

Thessaloniki and Beyond: Europe's Challenge in the Western Balkans

by

Misha Glenny, Writer and Broadcaster, United Kingdom

and

Gerald Knaus, Director, European Stability Initiative, Germany

The European Union is engaged in a process of immense historical dimensions. The expansion of the Union into Central Europe is not just another round of enlargement. It prefaces a new politics which could have a significant impact on the globe. This will become the largest single market in history that will wield huge economic power. If this expansion is successful then Europe will be in a position to project a much more powerful political influence around the globe than it has hitherto. There will still be only one superpower, but on the economic front, America will face much tougher competition than before.

When the next ten members join the EU in 2004, then Turkey might open its accession negotiations. And three years after that, Romania and Bulgaria expect to be ready for membership. The accession process has led to a number of significant changes in Turkey, including the abolition of the death penalty, and the acceptance of the use in schools of Kurdish. Such progress was unimaginable even five years ago. Europe is taking giant leaps forward at a breathtaking and exciting pace.

But like many mighty creatures, Europe has an Achilles' heel, a vulnerability to which it must attend. This is the western Balkans (which is diplomatic speak for the former Yugoslavia minus Slovenia plus Albania). From outside the region, but even inside the region, the western Balkans sometimes seem like a hopeless case, doomed to a perpetual cycle of war and underdevelopment.

At first glance, the assassination of Zoran Djindjic would appear to confirm that perception of societies in distress. But in fact, Djindjic's murder was a sign of desperation on the part of a dangerous coalition that combined political extremists and organized criminals – they knew that Djindjic was about to get very serious on the issue of corruption, organized crime, and so they acted first. The resolve that Djindjic's successor, Zoran Zivkovic, has shown in facing up to these people of violence has demonstrated that the rhetorical commitment to reform is now backed by hard, difficult work.

But although the region has made considerable progress in its attempts to shed the image based on ageing stereotypes over the past five years, it has been hard to get the message across. Western media are unsurprisingly obsessed by the Balkans when the blood flows but less interested in how it is slowly, painfully but successfully rebuilding itself. The number of refugee returns in many parts of Bosnia has been exceptionally high in the past two years – the society is glueing itself back together. With the help of the international community, major conflicts have been averted in both Macedonia and southern Serbia while both the Albanian and Montenegrin governments have brought a halt to contraband moving across the Adriatic into Italy. On the brighter side, one of the participants at the World Economic Forum Meeting in Athens, Edi Rama, the young mayor of Tirana, has achieved a miracle in urban development. By painting buildings in the centre of Tirana bright colours and introducing imaginative architectural concepts, he has completely broken the mould of Balkan capitals which are usually peppered with grandiose projects from the 19th century or the socialist eras. But most of all, he has restored dignity to the battered population of Tirana. And a dignified population works better, thinks better and looks after itself better. This is a great story but given the turbulent events affecting central Asia and the Middle East, such breaks with the Balkan past are often overlooked, although pleasingly Kofi Annan conferred the UN Poverty Eradication Award on Mr Rama last year.

So slowly the western Balkans *is* approaching a stability and normality that has been obviously lacking in the past. But to complete the process, it has to overcome some tough hurdles, none more daunting than the issues of underdevelopment and unemployment. These issues are intimately linked with the process of deindustrialization which, in malicious unison with the wars of the 1990s, has devastated this region more than any other of the former socialist world.

Everywhere factories that used to provide jobs for entire communities have simply collapsed as their market disappeared. This massive rise in unemployment over the past ten years that followed the steady decline of the 1980s has meant that all these countries struggle to raise the revenues which will cover the cost of institutions and public sector work without imposing an intolerable burden on the new private sector. In the municipality of Gnjilane/Gjilani in eastern Kosovo, for

example, 154 people are in official employment for every 1,000 inhabitants. The largest single group of workers are subsistence farmers who by definition are unable to contribute anything to the public purse. The demands of infrastructure and improved access to education to support economic growth cannot be met on this basis.

Regrettably a large amount of the international aid which has flowed into the area over the past five years has not changed the underlying structural weaknesses inherited from the former socialist Yugoslavia. The return of many people to subsistence agriculture has not been tackled nor have loss-making public companies been forced into bankruptcy. There has been little or no development of new productive capacity, leading to the phenomenon of jobless growth which will slump again when assistance begins to dry up within the next two years, especially in Bosnia and Kosovo. The remittances which traditionally have played such an important role in the Balkan economies can stabilize this situation temporarily but they cannot overcome the structural problems caused by deindustrialization. Nor for that matter can the protectorate regimes in Bosnia and Kosovo.

There is only one mechanism that has proven its ability to kick start economies that have faced similar economies and that is the programme of European accession. The impact that a firm commitment to EU membership has on societies is staggering. We have already observed the political impact that the need to fulfil the Copenhagen criteria has had in Turkey but in Romania (one of the most underdeveloped economies at the time of the collapse of communism), we are also beginning to see the economic benefits.

At the moment, the countries of the western Balkans are part of a specially-designed Stabilization and Association Process (SAP) which aims to prepare them for the rigours of the accession process. But this is an open-ended process whose benefits remain invisible to the public in SEE – the process does nothing to reduce the growing and dangerous alienation that divides the electorate from the political and economic elites. Given its scope and impact, the SAP is a primitive motor that stands no comparison with the mighty engine room of the EU accession process.

Romania's fortunes act as a simple measure of the extraordinary impact that the concrete prospect of EU membership can have on the perception of South-East European societies and economies. Five years ago, the stock of FDI into Romania stood at US\$ 1 billion. Once accepted as a candidate country, FDI began to rise exponentially, reaching US\$ 9 billion last year and estimated to reach US\$ 18 in five years' time. Despite the pain involved, the Romanians have worked hard on ensuring the passage and implementation of legislation to meet the Copenhagen criteria. Romania is now hoping to be ready for membership in 2007. A similar pattern is visible in Bulgaria while Croatia is making considerable strides on the legislative front.

The past few months have witnessed an increased rhetorical commitment to accession for the western Balkans on the part of the EU and its member state governments. The practical starting point for a new European approach that addresses the real problems of the western Balkans has been well formulated in a working paper of the current Greek EU presidency from January of this year:

As the western Balkan countries gradually move from stabilization and reconstruction to association and sustainable development, policies pursuing economic and social cohesion at both national and regional levels become increasingly relevant, in particular having in mind the very high level of unemployment in most of them, as well as the social and regional dimension of ethnic problems. The Greek presidency intends to initiate a reflection on integrating the aim of *economic and social cohesion* into EU policy towards the region, and on ways and means, including financial, of promoting cohesion through the *Stabilization and Association Process*.

The real challenge is to increase the impact of European aid to the western Balkans by introducing new assistance strategies, based on the lessons and techniques of *European regional*

development policy. Across the region, public administrations steeped in traditions of authoritarian, top-down development policies need to learn new techniques of supporting development under market conditions. They need to be encouraged to mobilize their own limited public resources to support development. They need to develop modern statistical systems to guide their policies, and to build new relationships between national, regional and local governments. These are precisely the kind of problems which European regional development assistance is designed to address. Over the past decades, the European Commission has worked with economically peripheral regions of the European Union, and later with the accession candidate countries, to help them meet these challenges. The instruments and techniques which it has developed are directly relevant to the western Balkans.

The central proposal for this paper is that, at the Thessaloniki Summit in June 2003, the European Union formally incorporates *cohesion* as a guiding principle of EU policy towards the region, broadening the Stabilization and Association Process to include additional forms of pre-accession assistance. This would send a strong signal to the countries of the region that the EU is serious about helping them reach their European destination.

The Greek Government has made the western Balkans a key priority of its EU Presidency, promoting much of what will be needed to achieve success in the region in the coming years. Next month's EU summit is likely to prove a crucial moment in the long-term goal of the western Balkans' full integration into European and Euro-Atlantic structures. This means that the World Economic Forum's decision to hold this special Meeting on South-East Europe is especially timely. It allows all of us committed to the future prosperity of the region to give the final push necessary in order to ensure the resounding success of the Thessaloniki summit. Let's make as much use of it as possible!

Misha Glenny is an award-winning journalist and author of several books, including *The Balkans, 1804-1999*. For the last two years, he has been working as a political consultant in the region.

Gerald Knaus is the founder and director of the European Stability Initiative in Berlin, an independent think tank focusing on South-East Europe.