

**KOSOVO/A CIVIL SOCIETY PROJECT**

**KOSOVO/A STANDING TECHNICAL  
WORKING GROUP**

**TRAINING WORKSHOP:  
REGIONAL INTEGRATION IN THE  
EUROPEAN UNION AND  
WESTERN BALKANS**

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# **Regional Integration in The European Union and the Western Balkans: Economic, Political and Bilateral Perspectives**

## **I. Introduction**

A training session organized by the European Centre for Minority Issues (ECMI) on 29 and 30 November 2002 brought together approximately twenty local experts from Kosovo and three academics from the United Kingdom. The aim of the session was to increase awareness of different dimensions of integration in the EU, discuss the applicability of the EU model for the Western Balkans and explore the implications of current EU approaches to regional integration in this area, especially for Kosovo.

## **II. Summary of Proceedings**

The session as a whole was broken down into three main parts – economic, political and bilateral aspects of integration. Each part was opened by a short introductory presentation followed by a round of clarification questions. The group then split into three smaller working parties each of which discussed a different question. Findings of these discussions were then reported back and a general discussion ensued on this basis.

### **1. Economic Aspects of Integration**

Three questions were discussed:

What are the current forms of economic cooperation in the Western Balkans?

Which problems hamper economic cooperation?

What possible solutions exist to overcome existing problems?

In relation to the first question, participants mentioned that there were only very few regional economic cooperation projects of which Kosovo was a part: an energy distribution network and a regional initiative against smuggling. In addition, Kosovo had a bilateral trade agreement with Albania and had been granted observer

status at the Stability Pact for Southeastern Europe. Also, a recent deal signed with UNMIK meant that US investors had been given security guarantees for their investments, and participants felt that this was a good precedent that should be followed by other similar agreements within and beyond the region.

With regard to existing problems, participants divided these into political and economic ones. Predominant political problems are the unclear status of Kosovo, the socialist legacy and the consequences of the recent war. Participants further mentioned the fragile status of Macedonia, Bosnia and Serbia as a major impediment on investment in the region as a whole, as well as a general lack of investment security and transparency and control of existing investments. Related to the unclear political status of Kosovo, participants were also dissatisfied with the fact that UNMIK had many reserved powers in the economic area, or relevant to economic development, and often used these arbitrarily. Individual self-interest was also considered a problem.

Among the most pressing economic problems hampering economic integration, participants named the slow pace of privatization and the unresolved status of (formerly) socially owned property. In addition, a socialist legacy of decades of under-investment, outdated technology and the destruction caused by war were mentioned as significant problems. Regional disparities between different parts of the Western Balkans as well as the overall depressing speed of reforms were also considered problematic. In comparison with the EU, one participant summed up the multitude of economic problems, the 'four freedoms' simply do not exist. Instead the situation in Kosovo is characterized by a lack of capital and lack of investment security, widespread travel and transportation problems (e.g. delays in obtaining visas and lack of passports), illegal labour migration, and the fact that Kosovo has little opportunity to export goods while its domestic industries and agriculture, in as much as they do exist, are weakened by an uncompetitive system of much cheaper imports from within and beyond the region. The grey/black economy was estimated to be at a level of about 35 per cent.

Solutions were seen in the following: rapid privatization, greater mobility for students and workers within and beyond the region, land reform and restructuring of the

agricultural sector, continued efforts in the areas of training and local capacity building alongside more investment in actual development projects, increased cooperation with neighbouring states and regions, including the conclusion of free trade agreements (or alternatively measures to protect domestic industrial and agricultural producers), guarantees for investment security, and bilateral agreements on hiring labour from Kosovo between Kosovo and individual EU member states (e.g. along the lines of current discussions with Ireland and Germany).

## **2. Political Aspects of Integration**

Three questions were discussed:

What forms of political cooperation currently exist within and beyond the Western Balkans, and to what extent does Kosovo participate in them?

Which EU scenario of regional integration applies best to the situation in the Western Balkans?

How does Kosovo currently perform as a region with regard to its own institutional capacity for cooperation and integration?

In relation to the first of these questions, participants noted that, because of the unresolved question of Kosovo's status, cooperation within and beyond the Western Balkans was limited. Although democratically elected structures of government exist at various levels in Kosovo, UNMIK retained exclusive competence in all security and foreign policy matters. As a positive development it was mentioned that the government of Kosovo will acquire full authority over the budget, which is now only 7 per cent foreign aid-dependent. Kosovo also has observer status with the Council of Europe and the Association of Mayors of Municipalities. Several forms of cooperation exist with cities and towns in Albania and Western Europe.

As far as EU scenarios of regional integration and development (enhanced regional standing *vis-à-vis* Brussels and national governments vs. continuing dependency of regions on national governments) were concerned, participants agreed that perhaps a third scenario needed to be considered for the Western Balkans. Given that statehood is still an issue that has not been fully resolved for a number of entities in the Western

Balkans, it was felt more appropriate to promote interregional integration and direct contact between regions and the EU and only subsequently resolve statehood questions and incorporate national governments into processes of regional integration. Two risks were identified: a misunderstanding of the role that the EU and UNMIK are playing in Kosovo and an underestimation of ‘problem actors’ and problem issues in the region which needed to be identified and addressed before a potential escalation. In general, participants thought that the strategy should be to cooperate with those in the region that are willing to do so and, for the moment, leave those behind who are unwilling without depriving them of the opportunity to join into regional integration processes at a later stage. Participants also suggested that links with other regions in the EU, perhaps similar to the existing MEDA programme might be considered.

With regard to Kosovo’s institutional capacity, participants pointed to several problems. The establishment of UNMIK according to Security Council resolution 1244 limits the ability of the democratically elected government of Kosovo to discharge all the functions necessary for promoting and facilitating regional cooperation. It was positively noted that municipalities had finally received their powers but had practically no money. There were too many bodies operating in Kosovo, which did not necessarily help coordinating policies or interventions. Participation in elections was decreasing, possibly as a result of Kosovo’s uncertain status and some degree of disillusionment among the population.

Cooperation mechanisms, insofar as they existed at all, were perceived as too dependent on the SRSG. If the aim was horizontal cooperation within the Western Balkans, trade agreements were seen as one possible mechanism to start such a process. However, a crucial lack of mid- to long-term strategies for cooperation and development meant that many programmes were seen as *ad hoc* ‘reactions’ to the situation on the ground rather than part of an integrated, comprehensive ‘proactive’ policy. If such a policy were to be formulated, it would have to include as one of its objectives the rebuilding and improvement of regional transport and communication infrastructures.



Further problems hampering the building of institutional capacity in Kosovo for regional cooperation were identified as a lack of EU and UNMIK transparency which meant that local actors were second-guessing international actors in order to conform to their programme objectives. In addition, it was felt that international NGOs and EU and UNMIK were insufficiently independent from their national governments and/or institutional headquarters, leading to a situation in which they need to try to square the circle between local needs and external agendas.

While training of local activists and officials was generally appreciated, this was not enough, and often even pointless, if no investment/development followed creating a situation in which newly acquired skills could appropriately be used. In this context it was also felt that without more development projects, especially focusing on SMEs, Kosovo and the region in general would continue to suffer from a significant brain and skills drain.

### **3. EU Approaches to Regional Integration in the Western Balkans**

Three questions were discussed:

What are the assets and liabilities of Kosovo's 'special status' in relation to the EU's current approach to regional integration?

What are the key issues and problems in terms of Kosovo's regional and EU integration?

What are the costs and benefits of Kosovo's integration with Serbia/Montenegro and the wider Western Balkans region?

Participants identified as assets of Kosovo's status the large presence of the international community there, which had facilitated a relatively smooth post-war transition period and the setting-up of new institutions, promoted 'reconciliation' between different Albanian factions, led to the implementation of significant aid programmes, provided subsidies for Kosovo's budget, supplied large numbers of security force personnel, made available training for local officials, and established an independent monitoring mechanism of reforms in Kosovo.

Liabilities, however, had their source just as much in the yet unresolved political status of Kosovo. According to the participants, they included insufficient devolution of power and the fact that significant matters were still reserved by the SRSG, a lack of opportunities for direct engagement with international monetary institutions, a consequent shortage of development funds (the donor conference had agreed on €500 million for the next three years, when €1 billion was actually needed), and missing opportunities for Kosovo to become a full and equal participant of major international institutions and initiatives, such as the Council of Europe and the Stability Pact for Southeastern Europe.

Regarding key issues and problems, participants stated that all initiatives for regional cooperation in the Western Balkans remained worthless for Kosovo unless the government there was equipped with the powers to participate in them and to implement their programmes. In addition, there were major political problems related to the fact that the entire region had recently suffered from several major wars and that instability in Macedonia in particular affected the situation in Kosovo negatively. Furthermore, there was considerable dissatisfaction with the apparently prevailing perception among major international actors that any Kosovo initiative for enhanced regional cooperation was meant to pave a possible route to independence. It was also unclear to many participants what Kosovo at present had to offer its neighbours and how it could meaningfully participate in regional cooperation when all major transport routes by-passed the region. Participants also lamented the fact that there was no level playing field for domestic and imported products, and more generally that Kosovo did not have equal status in the region, because the government had its powers curtailed by the UNMIK administration.

Apart from the question of the future status of Kosovo, participants saw a number of possible advantages for integration with Serbia and Montenegro, including increased (and thus improving) communication to resolve technical issues relevant to all sides, a resolution of the war reparations question and more constructive relations prior to final status negotiations. A disadvantage was seen in the uncertain future of the relationship between Serbia and Montenegro.

As for advantages in terms of regional integration, these were felt to be in the areas of

education, tourism, economic cooperation, health care, and the increasing and sharing of technical expertise on these issues throughout the region.

#### **4. Workshop Conclusions**

The main point of discussion in the concluding session was to identify ways in which Kosovo's capacity could be increased to play a more active and successful role in regional cooperation, integration and development.

Economically, participants identified the following priorities: resolve ownership issues and speed up privatization, give Kosovo full and direct access to Stability Pact and European Bank of Reconstruction and Development (EBRD) funding, as well as World Bank and IMF programmes, improve local and regional transport and communication infrastructure, invest more in development of professionals (lawyers, accountants, etc.), make more funds available for development programmes in addition to continuing training programmes for local staff, make better use of local human resources (enable and empower).

Politically, the priorities for Kosovo and international actors should be: end the isolation of Kosovo (citizenship issue, travel documents, number plates); develop modern, comprehensive, quality curricula for students in primary, secondary and higher education and promote the mutual recognition of degrees across the region; enable more educational and cultural exchanges with the EU; treat Kosovo as equal for purposes of regional integration and do not perceive protectorate status as problematic; increase opportunities for interregional cooperation in Western Balkans and with the EU; open additional access routes to the EU for Kosovo that do not have to go through Serbia and Montenegro; respect Kosovo identity and acknowledge it by developing more flexible models of regional and European integration; involve local politicians more in local decisions; increase the transparency of local political parties and the accountability of international organizations. Participants also pointed out that resentment against Serbia among many if not most Kosovars remains a considerable obstacle and that it will take a long time before any significant degree of trust can be rebuilt.

### **III. Recommendations**

The training session made it clear that there is a high level of interest among local activists and politicians in EU matters and a strong commitment to integration with the rest of Europe, including partners in the Western Balkans. This is combined with a genuine desire to work for better relations across the Western Balkans and to use and create opportunities for increased cooperation and mid- to long-term integration of the countries and entities there. This general enthusiasm is an important resource to draw on in the economic and political development of Kosovo and the Western Balkans, and efforts must be made to avoid disappointing existing hopes and frustrating the considerable local efforts made to achieve regional and European integration. Part of such an overall strategy must be the closer cooperation of local and EU experts in order to develop a better understanding of respective agendas, perceptions and priorities.

However, the existing enthusiasm is not always matched with a full understanding of the policy agendas of international actors, especially the EU, towards the region and the implications of these agendas for Kosovo and the Western Balkans as a whole. Clearly, this is not a situation that arises from deliberate ignorance, but rather from a lack of opportunities to become more familiar with these issues. In addition, there seems to be an almost idealized picture of the EU and the consequences of membership in it, with little appreciation of the costs for areas like Kosovo to meet all the EU's accession criteria. A final, and very serious, issue is related to a misinterpretation of the implications of monetary policy decisions: there was an almost universal belief among participants that using the Euro as the currency of Kosovo was equal to membership in the EMU.

It is therefore of great importance that ECMI continue with similar, topically focused training sessions in which these and other issues are addressed in order to enable political and civil society leaders in Kosovo to develop a realistic picture of their opportunity structures for regional development and regional and European integration and to hone existing as well as acquire further skills that enable them to formulate and implement credible policies to realize their objectives.

Many, if not all, of the above-mentioned problems seem to have their source in a persistently strong desire in Kosovo to eventually achieve a political status as close to independent statehood as possible. It may therefore also be opportune to discuss available options and in particular their implications, including from the perspective of economic development and political stabilization in Kosovo and the Western Balkans as whole.

Any further programmes and individual training sessions should continue to aim at the widest possible participation of experts from diverse ethnic backgrounds in Kosovo.

## APPENDIX

### A. Workshop Programme

**Day One:** Friday, 29 November

TIME	ACTIVITY
16.00-16.15	Introduction: Regional Integration in the European Union and Western Balkans
16.15-16.45	<b>The Making of the European Union:</b> Overview of the process of European economic integration, of its main actors and driving forces
16.45-19.30	Discussion/Workshop on Economic Factors of Western Balkan: (re) integration prior to EU association/accession
18.00-18.30	<i>Break: Informal Discussion</i>

**Day Two:** Saturday, 30 November

TIME	ACTIVITY
9.00-9.30	<b>Regional Integration: a Political Perspective</b> Overview of how the EU has provided new opportunity structures for regions and how these have affected regional development within EU member states
9.30-12.30	Discussion/Workshop: Whether the EU model of focusing on regions as key layers of governance and service delivery provides a potentially useful blueprint for the Western Balkans
12.30-14.00	<i>Lunch</i>

14.00-14.30	The EU and the Western Balkans: Overview of how EU concerns about the Western Balkans play out in the region's integration with Europe
16.00-16.30	<i>Coffee Break</i>
14.30-17.30	Discussion/Workshop: On current problems and future challenges of regional integration and the relationship between the EU and the Western Balkans
17.30-18.00	<i>Break: Informal Discussion</i>

**Day Three:** Sunday, 31 November

Group reconvenes to formulate workshop conclusions and recommendations.

## **B. List of Participants**

### *STWG Participants:*

Petar Jeknic

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Fedzat Sagadati

Haxhi Thaci

Luan Jaha

Adem Limani

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