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STRATEGIC DEVELOPMENTAL OBJECTIVES OF THE WESTERN BALKAN IN
THE CONTEXT OF ITS FASTER INTEGRATION INTO EUROPEAN UNION

ABSTRACT

EU experts had a particular objective classifying a part of geo area of the South East Europe into Western Balkan region. The point is about a specific part of European economic and political area of cca 265 000 km² with approximately 25 million inhabitants, where political actors still have neither defined strategy nor the future vision. That is one of the reasons due to which this part of the continent was given another waiting period for inclusion into EU.

The objective of this paper is to, first of all, on the basis of available facts, recognise developmental units of the Western Balkan (low development, slowed transition, insufficient FDI influx, demographic problems, etc.), and analyse in detail the prior developmental aims in Western Balkan (macro economic stability, liberalization, economy restructuring, institution building, integration into globalizational processes, etc.) and broader European context (European losses and gains due to the faster or moderate development of this part of Euro region).

In the end, it will of course, be necessary to establish the real possibilities and optimal realization of such defined developmental objectives in the time that comes.

Key words: strategy of development, Western Balkan, integration, European Union

Introduction

Macro-region of the SouthEast Europe which is formed of eight countries with European part of Turkey occupies about 7% of the European continent and 6% of European inhabitants. Inside of this frame, a very heterogenous geo area (territorial, ethnical, economic, demographic, etc.) International Community has lately identified narrower region of the West Balkan which is composed of the ex Republics of the ex Yugoslavia (Bosnia and Herzegovina, Croatia, Macedonia, Serbia and Monte Negro)without Slovenia but with Albania. Unlike the rest of the South East European countries whose geopolitical perspectives in European integrational context have been defined much earlier (Greece) or recently (Romania, Bulgeria and partialy Turkey), the countries of the West Balkan are, in that matter, a very specific case among the South East European countires today. Due to the political instability and the war happenings here, more than a decade has been lost, what resulted in economic catastrophe. A period of slow transition rhythm followed which has, among the rest, resulted in standstill in modernisation process of economy and archaic bank system as well as the corruption growth what has worsened already difficult economic situation. Due to that, a good part of the West Balkans' popullation lives under the line of povery and developmental trends are much bellow expected ones. A different foreign sources, before all, point to that fact. Just as an example, according to the EBRD¹ statistics, Croatia has reached only 85% of the GDP level from 1989, Macedonia only about 75%, Serbia and Montenegro about 50 % and Bosnia and Herzegovina is still below 40 %. Situation, therefore, is most difficult in Bosnia and Herzegovina who will, "according to many analyses, need at least eight years in order to return before the war GDP level (EUR 10 milliards)" ². For a "succes story" of this region we will still have to wait considering that, according to the European Board estimation, its' GDP today is only about 0.6 % of GDP level of European Union or about 40 % of GDP of Potugal. GDP for a person of Western Balkan per capita is about 2000 of EUR which is in the lower scale according to the World Bank classification.

¹ EBRD, "Transition Report Update", May 2002.

² "Bilan du monde", Paris, 2003, pg 52..

1. Contemporay economic demographic characteristics of the West Balkan and problems defining “the way out strategy”

Every analysis of the future integration of the West Balkan into developmental processes on European Continent means at least a summery review of today’s economic situation in this geo area. That, probably, can best bee seen from the following table:

Table 1: Characteristic economic indicator of the West Balkan in the year 2001

Country	GDP (purchasing power parity, milliards \$	GDP (purchasing power parity, thousand \$	GDP- composition by sector(%)			Debt external (milliard \$)	Unemploy- ment rate (%)	Populatio below po line
			Agri- culture	indystry	service s			
Albania	13,2	3800	52	21	27	1,0	17	30
Bosnia and Herzeg- ovina	7,1	1800	16	28	56	2,8	40	NA
Croatia	36	8300	10	33	57	11,0	23	NA
FYR Maced- onia	9,0	4400	10	32	58	1,3	39	24
Serbia and Monte- negro	24,0	2250	26	36	38	9,2	30	30

Although presented economic indicators have only a frame character, they are still quite real representative of the existing economic place of the West balkan region. Detailed country analysis done by the European Board (Country Strategy Paper 2002-2006”) or the state statistics of some Balkan countries mainly confirm that. According to the “Regional Document” of the European Board at the beginning of the year 2003, region of the West Balkan with about 25 million people, realises yearly GDP of only 50 milliards of EUR-o. Most of economic indicators are in unsatisfactory level in relation to the EU standards and economic activity mostly stagnates. Croatia is the only exeption where 40% of the yearly West Balkan GDP is realised according to the MMF data³ and the state statistics of this country (statistic reports for the last three years). Croatia realises high growth rates continuously (from 2,9 to 5,2 % in periond from 2000 –2002) and in 2002 GDP per capita has already exceeded 5000 \$. Although such estimations of the Croatian stitisticians could be taken with a certain reserve considering methodological changes that have been in statistical data report, decrease of inhabitants in this country should be kept in mind (from about 4,8 millions in the year 1991 to 4,4 millions in 2001). A fact

³ World Economic, Outlook” 2003.

still remains that developmental trends in Croatia are still, in a good part inside the frame of European expectations.

Considering the fact that it is necessary to define universal “way out strategy ” for this region, as present EU coordinator for South East Europe suggests and, that “EU is not only an economic club but a community of values”, this region countries will, in order to satisfy criteria from Kopenhagen, next to building of functional market economy be able to bear responsibilities of EU membership, and have to ensure institution stability, legal state, human and minority rights etc. It has to be said that very little has been done on these problems so far. Situation is even worse if we consider criteria from Maastricht (low inflation level, currency stability, suitable level of the public debt and budget deficit etc.). Reconciliation of the regional legislations with *acquis communautaire* will also depict a big problem and rapidity actions of incorporation of regional Balkan society into EU.

In economic sense, global restoration of this region that is, defining mentioned “way out strategy” beside the range of macroeconomic measures of complete direction towards one integrated EU system, means faster competency growth on the World market.

As it is known, neither country has come out of poverty having primary products dominate its structure of export. In order to improve competency in West Balkan countries, it will be necessary to, first of all, invest in production and development of the new products as well as creation of even more intellectual input in export structure. Besides, this will need long time, of course.

In demographic context, countries of the West Balkan have much in common with the rest of the South East European countries. The most important population condition indicators in this geo area could be represented in the following way:

Table 2. Characteristic demographic indicators of the West Balkan in the year 2001

Country	Population (million)	Population Growth rate	Birth rate (Births/1000 population)	Death rate (death/1000 population)	Net migration (migrants/1000 population)
Albania	3,5	1,1	18,6	6,5	-1,5
Bosnia and Herzegovina	4.0	0,8	12,8	8,1	3,0
Croatia	4,4	1,1	12,8	11,3	9,7
FYR Macedonia	2,1	0,4	13,4	7,7	-1,5
Serbia and Montenegro	11,0	-0,1	12.8	10,6	-3,4

Source: CIA – The factbook, 2003 (adapt)

Without going into detailed comparison of the presented indicators with those from national statistics region institutions their validity can not be denied in its basis but from the aspect of demographic region perspective, two basic remarks that gain even more significance must be kept in mind. First, many parts of region are, at this moment, in a stage of “deepest demographic old age” due to lower natality in a long period of time. In Croatia, for example, an average number of live births in a period from 1991-2000 is for 28% smaller than that from period from 1961-1970 while the average number of deaths is bigger for 24%⁴. Similar situation is in Serbia as well, where the proportions of inhabitants aging according to preliminary registers⁵ are the most visible in the central part. In Bosnia and Herzegovina natural increase in population in the last decade is three times reduced⁶. An aging problem is a problem of developed countries but in the Balkans, situation is more complex considering the fact that this is a migration area. Second, huge territorial redistribution of Balkans’ population in the end of 20th century due to the war conflicts or economic problems, has resulted in impressive extent of migrational flows from this areas. For example, in that period about 0,25 million of people left Macedonia and over 0,5 million of people deserted Albania⁷. Over 0,25 million of people died in Bosnia and Herzegovina due to the war happenings at that time, over 1,3 million of people are internally displaced and 0,7 million of people migrated mainly into the Western Europe⁸.

After this immigrants’ wave, Balkan countries are even more characterised by “brain drain” immigration. How much additional influence this has on defining “the way out strategy” of this area from the zone of “European poor people”, or its economic development, is another question.

2. Problems defining and realising common strategic developmental objectives of the West Balkans in the context of its faster integration into European Union

Considering the presented condition, it originates that, in the area of the West Balkan, as the last integrationaly uncovered part of the European Continent, it is necessary to define a strategy of its faster inclusion into European Union as soon as possible. At the same time, Western Balkan’s as well as the Union’s interests should be directed towards that aim but, it is, first of all, necessary to coordinate partial interests and objectives of the West Balkan countries through the process of rational internal political atmosphere. Considering that this area can in the future function together only inside the Union, the exalcerated process of economic institutional reforms and promotion of mutual regional cooperation should be coordinated too. After this, it is necessary to define basic aims of

⁴ www.dsz.hr/2002

⁵ “The first results of registers by municipalities and areas of Republic of Serbia” SZS, Beograd, 2002, pgs 9-106

⁶ www.Bhas.ba/2002

⁷ DEMOBALK conference, Sarajevo, may 2000.

⁸ UNHCR, “Population data unit, january 2001.

unique development strategy as a whole, in the context of its faster integration with EU and come closer to their realisation.

With each evaluation of the new perspectives of the real reconstruction and integral development on the Balkan, results of earlier regional initiatives should also be taken into consideration as well as the smaller intensity of centrifugal tendencies in internal Balkan relations. That creates a possibility for intensifying economic cooperation and creation of the new zone of the free trade together with acceleration of the previously signed bilateral agreements. Detailed program of multilateral cooperation in the Balkan should be made as soon as possible and common inter parliamentary body right after and some common institutions (experience of the Nordic countries can be used here) should be formed with fixed financing models whose decisions would be in a form of recommendations or even obligatory for all regional countries. Developmental and transitional problems should dominate the work of this body and its activity could, first be established in a sphere of coordination of fiscal politics (especially through inducement of the foreign investments). In the area of feasibility study, production in association process and stability in EU as well as cooperation with international finance institutions and improvement of macroeconomic picture of the region in general.

In the process of strategic objectives defining of the regional development, it is necessary to, first of all, urgently make three strategies for each country: longterm development strategy, competency and export strategy and attraction of direct foreign investments. Each strategy with clearly defined ways of their realisation, would contain common objectives in the context of faster region integration into EU.

On construction of the long term developmental strategy, a lot of time has been spent in each regional country until now, together with engagement of highly qualified personnel such as Science Academy members (strategy of development of Macedonia till the year 2020), specialised institutions and Government (Croatia in 21st century), an expert team (strategy of economy development of Serbia till the year 2010), Governments's team ("Macroeconomic vision of development of BiH till the year 2015) etc.

Common things to the all documents are: quite real presentation of existing condition, mostly unreal projections of the future, "wanted" growth rates, unclearly established priorities, absence of the social consensus, etc. All these things have resulted in their one time use. Similar faith have, so called "poverty fight strategies" which are especially current in Serbia and BiH. although they are done "according to the International methodology which is justified by the World Bank and which has been supported by all the countries International help givers and the rest of international finance institutions"⁹. In both cases, strategic EU¹⁰ objectives have not been taken into consideration so, the listed documents can not even gather the West Balkan's countries around their speedy integration into EU. Thus, the European help in the process of defining of developmental aims and their later realisation is more than needed.

Construction competency strategies of export is brought to an end too in Western Balkan countries where the slogan "competency is patriotism of the 21st century" was recommended in some areas. The most in this field has been done in Croatia and Serbia

⁹ Developmental strategy PRSP-BiH, Sarajevo, 2003, pg.1.

¹⁰ See for example: "Strategies de developement pour l'Europe", Universite Francois -Rabelais, Tours, 2001, pp 167-185

where, with the help of foreign experts, clusters in lumber, metalwork and food industry are defined. The process of formation of the industrial districts is still in progress. The objective, of course, is to “reindustrialise” these countries with the greenfield investment help by a model of the other transitional countries. Regardless the thought that this job is late considering that European industrial map has been drawn, clustering could give certain results if prerequisites for its realisation are created. Those prerequisites are adequate industrial politics, suitable personnel foundation creation, legal system which would attract foreign investments etc. This, of course, necessitates long time considering that short term solutions do not exist and possibilities for cluster linkage of the whole Balkan are not researched yet.

In West Balkan countries, in the area of strategic objectives in attraction of the foreign investments field, very little has been done until today. According to the available data until the year 2001, less than a milliard \$ was placed to economies of Albania, Macedonia and BiH all together and only about 1,3 milliards \$ to economy of Serbia and Montenegro, as a result of little action. Situation is a little better in Croatia in whose economy (energetics, transport and trade, etc.) till the end of the year 2001 \$ 6,7 milliards were invested. Foreign direct investments in Western Balkan as well as in other parts of the world demand attractive business climate before all, that should be built here. “Investment Compact” as one of the most ambitious projects for South East European countries inside the stability Pact, whose aim was foreign investment support, has been, mainly left unrealised. The “white paper” and the rest of the documents from this area (that are done in cooperation with the foreign experts) mainly have the task to move the position of the West Balkan to investors of the high “Balkan risk”. However, the fact that only collective responsibility of this region’s countries for creation and realisation of more efficient investment climate, what would result in more intensive growth of foreign direct investments, should be kept in mind. In such a context, it is necessary to speed up creation of the Balkan zone of free trade or reintegration of the Balkan area, what would, among other things, result in a large united market, attractive to foreign investors. This is the only way that these countries could significantly get included into eventual other investment weave in transitional countries.

3. Foundation of the new EU strategy towards the West Balkan

Lack of common coordinated strategy of EU integration in West Balkan countries is without a doubt, a big problem that needs to be solved as soon as possible. However, other, not less important problem needs to be solved too. That is, conception of efficient EU strategy for Western Balkan which should gradually fill in, now valid political frame of stabilisation and joining and quite inadequate periodical financial help projects to certain Balkan countries. It should certainly be in harmony with valid criteria of EU admittance and with specially established estimate for that purpose. This document should open concrete perspective of Union admission to the West Balkan. Towards that aim, it would be necessary that EU completely redefines its valid politics towards this region or make new criteria and instruments of strategic help to the Balkan in order to speed transition processes and reach standards for its entrance into EU. Political, economic and social stability of multiethnic state communities in Balkan could best be realised in the

future united Europe which should, in harmony with its principles, decrease economic and social differences in its geo area and include these countries into a plan of so called “social cohesion”.

Disregarding often phrases that West balkan countries “belong” to European family, and that they will one day be her full members¹², the question of how much is their inclusion into EU in function of their foreign politics instrumentalisation inside the buiocratic EU structure. Thus, without strong internal harmony in contemporay Europe, for successful pre forming of integrative area, more time is needed. An actual expansion processes complicate even more Balkan’s wish for EU inclusion. According to the valid German analysts in this area, Europe “still has not found a new common denominator for solidarity, global competitiveness, democratic behavior and internation role in conditions of expansion”¹³. That is the reason why the question of authenticity of estimations that “the West balkan has a real chance for EU admition in two deacades the most earlier”¹⁴ is asked. And, whether the story of “Europeisation” of the Balkan or perspective of its EU admition has a superb aim of self regulation of political and economic flows in this area.

Being aside of this pessimistic prognosis and considering the fact that earlier EU politics towards the West balkan is in good part overcome and economic help insuficient and developmentaly groundles, the new EU strategy towards the West Balkan shoud in general contain the following:

- direct support for creation of democratic institutions and their training for the fight against criminal and corruption,
- help to Balkan countries in creation of economic and legal system in harmony with the “White book” of EU,
- insurance and admittance of the Balkan countireas to developmental funds and other EU benefits on the same basis that are practiced in transition countries of the Central Europe,
- long-term developmental programs that EU would finance in this area should contain primarily Balkan (infrastructure, inter Balkan clusters and similar) an then narrower regional aims,
- in realisation of the projects that EU would finance it would be necessary to ensure suitable level of cooperation with the state organs, regional Governments, local Governments etc.,
- Stability Pact in South East Europe rename into Pact for development and sincronisation of the developmental programs of Balkan countries with developmental EU plans etc., etc.

This way, preconditions for economic and social cohesion of the West Balkan would be created what would, at the same time, be the essence of the new EU strategy towards the West Balkan countries. The main idea of the European integration or reduction of interregional economic disparities in Euroregion would, this way, gain on its intensity and, existing political frame of stabilisation processes and joining would be

¹² “The independent”, Mart, 2003

¹³ W. Wiedenfeld, W. Wesels “ Europa vpn a bis Z (translation) Fondation Konrad Adenauer, Beograd, 2003, str. 293.

¹⁴ “Frankfurter Rundschau”, Mart 2003.

strengthened. All this is aimed for preparation of the West Balkan countries for entrance into the Union, meaning, geographical process of European integration would be wrapped up.

4. Available potentials of the West Balkan and their possible valorisation in the process of the future integrative flows

European Union sees decisive motive for West balkan inclusion into the future integrated Euroarea, in expansion of the security zone, democracy and market economy. Strategic perspective of European integration is differently seen in EU-15 considering firstly, the future expenses and the benefits of this integrative process. In a case of the West Balkan countries, certain integrational limits such as: still unsolved political problems due to the war on this area and not developed economic structure, would significantly influence the level of EU expenditure in the process of its integration into political and economic EU structure. However, long-term estimations show that this region possesses significant potentials of whose dynamics and quality of valorisation, the future efficacy of the whole project of the West Balkan integration into EU depends. Those potentials, before all, are:

- relatively larger area as a resours of natural economic and demographic feature,
- relatively high level of natural environment protection,
- relatively satisfactory qualification structure of the labor force,
- very satisfactory geographic position for social economic development, etc.

In order to use these potentials more effectively it is necessary to, first of all, bring to an end the process of internal integration of the Balkan itself after which, significant production structure complementarity, low transport expenditures, known market and the consumer taste etc., would become more significant. After that, the move towards “creation of the common regional electroenergetic market and infrastructure” can be made and cooperation intensifying in the area of traffic, telecommunications, agriculture, tourism, ecology etc.

One of the most significant, yet very weakly valorised potentials whose role, in the future interregional and especially interregional European integration of the Balkan, will be of key importance is surely geo traffic potencial. In European economic area the question of possibility of realisation of certain projects is asked, that would reactivate the old and build new communication trenches inside the Continental traffic strategy. However, a very little has been done so far regarding that job. That is especially the case with the programmed pan European transport in accordance with Conference decisions in Krita and Helsinki. It is, first of all, about pan European corridors IV, V, VII, VIII and IX and the Adriatic-Ion road that should be cutting the most important West – East traffic infrastructure south of the Alps. The same case is with railway traffic connections of Continental significance that could satisfy the future traffic needs of the West Balkan and the European Union too.

Possibilitis of investment into the traffic capacities in Balkan geo area that would have Contitental significance are over time more and more emphasised on different

places. As an example, UE establishment (R. Prodi) marks the new mega – port on the North Adriatic as the future important project, concurrent to the large joint ports of the European North. Balkan experts, analysing available water currents, point out the possibility of the Danub-Morava-Drava-Aegean Sea river canals' building and the Danube-Sava canal that would traffically link Serbia, Croatia and Bosnia and Herzegovian (canal Raina-Maina-Danub) with the Middle, North and South Europe. Eventual creation of the mentioned Adriatic mega-port and the canal traffics, significant savings in inter European transport on relation North-South and vice versa, could come true. However, such projects would eventually get their turn after primary European and Balkan integrative problems solving that have been mentioned.

Conclusion

Any summery analysis of the future integration of the West Balkan into EU, regardless that it presents a special challenge would not, due to the complexity of the topic, be relevant for long. Such a job demands a lot of research effort and a lot of information and a big risk of over emphasising or minimizing certain facts. Besides, transitional processes which are important characteristic not only of contemporary Balkan, with their expectancies and effects, influence the authors' reasoning who deal with this theme. How much, next to the mentioned limits, this work has succeeded, those who will read it, will judge.

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