macedonia, Croatia/Slovenia, Kosovo/Serbia), as they slow down the implementation of reforms and even directly impede the enlargement process.

Considering the extent of challenges that the Balkan states face, it can hardly be expected that they will make quick and significant progress in those areas where the EU has highlighted their negligence. Dealing with these problems requires long-term, consistent efforts at reform.

Experience from the liberalisation of the visa

regime has shown that in order to successfully increase the administrative potential, there must be clear, detailed and specific tasks which are technical in nature and can therefore be completed in the short term and are easy to assess.

These aforementioned tasks are likely to force the Balkan states to construct new effective institutions. This could be achieved by beginning a screening process, followed by negotiations with the individual Balkan states. A review of the candidate states' legislation would help in establishing the precise requirements in specific areas; would make the Balkan governments aware of the extent of the necessary changes; and at the same time would help them to prepare plans for the further implementation of reforms. The start of negotiations as such, together with technical conditions for opening respective chapters, would force these countries to implement the EU criteria effectively<sup>9</sup>. The EU adopted this strategy with regard to Turkey, and it has proved to be successful. On the other hand, the case of Macedonia proves that a long-term obstruction of negotiations is not conducive to the strengthening of institutions; on the contrary, it impedes reforms and in some areas it even causes regression<sup>10</sup>. It can also be assumed that the negotiations with the Balkan states will be long enough to allow them to strengthen their administrative institutions and make them more effective.

<sup>9</sup> See e.g. H. Grabbe, G. Knaus, D. Korski, *Beyond wait-and-see: The way forward for EU Balkan Policy*, <http://ecfr.eu/page/-/documents/balkan-policy-brief.pdf>

<sup>10</sup> Macedonia received candidate status in 2005. Ever since, due to Greek objections, it has not been able to launch accession negotiations. The 2009 report was very favourable to Macedonia, and the European Commission recommended that negotiations be opened. In this year's report, the Commission highlighted a decline in several areas and serious impediments to the pace of reform.

The governments of the Balkan states may face increasing difficulties convincing their respective public opinions that further transformation efforts need to be made on their route to the EU, if the EU itself fails to give them more incentives. The perspective of membership itself, which is growing more distant if not less likely, will be too weak an incentive. It cannot be ruled out that the slowdown of the integration process will boost the popularity of nationalist parties, and generate ethnic tensions which will pose threats to stability in the region.

## Prospects

Within the coming year, the EU is likely to be preoccupied mainly with its own internal problems, and the tendency to slow down the enlargement process may be reinforced. Two other reasons for this slowdown may be a relatively stable situation in the Balkans, which would not force the EU to make active efforts in the region, and the EU's conviction that the Balkan states have no alternative but to further integrate with Europe. This allows the EU states to set the Balkans increasingly strict requirements, while at the same time putting off and even questioning the prospects of their membership. However, this makes the EU itself look less credible, and undermines the principles of the enlargement policy, which is currently EU's most effective instrument for influencing the region beyond it.

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By initiating the enlargement policy with regard to the Balkan states, the EU was not only seeking their transformation and membership, but first of all the stabilisation of the entire region. In the longer perspective, the member states' lack of political will to continue the enlargement process may elevate nationalist groups to power which could pose a threat to the fragile order in this region.

For the Western Balkan states (except for Croatia), the processes taking place in the EU mean that they must be prepared for a significant prolongation of the accession process. Apart from Croatia, it is only Serbia that has any chance of joining the EU before 2020. Progress in integration will depend

on how consistently the individual states' governments implement reforms. Their governments will also have to convince the public that the lack of formal progress does not mean the suspension of the enlargement process, and that prospects of membership are still valid.

The impediments to the enlargement process will also be a challenge to Hungary and Poland, who will hold the presidency in the Council of the European Union in 2011, especially after the Belgian presidency, which was not active in the Balkan region. Both Hungary and Poland have for years opted for keeping the EU open and stepping up the enlargement process. Their task will thus be to support the European Commission in its efforts to create a positive image of the enlargement policy among the member states. In concrete terms, the presidency that supports the Commission in its active enlargement policy will be expected to engage in the completion of accession negotiations with Croatia, granting candidate status to Albania and Montenegro, positively assessing Serbia's accession application, and including Kosovo in the visa liberalisation initiative



## APPENDICES

**I. The progress made by the Balkan states and their prospects for integration with the EU\***

The main problems of all the Balkan states are: weak administrative institutions which are incapable of meeting the accession process requirements, an ineffective judiciary (protracted trials, lack of judicial independence), organised crime and corruption. Even though some countries (Croatia, Serbia) have made significant progress in these areas, they are still failing to meet the requirements set by the EU. As a result of the economic crisis, the situation in the Balkan economies has also deteriorated. The main political challenges in the region include the resolution of the Greek/Macedonian conflict, a permanent systemic crisis in Bosnia & Herzegovina, and the necessity to solve numerous problems related to the independence of Kosovo.

**Croatia: the best in the region**

In 2011 Croatia will be the only state which can count on some progress in the integration process and the completion of the accession negotiations. However, even though Croatia is the most advanced state in the region, the pace of the integration process has been much slower than expected, and the finalisation of the negotiations is being continually postponed. The European Commission has positively assessed the Croatian government's efforts to adapt the country to EU requirements, especially in its fight against corruption and organised crime. The Commission has praised Zagreb for its progress in negotiations, which are now entering the final phase (24 of the 33 negotiation chapters have been provisionally concluded). To complete the negotiations, Croatia has to finalise the restructuring of its shipbuilding industry, demonstrate its readiness to cooperate with the International Criminal Tribunal for the former Yugoslavia (ICTY), and show progress in fighting corruption (especially high-level corruption). However, the European Commission believes that if Croatia complies with the requirements concerning the closure of the 'Judiciary and fundamental rights' negotiation chapter, it will not be necessary to establish a controlling mechanism to monitor judiciary reforms and fight against corruption and organised crime after Croatia's accession to the EU (such mechanisms were established for Romania and Bulgaria).

**Montenegro and Albania: approaching EU membership**

The European Commission has expressed a positive assessment of both countries' accession applications, which completes another stage of their integration with the EU and opens the way for them to gain official candidate status. This is subject to a unanimous decision by the Council of the European Union, which is made at the initiative of the state holding the presidency. The negotiations with the two states will be launched once they meet the EU conditions (the Copenhagen criteria). This can be expected no sooner than 2012.

Montenegro must make significant progress in the effectiveness of its state institutions, especially in the area of the rule of law. However, considering the advanced stage of reforms in this country, the Commission has recommended that the Council grant Montenegro candidate status. In the case of Albania, the general operation of democratic mechanisms must be improved. The conflict between the main political parties, which has been ongoing since June 2009, is undermining the stability of the democratic institutions (including the parliament) and has already contributed to the slowdown of the pace of reform. This was why the Commission did not recommend that the Council granted Albania candidate status.

**Macedonia and Serbia: continuing the reforms**

The process of the two states' integration with the EU has been blocked by several EU members. In the case of Macedonia, it is the conflict with Greece over the name of the state. Serbia's integration is opposed by the Netherlands and Belgium, among other states, due to this country's unsatisfactory cooperation with the ICTY.

Macedonia received EU candidate status in 2005, but it was only in 2009 that the European Commission recommended that the Council of the European Union launch negotiations with this country. The Commission maintained this recommendation in this year's report, even though its assessment of Macedonia's preparation for accession is less favourable. A positive assessment was made of the reforms to parliamentary regulations and public administration, and of the stability and effectiveness of the executive branch of government. Criticism was made of the deteriorating investment climate, mostly because the adopted regulations were not implemented and corruption did not decrease. The Commission also recommended completing the implementation of the Prud Agreement (concerning the status of the Albanian minority) and the impro-

vement of political dialogue. Since the launch of the accession negotiations with Macedonia requires a unanimous decision by the Council of the European Union, it is therefore dependent on the resolution of Macedonia's conflict with Greece. Serbia is carrying on with its reforms, albeit more slowly than last year. A positive assessment was made of the growing effectiveness of the Serbian police and the accelerating fight against organised crime. The Commission has appreciated Belgrade's initiatives for the reconciliation in the region, which has led to a significant improvement of Serbia's relations with Croatia and Bosnia & Herzegovina. The Commission nonetheless expects a 'pragmatic approach' to be taken towards Kosovo. To make progress in the negotiations, Serbia has to continue its cooperation with the ICTY, which also includes the arrests of the war criminals Goran Hadžić and Ratko Mladić. In 2011 the European Commission will assess Serbia's accession application which was submitted in December 2008; this assessment is expected to be ready by autumn 2011.

### Bosnia & Herzegovina, Kosovo: lagging behind

In comparison to the remaining Balkan states, Bosnia & Herzegovina and Kosovo are definitely less advanced in the process of integration with the EU, and have no chances of achieving significant progress in 2011.

In Bosnia & Herzegovina, the transformation is impeded by the conflict in the political elite. There is no consent among the leaders as to what the reforms and the systemic transformation should look like. As a result, no progress has been noted in strengthening democracy and the rule of law, or the functionality and efficiency of state administration and the government. The authorities are failing to implement important economic reforms, which in turn deepens the budget's instability, impedes privatisation and worsens the business environment.

Since the proclamation of its independence in 2008, Kosovo has been gradually strengthening its state institutions and implementing economic reforms. However, the process of obtaining EU membership has been seriously delayed. Kosovo is the only state to not have signed the Stabilisation and Association Agreement (SAA) with the EU; neither is it included in the process of visa regime liberalisation. The reason for this delay, in contrast to other states in the region, is that the process of institution-building in Kosovo is in its initial phase, and also because five EU member states have not recognised Kosovo's independence. This hampers the development of a unanimous EU policy towards this state. In the coming year, the European Commission will make efforts to include Kosovo in the visa liberalisation process.

\* Based on *Enlargement Strategy and Progress Reports 2010*, <http://ec.europa.eu>

## II. Economic indicators in 2009

	Population, in millions	GDP growth	Budget deficit (% of GDP)	FDI decrease in 2009	Unemployment	GDP per capita in US\$
Albania	3.2	+3.3%	6.9%	no data	13.5%	3837**
Bosnia & Herzegovina	3.8	-3.2%	5.0%	43.0%*	41.5%*	4365**
Croatia	4.5	-5.8%	3.9%	69.0%*	9.4%*	15284**
Montenegro	0.6	-5.3%	3.5%	no data	20.4%	6633**
Kosovo	2.1	+2.9%	b.d.	20.5%*	45.4%	2984**
Macedonia	2.1	-0.7%	2.8%	63.8%*	43.3%	4546**
Serbia	7.3	-3.0%	4.1%	29.0%*	16.1%*	5821**

Unless otherwise stated, the data has been provided by the respective countries' statistical offices or central banks.

\* Source: Unicredit; \*\* Source: International Monetary Fund



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