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## The European Approach: Can the Balkans Join the Family?

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The spirit of enlargement has not stalled; the spirit of enlargement is constant. The institutional process is going forward—Montenegro is negotiating its accession, Serbia is a candidate, even Macedonia might get a date for membership talks. The European Commission is very creative in finding loopholes, Štefan Füle is doing his job of moving the process forward. So there is momentum. The process is moving forward.

But it is also true that this is not enough. The Commission is just one part of the puzzle. The European Council is where the problem starts there is not necessarily an enlargement majority, but the big members have some other really important issues on their hands to tackle, for example the euro-crisis.

There is another element that we often forget, that enlargement is not just what happens in Brussel's institutions. It equally well concerns the economy.

In actual fact, the Western Balkans are already part of the European Union (EU) in the wider sense of the word. Trade is liberalized, so goods move freely. If you look at monetary regimes, many of those countries are in the euro zone as their currencies are pegged, one way or another, to the common currency. There is this running joke in Pristina that Kosovo has the highest growth rates in the euro zone. I think Montenegro unfortunately cannot say the same

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thing, but the rest as well with fixed monitoring regimes. Whatever happens in Frankfurt at the European Central Bank has direct implications, free movement of people.

So the region is integrated much more so than in the past. Of course you have to look at European integration not from the vantage point of Brussels but from the vantage point of Athens, Vienna or Milan because this is where the big banking conglomerates that operate in the region are based. This is the strength of European integration, but now with the Europe crisis we see it can be a real weakness.

And this is my second point, Europeanization has a dark side, and it is really important with the Balkans. People in Brussels, for this reason, have the usual story to tell about enlargement, but enlargement creates vulnerabilities—both for reasons to do with the EU's own economic difficulties and for reasons to do with unfinished reforms in the Western Balkans.

Now the story we know is that you integrate to get peace and prosperity. But the crisis has hit the region because of contagion from Western European, even Southern European, countries that are the drivers of this process of integration from the bottom up.

We have a double-dip scenario unfolding in the Balkans. There are some variations, but overall you see that because of dependence on foreign direct investment, dependence on remittances (including from the southern periphery as we know it), and dependence on credit expansion to deal with bubbles and banking groups in the region, now the situation is really vulnerable in the Western Balkans. In 2011 we saw improvement in export performance, but grim prospects in the euro zone put that into question.

To conclude this point, completion of the euro crisis is a necessary condition for the region to return back to growth. We tend to forget that the years until 2008 was one of constant growth, which painted a very favorable environment for political conditionality and for this Western diplomatic pressure in the region to transform it. So the euro crisis broke this, but the return to growth in the core Eurozone countries is per se not a sufficient condition for the region to prosper because much of the work remains at home.

Now, it is really important for us also to take stock of the situation now. What are the implications of this Europeanization with a bit of a dark side?

We see a lot of talk about the EU—the rhetorical flourish. Local elites know how to talk the talk, they learn it from a period of 10 years plus, but do they walk the walk? They have seen what happens if they are serious about it. Mr. Sanader's fate in Croatia is a serious warning. If you want to implement your reform in Montenegro in earnest, it will go through undoing some of the links between government and business in this country.

It is almost like the famous saying by Saint Augustine: "Lord, make me chaste – but not yet!" We want to be in the EU, but the longer it takes, maybe it is better for established elites

because they can go on and play their game of patronage, clientelism, and corrupt control over public resources.

And in the meantime, they have plenty of opportunity to flirt with other powers in the region. It is clear that the role of Russia has been on the increase, China is there, and also I would say Turkey. It is not that Turkey has a different strategic interest in the region, but just the presence of Turkey which is doing fine, although even that is subject to qualifications in the crisis.

Turkey's successes raise the question, in the minds of the public and policymakers, whether the EU is essential. Turks are shunned by the EU, and they are successful countries: so do we need to be in the EU to do well?

I do not think that has destroyed the pro-European consensus in the region, but it has bred a particular form of realism. Publics know that one way or another they will get into the EU, so what is the big deal? It does not create pressure on the elites to reform, and this is a real danger.

I think the other part of the danger is deadlock. There is a pact between euro-skeptics in Western Europe—or, enlargement skeptics—who do not want to see more enlargement, or not in the short-term. They have no vested interest in the region and do not want to speed it up. This equilibrium can prove very durable. We will talk about the long-term European perspective, but in the short-term that is what we get.

Now, speaking of long-term, and this is my last point, let us outline two really serious challenges that emerged with the crisis. They are not immediate concerns, but they are the magnalities that shape the growth.

The first concern is the convergence vision. The whole justification of Europeanization was related to the idea that by moving to the EU, you become more prosperous, you become couriers of model society. This is an old game in the region, by the way, going back to the 19<sup>th</sup> century—trying to catch up with the West.

Now Greece poses the fundamental question: is this working? Has the EU undone the political culture of clientelism in this country? Has the EU changed the way Italian politics works at the end of the day?

So they have some philosophical questions, but they have real political importance for the region. The convergence vision was alive and kicking in the 1990s, it was alive and kicking until 2008. But there is much less rebuttal in the EU because it is a story to tell to the periphery, it is not working anymore or has, at least, lost traction.

Now, the other one is the alchemy of the current institutional debate of the EU that we might end up with a multi-tier Europe. We are already there in a certain sense, as I said in the opening point. The Western Balkans is already kind of part of the outer tier because of their advanced

level of integration. But this multi-tiered Europe of second-class citizens in the European construction might well become institutionalized. A lot of people are very upbeat about this, that it will facilitate the entrance of the Western Balkans into the club.

But there is a trade-off we should be aware of. The trade-off is that if you belong to the outer circle, or the second-class part of the club, it means that you can be a member in a very superficial sense without any pressure from Brussels to reform economically, to implement, for example, the competition rules fully; that will mean you cannot go on and benefit your cronies. You can be a semi-democrat but still be accepted, and there will not be any development as well in more fundamentals. What if the euro zone has a separate budget, different from the budget that operates at the EU level? So there is much less solidarity, much more pressure to transform. This is the long-term challenge.

Now, my final final point is that what we need in the Balkans is to change the narrative. Very often in these discussions, we talk security, security, security. That's the legacy of the 1990s and Yugoslavia's bloody demise. Let us do something, otherwise the region is toast. I think what we need is the economy. The euro crisis demonstrates that the Western Balkans have normalized, they have become very European, also in the negative sense in the sense of economic malaise. They are part of the bigger puzzle. So it is really welcome to reflect on how to revert to growth, how to reinvigorate this European periphery.