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The Struggling Road to Europe – Balkan countries in economic and political transition and EU Accession Strategy

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- Abstract -

The 2001 enlargement report by the European Commission states that up to 10 countries could join the EU as early as 2004. Apart from Cyprus and Malta all of these countries are former communist countries of Eastern Europe, but none of them is from the region of South-Eastern Europe. In contrast to the situation in the transition countries of Central and North-Eastern Europe, the necessary political and especially economic reforms toward establishing a market economic and a democratic political system in the Balkan states are still awaiting full implementation.

This paper examines the main causes of the extremely slow transition process in Albania, Bulgaria, Romania and all successor countries of the former Yugoslavia (except Slovenia) and discusses the EU development and accession policy toward this region.

The countries of South-Eastern Europe and the region of the Balkans as a whole have been commonly described as a very turbulent, unstable and generally most backward part of Europe. It is very often stated by experts and diplomats that the main reasons for such a development is the lack of economic prosperity, democracy and rule of law, which “have never put down strong roots” in this region.¹

However, the vast majority of their current political and economic troubles originated from the socialist history of Balkan states and from the period that succeeded the collapse of socialism, i.e. communism in Eastern Europe in 1989. It should be noted that at the beginning of the twentieth century the development divergence between Balkans and Central Europe was much lower than it was at the time of the fall of the Berlin Wall, and that development gap between them has enlarged by more than double during the transition period (Table 1). While the average Gross National Product (GNP) per capita in the Central European transition countries, which was about the same as that achieved in the Balkan communist countries in 1989, has reached 1/3 of that in the European Union after 10 years of transition, per capita GNP in the Balkans is less than 10% of the European Union’s GNP.

¹ Chris Patten (EU Commissioner for External Relations), “EU Strategy in the Balkans”, a speech to the International Crisis Group, 10 July 2001, p. 6; available from http://www.intl-crisis-group.org/projects/issues/eu/reports/A400359_10072001.pdf

1. Political and economic development during the communist period

After the WW II all Balkan states, except Greece, established a communist or socialist political system with the political monopoly of the communist party and with the slightly different organisation of their economic systems. While Romania, Bulgaria and Albania, like the other members of the communist Warsaw pact implemented a non-market, so called centrally-planned economic model, the Yugoslav communist dictator Tito, who distanced himself and “his country” quite early from the other East-European communist block countries, initiated the creation of an unique “socialist” economic system that should have integrated collective (i.e. “socialist”) ownership over the production factors (primarily over the capital and land) with their market allocation. Although such a combination of the socialist (i.e. communist) political system and market economy did not produce much better economic outcomes than the centrally planned economies of the other East-European communist countries² it still provided some advantages to the Yugoslav people.

Table 1

Gross National Product per capita in US dollars

	1910*	1989**	2000**
Germany	958	20,450	25,120
Austria	810	17,300	25,220
Czech lands	819	3,450***	5,250
Hungary	616	2,620	4,710
Italy	546	15,120	20,160
Greece	455	5,380	11,960
Yugoslavia	-	2,940	-
- Slovenia	-	6,500	10,050
- Bosnia & Herzegovina	546	2,100	1,230
- Croatia	542	3,950	4,620
- Serbia & Montenegro	462	2,900	940
- Macedonia	-	1,900	1,820
Romania	542	1,730	1,670
Bulgaria	-	2,680	1,520
Albania	-	-	1,120

* US dollar = 1970 value

** US dollar according to the World bank atlas methodology

*** Data related to Czechoslovakia

Source: 1910 data – Michael Palairret, *The Balkan Economies*, CUP, 1997;

1989 data - World Bank Atlas (1991) and (the values of GNP in the republics of former Yugoslavia) Yugoslav statistical Yearbook (1991);

2000 data - World Development Indicators database, World Bank (April 2002).

These advantages were primarily reflected through the higher openness of the Yugoslav economy toward the West, and through the existence of the relatively strong private sector in the agricultural production therein.

² Because the market competition between Yugoslav socially owned and “self managed” (jointly by its management and employees) firms was incomplete and defect. Government and political leadership, apart from some isolated cases, did not allow the bankruptcy of the (according to the results of market allocation) inefficient firms. In such situations government covered losses of the unsuccessful firms and, in that way, disqualified the results of market competition and stimulated the existence of an extremely inefficient economic system (Petrovic 1995, Madzar 1995)

The existence of the self managed system had enabled Yugoslav firms to make trade and business relations with Western partners with much less interference by the government and political establishment than in any other East European communist country. In that way Yugoslav economy and its people came in touch with (and later in possession of) valuable modern technology and know how. Besides, although the market component of the Yugoslav economic system was much weaker than its “socialist” component, the real meaning of basic market categories (like market (established) prices, credit obligations, interest rates...) in every day’s economic and business life were well known to the economists and businessmen in Yugoslavia. People in other East European countries, with centrally planned economies and fixed prices of all goods and services, without market corresponding finance and bank systems, had no such a knowledge at all.

The status of agriculture was a massive advantage to Yugoslav economic system. The right that an individual (private) farmer can be owner of up to 10ha of agricultural land was simply unthinkable in the countries with centrally planned economies, where farmers could individually own only between 0.1 and 0.25ha. In the former Yugoslavia, however, private owners possessed nearly 90% of all agricultural land and shared in the country’s agricultural production with 60-70%. The agricultural private sector provided relatively cheap nutrition nationwide and export surpluses as well, although it never got government subsidies to cover the loses (as it, for instance, has been a common policy in Western economies for the long time). On the contrary: the agricultural private sector had largely financed (through the unfavourable price policy and through the government’s income redistribution policy) inefficient socialist sector (“socially owned self managed” firms) in the other branches of the national economy during the whole period since the World War II.

As it can be seen from the statistics in Table 1, these advantages of the Yugoslav economic system had very few implications on the country’s economic performance. In this regard the differences to the other East European countries were moderate (apart from the very backward Romania and Albania), whereas the gap with the Western world increased enormously. Even, by Western standards, underdeveloped, neighbouring Greece, which had a lower GNP per capita than the majority of the Yugoslav provinces (i.e. its republics after the Second world war) at the beginning of 20th century, achieved a much higher GNP p. c. than any Yugoslav republic (with the exception of small Slovenia) in 1989. However, the above mentioned advantages of the Yugoslav economic system in comparison to the systems of the other East European communist countries, additionally supported by the political openness of the country toward West³, should have become the decisive factor in making much easier the process of political and economic transition, into which Yugoslavia entered in 1989/1990, together with other European ex-communist countries as well. It was expected not only by the domestic optimists, but also by many experts from the West that Yugoslavia would conduct its transition in market economic and democratic political system faster and easier than any other ex-communist country of Eastern Europe. Due such expectations can be explained unanimous support that received the economic reform plan of the last Yugoslav federal premier Ante Markovic by all important western institutions (European Community, USA, International Monetary Fund, World Bank...).⁴

³ In the sense that Yugoslav citizens had the right to travel and even stay to work (and live) in Western countries and to come back whenever they wished. Travelling in many western European countries was further encouraged by establishing a visa-free regime between them and former Yugoslavia.

⁴ For details see Jonathan Eyal, *Europe and Yugoslavia: Lessons from a Failure* (London: Royal United Services Institute for Defence Studies, 1993), 3-5.

2. Entering the reform process

The unsolved national animosities between several ethnical groups, which populated the territory of former Yugoslavia, in the time of its communist history, exploded as the key obstacle for its future integrated life when their (still united) country entered in the process of political democratisation and economic transition in 1989. All the above described advantages of the Yugoslav political and economic systems simply diminished with the start of civil wars in Croatia and Bosnia and Herzegovina (1991-1995), with the political and economic isolation of Serbia and Montenegro⁵ because of the involvement of its government in the wars in Croatia and Bosnia, with the permanent ethnical tensions between the Slavic majority and Albanian minority in Macedonia, and with NATO bombardment of the “new” Yugoslavia because of the Kosovo crisis in 1999. Five out of six constitutive republics of the former Yugoslavia (see Table 1 and 3) instead of progress sank into recession, crises and poverty during the last decade of 20th century.

Table 2
Foreign Direct Investment in East European Countries

	People (000)*	1989-91	1992-93	1994-95	1996	1997	1998	1999
Balkans								
- Albania	3,400	8	77	154	97	42	45	43
- Bosnia & Herzeg.	3,900	-	-	-	-	-	-	-
- Bulgaria	8,200	56	82	187	100	497	401	700
- Croatia	4,400	-	90	178	529	346	854	750
- Romania	22,500	55	170	758	263	1,224	2,040	1,345
- Serbia.& Mtnegro	10,600	-	-	-	-	-	-	-
- FYR Macedonia	2,000	-	-	37	12	18	175	30
Central Europe								
- Czech Rep.	10,300	-	1,535	3,275	1,388	1,275	2,485	3,500
- Hungary	10,000	1,957	3,810	5,599	1,987	1,653	1,453	1,550
- Poland	38,700	117	864	1,576	2,768	3,041	6,600	6,500
- Slovakia	5,400	106	268	452	251	177	508	500
- Slovenia	2,000	39	224	301	178	295	154	210
Baltic								
- Estonia	1,400	-	156	411	111	130	575	350
- Latvia	2,400	-	94	399	376	515	220	150
- Lithuania	3,700	-	30	103	152	328	921	400

* Estimated 1999, according to the World Bank country data
(<http://www.worldbank.org/data/countrydata/countrydata.html>)

Source: Transition report 1999, European bank for Reconstruction and Development, p. 79

The other transition countries of the region – Romania, Bulgaria and Albania have not suffered from civil wars, but they did not realise much better transition results either. At the beginning of the 1990s in the first free multi party elections after WWII in all of these countries reformed communists came (were returned) to power. They started their reforms very slowly and with no real strategy. On the domestic scene they enabled the bureaucracy of

⁵ These two republics continued to live together forming a new state union of only these two republics that kept the old name – Yugoslavia.

the old (new) regime to take over the profitable position in the economy,⁶ whereas in the international relations, because of the mutual suspicions, they restored political and economic relations with Western countries extremely slowly. As a result of such “policies”, the economic transition of these countries from its very beginning started to be followed by the enormous abuses of political connections and the growth of corruptions and crime, while the level of international investments and aid were much lower in comparison to the amounts received by the most prosperous transition countries of Central Europe and Baltic (Table 2).

Besides, because of their relatively intensive trade relations with Yugoslavia, these three countries together with Macedonia (and even Greece, though in much less volume) were strongly affected by UN sanctions against Serbia and Montenegro and by the NATO bombardment of “new” Yugoslavia in 1999 as well. Particularly strongly were affected the economies of Bulgaria and Macedonia, whose foreign trade was mostly (more than 50%) transited through the Yugoslav territory.⁷

Table 3
Growth in real GDP and Inflation in East European Countries

	1992		1994		1995		1996		1997		1998		1999		2000	
	GDP	Infl.	GDP	Infl.	GDP	Infl.	GDP	Infl.	GDP	Infl.	GDP	Infl.	GDP	Infl.	GDP	Infl.
Balkans																
- Albania	-7.2	236.6	9.4	15.8	8.9	6.0	9.1	17.4	-7.0	42.1	8.0	8.7	7.3	2.5	7.8	-1.2
- Bos. & H	-	-	-	-	-	-	-	-	-	-	-	-	9.9	3.2	5.9	4.6
- Bulgaria	-7.3	79.4	1.8	121.9	2.1	32.9	-10.1	310.8	-7.0	578.6	3.5	1.0	2.4	3.1	5.8	5.6
- Croatia	-11.7	938.2	5.9	-3.0	6.8	3.8	6.0	3.4	6.5	3.8	2.3	5.4	-0.4	4.1	3.7	6.5
- Romania	-8.8	199.2	3.9	61.7	7.1	27.8	4.1	56.9	-6.9	151.4	-7.3	40.6	-2.3	48.7	1.6	45.3
- Ser. & M*	-27.9	10,586	2.5	40.0	6.1	89.0	5.9	93.1	7.4	18.5	2.5	29.8	-15.7	56.4	5.0	76.8
- FYR Mc.	-8.0	1,935	-1.8	55.0	-1.2	9.0	0.8	-0.6	1.5	2.6	2.9	-3.1	0.0	2.7	4.3	8.0
C. Europe																
- Czech R.	-3.3	12.7	3.2	9.7	6.4	7.9	3.8	8.6	0.3	10.0	-2.3	6.8	-0.4	3.1	2.9	0.9
- Hungary	-3.1	21.6	2.9	21.2	1.5	28.3	1.3	19.8	4.6	18.4	5.1	10.3	4.2	8.4	5.2	7.5
- Poland	2.6	44.3	5.2	29.4	7.0	21.6	6.1	18.5	6.9	13.2	4.8	8.6	4.1	6.7	4.0	7.2
- Slovakia	-6.5	9.1	4.9	11.7	6.9	7.2	6.6	5.4	6.5	6.4	4.4	5.6	1.9	6.6	2.2	6.5
- Slovenia	-5.5	92.9	5.3	19.5	4.1	9.0	3.5	9.0	4.6	8.8	3.9	6.5	5.2	6.6	4.6	5.7
Baltic																
- Estonia	-14.2	953.5	-2.0	42.0	4.3	29.0	3.9	15.0	10.6	12.5	4.0	4.4	-1.1	3.9	6.4	5.3
- Latvia	-34.9	959.0	0.6	26.0	-0.8	23.1	3.3	13.1	8.6	7.0	3.6	2.8	1.1	7.4	6.6	4.3
- Lithuania	-21.3	1,161.1	-9.5	45.0	3.5	35.5	4.9	13.1	7.4	8.5	5.2	2.4	-3.9	3.2	3.9	2.1

* according to Statistical Yearbook of FR Yugoslavia, Belgrade, several issues

Source: Transition Report 1999, EBRD, pp. 73, 76

The coming of pro-western and pro-reformist (right-centrist) parties in power in Bulgaria and Romania in 1997, and in Albania two years earlier (1995) did not much change socio-economic situation in these countries. Although in contrast to the other transitional countries, economic transition in Albania was soon after the first years of the “beginnings shock” (1990-92) accompanied with rapid, and at first sight quite stable economic growth (see Table 3), this country is still by far to be defined as a successful transition country.

⁶ Marvin Jackson, “A Bumpy Transition in Southeastern Europe. Bulgaria and Romania Struggle to Beat the Odds”, Transition Newspaper, Jul-August-September 2001, The World Bank and William Davidson Institute (2001)

⁷ Transition report 1999, 86.

Albania's rapid non-inflationary growth in the mid of 1990s primarily resulted from its extremely low pre-transition basis, relatively large volume of transfers from Albanians working abroad and the effects of privatisation and liberalization of the (almost exclusively and only) agricultural sector.⁸ The best indicator of the instable situation in this country is the flow of the events in 1997 when Albania descended into near anarchy because of the collapse of pyramid saving schemes created by numbers of new founded private banks.

Table 4

The ranking of political and economic transition in East Europe and Successors states of former USSR

Rank		States	Score (average)
1999	1998		
1	1	Hungary	8.53
1	2	Slovenia	8.46
3	3	Poland	7.95
4	4	Czech Republic	7.80
5	5	Estonia	7.71
6	6	Latvia	6.74
7	7	Lithuania	6.62
8	10	Slovakia	6,53
9	8	Croatia	6.20
10	9	Bulgaria	5.88
11	13	Romania	4.74
12	11	Kazakhstan	4.61
13	22	Russia	4.49
14	15	Macedonia	4.06
15	17	Azerbaijan	3.64
16	15	Georgia	3.48
17	13	Kyrgyztan	3.38
18	24	Bosnia-Herzegovina	3.31
19	19	Ukraine	3.26
20	18	Armenia	3.09
21	11	Moldova	3.05
22	19	Uzbekistan	2.76
23	22	Turkmenistan	2.71
24	24	Albania	2.63
25	27	Tajikistan	2.30
26	26	Belarus	2.09
27	19	Yugoslavia*	1.69

* Serbia and Montenegro

Source: CEER, Investigation in the New Millennium, 1999

Despite the efforts of new governments to progress stronger and faster with reforms that resulted in much larger foreign investments in the period 1997-1999 (Table 2), the economic transition in Bulgaria and Romania continued to be overshadowed with the mismanagement, corruption and rise of crime.⁹ While the Bulgarian government still managed

⁸ That sector, which still contributed to this country's GDP with more than 50% in 1999, offered safe investment and relatively high returns in a short time for foreign investors (mostly ethnic Albanians) and stimulated in that way the activity of small business in construction, transport, trade and services. (for more details see Winkler, 2000)

⁹ Jackson (2001).

to significantly improve the country's economic performances after 1997, Romania recorded three consecutive years of negative economic growth (Table 3) that brought back (again) into power the reformed communists of Ion Iliescu on the elections held in the late 2000.

Under all above described circumstances it is not surprising that the outcomes of political and economic transition in Balkans were significantly behind those achieved in the transition countries of Central and North-Eastern Europe. The closer look at the rankings of all transition countries (East European plus Asian republics of former USSR) done by CEER's (Central and East European Research's) Board of Economics (Table 4) according to the average success in realising ten criteria of country political and economic transition¹⁰ shows that Croatia and even Bulgaria are very near to the most successful nations, but it still sound very optimistic the estimates who suggest that Bulgaria and particularly Romania could join the EU as soon as 2008.¹¹ The future of Croatia is, similarly to the position of Slovakia, still unclear. Economic reforms in both countries are going quite well and the most important reason why these two countries do not have the same treatment like the other transition countries of Central Europe and Baltic regarding EU accession policy is of a political nature. EU is not satisfied enough with the development of democracy and the rule of law in these two countries, especially with the recognition and respect of the ethnic minorities' rights in them (Serbs in Croatia and Hungarians and Roma in Slovakia).

The other Balkan transition countries, however, are much closer to the bottom of the list, especially (new) Yugoslavia¹², Albania and Bosnia and Herzegovina.

3. EU policy and prospects for integration

In the same way as the member states of the (at that time) European Community and the Community institutions as well, were totally unprepared for the revolutionary changes that happened in Eastern Europe as a whole in late 1989,¹³ they were also unprepared for the tumultuous events that occurred in the Balkans, especially on the territory of former Yugoslavia, at the beginning of the 1990s.

The strong support expressed by all EC institutions and all member states in the first half of 1991 for the existence of a united Yugoslavia U-turned to the EC recognition of Slovenian and Croatian independency in January 1992. It happened under extreme pressure from Germany, which together with Austria recognised the independence of these Yugoslav republics a month before as a "Christmas present" to the people in Slovenia and Croatia.¹⁴ In that way the European Community did not stop "Serbian troops (i.e. the Yugoslav army, which in that time was almost exclusively comprised of recruits from Serbia and Montenegro) of marching over Croatia" as it was said by German foreign minister Genscher while explaining

¹⁰ Economic strength, Balance of payments, Business ethics, Integration into World Economy, Liquidity/Ease of buying stocks, Rule of law, Price Stability, Productivity, Currency Stability/Investment Climate and Political stability.

¹¹ For more details see Claus Schulze "Hopes of EU Accession Countries in 2002 and Beyond", Transition Newspaper, Jan-Feb, 2002, Washington D.C./Ann Arbor: The World Bank and William Davidson Institute (2002).

¹² Yugoslavia (i.e. Serbia & Montenegro) was on the very bottom of the list in 1999, but it moved up after the overthrow of the backward dictatorship of (ex)communist Slobodan Milosevic in October 2000. The still unpublished Transition Report 2001 of the EBRD (www.ebrd.com) claims that Yugoslavia recorded the biggest improvement in the realization of transition tasks among all (27) transition countries in 2001.

¹³ Mayhew, Alan. Recreating Europe. The European Union's Policy towards Central and Eastern Europe. (Cambridge: Cambridge University Press, 1998), 11.

¹⁴ A very good chronology of the events that led to (and forced) disintegration of former Yugoslavia during 1991 and in the first half of 1992 is given by Jonathan Eyal in the above cited book.

the reason for that pressure,¹⁵ but it contributed to the eruption of civil war in Bosnia and lasting instability in Macedonia:

“Aware that they would not be able to stop Germany from recognising Croatia and Slovenia’s independence unilaterally, and eager to preserve a semblance of unity, EC member states hit upon another tactic. From a policy which promised not to recognise ‘secessionist’ republics, the EC turned full circle, and vowed to recognise all former Yugoslav entities...To make matters worse, in their determination to present their policy as one applicable to all former Yugoslavia (rather than a panicky response to German pressure), the EC governments forced two other republics, Macedonia and Bosnia, to take a stand. Both republics tried for more than six months to avoid making such a decision, but both ultimately had to face it, not so much because of developments on the ground, but because [of] the Community...”¹⁶

Indeed, the leaders of Bosnia and Herzegovina and Macedonia, two underdeveloped republics of former Yugoslavia with ethnically very heterogeneous populations,¹⁷ did not seek independency for their republics, although they did not want to stay in a common state without Slovenia and Croatia either. Fearing the dictatorial ambitions of Serbian president Milosevic, who as an orthodox communist blocked (federal prime minister) Markovic’s reforms from the beginning on and used Serbian nationalism attempting to become supreme ruler of Yugoslavia as it was his role model Tito, they did everything to persuade Slovenians and Croats to stay in Yugoslavia.¹⁸ However, when the latter got German and EC recognition they did not have many choices. They simply decided to follow the examples of the two most developed Yugoslav republics.

Hence, respecting the will of the vast majority of Slovenes and Croats to live in their own states and trying to help Yugoslav peoples to overcome the civil war in Croatia, the European Community, which after the Maastricht Treaty in December 1991 evolved into the European Union, officially recognised Yugoslavia’s disintegration at the very beginning of 1992. This recognition, unfortunately did not lead to the stabilization of the Balkans, but to further wars and ethnic conflicts that lasted until the very end of the 20th century and marked also the beginning of the new millennium. Instead of supporting the transition of their state(s) to a society of a developed political democracy and market economy that would jointly (if the common Yugoslav state stayed) become its new member, probably as early as in year or two, together with the above mentioned first group of ex-communist East European countries, EU

¹⁵ The bitter clashes in Croatia stopped mostly in late November 1991, not because of the (expected) EC recognition of its independency (besides, the USA recognised the independency of these two republics only in April 1992, when it decided to recognise the independency of all the Yugoslav republics, i.e. of Bosnia and Macedonia’s as well) but as the result of the plan for peacekeeping operations made by the UN special mediator, the US diplomat Cyrus Vance. Besides, Serbian rebellions in Croatia (supported by the army) had, more or less, finished “liberalisation” of the territories in Croatia where they lived as majority (the self-proclaimed “Republika Srpska Krajina”) by then, so they were not very interested in further fighting. Croatia’s government, with very weak militia forces and with no real army at that time, was not willing to continue fighting either, though it was extremely unsatisfied with the “foreign occupation” of around 1/3 of the territory of its new state.

¹⁶ Eyal (1993), 46-47 and 49-50.

¹⁷ According to the census of 1991, Bosnia and Herzegovina was populated by 44% Slavic Muslims, 33% Serbs, 19% Croats and 4% others, whereas the two dominant ethnic groups in Macedonia were Macedonians (67%) and Albanians (22%).

¹⁸ At the last attempt, Bosnia and Macedonia’s leaders, Izetbegovic and Gligorov offered in the beginning of 1991 a compromise in the form of a so-called “Asymmetric federation”: Serbia, Macedonia, Bosnia-Herzegovina would make federation, whereas Croatia and Slovenia would be in confederation with them. However, Milosevic who wanted only a “real” federation (if possible under his domination) and Slovenes and Croats, who had already prepared for the proclamation of independence and did not want any form of Yugoslavia any more, never seriously discussed this offer.

had to help the millions of citizens of former Yugoslavia to realize their existential right to live. Instead of sending modern technology and know how to Yugoslav firms, the member states of the EU, together with other most developed countries of today's world and numerous international economic and humanitarian organizations as well, were sending for almost a decade food, shelter, medicine and medical equipment to the victims of war in different parts of former Yugoslavia. Sometimes, via its military organization (NATO) they also sent bombs and missiles for the "bad guys". Instead of hosting Yugoslav businessmen EU member states hosted millions of Yugoslav refugees.

As already mentioned, the other ex-communist countries of the region, Romania, Bulgaria and Albania did not suffer from civil wars, but they had a bunch of other problems that limited success of the necessary reforms. The lack of the EU Eastern strategy was also the one (serious) of these problems. As a result, apart from the relatively moderate volume of financial aid and loans,¹⁹ during the very important first three years of transition these countries, like the vast majority of other transition countries (all except Hungary – see Table 2) were not only without necessary Western investments, but without any serious consulting support either:

“During the events of 1989 and 1990, and indeed through to the independence of the Baltic countries in 1992, it is clear that Western leaders were slightly behind events, at least as far as understanding their real significance was concerned.”²⁰

However, after the “first shock”, the European Council adopted the mandate (to Commission) to start negotiation about the Association Agreements with Hungary, Poland and Czechoslovakia in December 1990. Although these first agreements (signed only one year later on 13 December 1991) did not include any objective about their future accession to the EC (i.e. EU), they did provide a significant help to the governments of ex-communist countries by defining and designing the directions and dynamic of their transition policy(ies). Already in February and March 1993, Romania and Bulgaria, respectively, signed their Association Agreements as well. In that time, the EU strategy toward the East was already much more profiled, after the European Council (in Edinburgh in December 1992) accepted “the goal of eventual membership in the European Union for the countries of Central and Eastern Europe when they are able to satisfy the conditions required”.²¹ However, the early signing of the Associate Agreement and early formal membership application,²² were not a guarantee for the fast satisfactions of the criteria and conditions required for EU membership. A look at the *Accession negotiations state of play* (given as the Appendix to this paper) shows that Bulgaria and Romania are well behind of any of the candidate countries regarding the closed chapters. In addition, Romania is the only one in the list, which has still unopened chapters (even 5) for negotiations. It is really unclear where the above-mentioned optimism of the European

¹⁹ The European Council started quite early a programme of financial assistance in the form of grants for the projects aimed at economic restructuring (PHARE programme). Although in the first two years of the implementation of this programme (1990-91) Albania (ECU 10 million), Bulgaria (130 million) and Romania (150 million) received through this programme more than through foreign direct investment, the importance of this assistance must not be overestimated. The aid received through this programme (the total volume distributed to all East European countries from 1990 to 1996 was ECU 6.6 billion (for details see Mayhew, 1998, 138-145) and through the other similar donation programmes as well was always marginal in comparison to the volume of foreign direct investment (see Table 2) in Hungary, Poland, Czech Republic and in the other most successful transition countries.

²⁰ Mayhew (1998), 13.

²¹ Ibid, 26.

²² Romania applied on 22 June 1995, and Bulgaria on 14 December 1995. It is interesting that both applications came before those of Czech Republic and Slovenia, who applied in 1996.

Commission that these two countries, particularly Romania, would be able for the EU membership already in six years is coming from.

In the last few years, after the NATO bombardment of Serbia and Montenegro, and particularly after Milosevic's overthrow from power in Serbia in October 2000, the EU has taken a much more constructive approach to the Balkans. During that time an EU Balkan strategy was designed²³ that try to take a united approach (policy) toward Albania, Bosnia and Herzegovina, Croatia, Yugoslavia (i.e. Serbia and Montenegro) and (the Former Yugoslav Republic) Macedonia²⁴. Through that strategy EU tried to coordinate international (Western) political and economic engagement in these countries not only by offering them "Stabilisation and Association Agreements" (already signed with Macedonia and Croatia last year), which are in general very similar to those signed almost ten years earlier with today's membership candidate from Eastern Europe, but also by taking an active role in solving (ever coming again) political crises and wars in the region. Recently, the EU Council's Secretary-General, Javier Solana was very successful in stopping a new ethnic war in Macedonia (between Albanian minority and Slavic majority) at its very beginning, as well as preventing the potential civil war in Montenegro, convincing the Montenegrin government to postpone on three years the proposed referendum about state independence that would sharply divide its small population (about 700,000 people) into two almost totally equal parts.

However, such a decisive actions are today, unfortunately necessary in almost any aspects of life in the former communist states of the Balkans, but particularly in the economy. If economic development is the right answer (and it is) for a solution to the (still) many political uncertainties, which exist in this part of world, the EU (as a leading factor and representative of international community in the Balkans) must vigorously support economic transition and development in the region. The EU institutions and its representatives must not wait for the people from the Balkans to come to Brussels, Berlin, Paris or London with (good) investment projects, but they should come in Bucharest, Sofia, Belgrade... and bring projects (and money, of course). Now, when all the Balkan states have democratic governments ready and willing to transform their countries in the direction that would guarantee rapid accession to the EU, the EU policy of international assistance (the same is with the other most developed countries of today's world as well) known as "sticks and carrots"²⁵ must be toward the Balkans reformulated in the policy of "very little sticks (only if really necessary) and much, much bigger carrots". The reasons for that are not only those related to the humanitarian grounds and to the (empty) statements that the Balkans is in Europe, that it is a vital part of Europe... but also the fact that it is much cheaper financing the development of an underdeveloped society today than financing its post-war reconstruction and thousands of military and civilian peacekeepers (or even peacemakers) tomorrow in the case of that society going in the wrong direction, primarily because – it had stayed economically and culturally far less developed than the civilized world.

Concluding Remarks

Because of a specific set of historical events, and much more because of the very negative consequences of those events, the Balkan peoples have been totally unprepared for the process of the political and economic transition of their countries after the collapse of communism in Eastern Europe in 1989. From bad to worse, in the territory of former Yugoslavia they have understood the transition process as a "good opportunity" for settling the

²³ see Patten (2001).

²⁴ The latter has so long name because neighbouring Greece does not "allowed" the use of simpler Macedonia fearing the aspiration on its north province, which is also called Macedonia.

²⁵ Patten (2001), 5.

mutual “unpaid bills” from the past. The international community and the European Union were also unprepared for the events that happened in this part of the world after 1989. That all developed in the tragic history of Balkan peoples and their states in the last decade of 20th century. Now has come the time, when they need desperately not only (financial) help and advice, but also direct guidance from the developed part of the world. The EU must not fail again. It must directly supervise and take full responsibility for the further development of Balkan states.

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[Appendix](#)

EU Accession Negotiations: State of Play

No	CHAPTER	CYP	CZECH	EST	HUN	POL	SLO	BUL	LAT	LIT	MAL	ROM	SLK
1	Free movement of goods	X	X	X	X	X	X	X	X	X	X	***0	X
2	Free movement of persons	X	X	X	X	X	X	X	X	X	X	***0	X
3	Free movement of services	X	X	X	X	X	X	X	X	X	X	~	X
4	Free movement of capital	X	X	X	X	X	X	X	X	X	X	*0	X
5	Company law	X	X	X	X	X	X	X	X	X	X	X	X
6	Competition	X	0	X	0	0	X	*0	X	X	0	0	0
7	Agriculture	0	0	0	0	0	0	***0	*0	*0	X	~	*0
8	Fisheries	X	X	X	X	X	X	*X	X	*X	0	X	X
9	Transport	X	(X)	X	X	X	X	*0	X	X	X	*0	X
10	Taxation	X	X	X	X	X	X	X	X	X	*0	**0	X
11	EMU	X	X	X	X	X	X	X	X	*X	X	X	X
12	Statistics	X	X	X	X	X	X	X	X	X	X	X	X
13	Social policy	X	X	X	X	X	X	X	*X	X	X	X	X
14	Energy	X	X	0	X	X	X	**0	*X	X	*X	***0	X
15	Industry	X	X	X	X	X	X	X	X	X	X	~	X
16	SMEs	X	X	X	X	X	X	X	X	X	X	X	X
17	Science and research	X	X	X	X	X	X	X	X	X	X	X	X
18	Education and training	X	X	X	X	X	X	X	X	X	X	X	X
19	Telecommunication	X	X	X	X	X	X	X	X	X	X	0	X
20	Culture and audiovisual	X	X	X	0	X	X	X	X	X	X	0	X
21	Regional policy	X	X	X	0	0	0	**0	X	X	*0	***0	*0
22	Environment	X	X	X	X	X	X	**0	X	X	*0	***0	X
23	Consumers and health protection	X	X	X	X	X	X	X	X	X	X	**X	X
24	Justice and home affairs	X	X	X	X	0	X	*0	X	X	X	***0	X
25	Customs union	X	X	X	X	X	X	*0	X	X	*0	*0	X
26	External relations	X	X	X	X	X	X	X	X	X	X	X	X
27	CFSP	X	X	X	X	X	X	X	X	X	X	X	X
28	Financial control	X	X	X	X	X	X	*0	X	X	X	***0	X
29	Financial and budgetary provisions	0	0	0	0	0	0	**0	*0	*0	*0	~	*0
30	Institutions	X	(X)	X	(X)	X	X	X	(X)	X	X	X	X
31	Other												
Chapters opened (1)		30	30	30	30	30	30	30	30	30	30	24	30
Chapters closed (2)		28	25	27	24	25	27	20	27	28	23	12	26

0 : Chapter opened, under negotiation

X : Chapter provisionally closed

(X) : Chapter for which the provisional closure proposed in the EUCP has not been accepted by the candidate country.

***** : Chapter opened to negotiations under the Swedish Presidency

****** : Chapter opened to negotiations under the Belgian Presidency,

******* : Chapter opened to negotiations under the Spanish Presidency

~ : Chapter not yet opened to negotiations.

