

## CHAPTER 7.

# THE WESTERN BALKANS COUNTRIES RELATIONS WITH THE EU: DEVELOPMENT AND PERSPECTIVES<sup>1</sup>

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### *Abstract*

*The development of relations between Western Balkan countries and European Union represents very complicated and long-term process. During past few decades, Western Balkan countries made significant progress in that process, and as their primary goal defined common future with EU. Membership in the EU is a great incentive to the reforms, economic growth, democracy development, institutional frame constitution and stabilization in the whole region. Still there are lots of barriers and problems which obstruct those countries in their way of euro-integrations. To continue successful cooperation WB countries need to make effort in reforms implementation and approaching to European Union standards and values. In return, EU need to give full support and build appropriate capacities for preparation of Western Balkan countries for future membership. It is obvious that the association process will take a few more years. Countries of this region need to continue mutual cooperation and dialogue on all levels in order to avoid complications in relations and enlargement fatigue.*

**Key words:** *Western Balkans, EU, relations, economic relations, perspectives, enlargement*

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## **DEVELOPMENT OF WESTERN BALKANS RELATIONS WITH THE EU**

### **Background**

The Western Balkan is geopolitical term and refers on region of six countries: Serbia, Croatia, Bosnia and Herzegovina, Former Yugoslav Republic of Macedonia, Albania and Montenegro, also known as „Ex Yugoslavia minus Slovenia, plus Albania“. This region has been the focus of the European Union in recent years, for several reasons. Firstly, Western Balkan countries were always considered as a historical and geographical part of Europe. Secondly, political instability and conflicts in these countries during last decade of 20th century, low standard of living and mass emigration caused serious of negative externalities on EU member states, so they started an initiative for stronger involvement in this region. For that reason, Western Balkan have a place in the EU enlargement plans. Three Western Balkan countries, Croatia, Montenegro and the Former Yugoslav Republic of Macedonia (FYROM), have already gained the status of candidate countries, whereas Bosnia and Herzegovina, Albania and Serbia have been granted potential candidate status so far.

In early 1990`s relations between EU and WB region were on minimal level, because all countries, except Albania, were part of Yugoslav Federation and during that period (Bosnian war) EU wanted to keep the problem at distance. After Bosnian crisis EU was slowly approaching Western Balkans. EU started to recognise the Balkans more as part of Europe rather than a region far from its doors. After NATO intervention in Serbia and Montenegro in 1999, EU paid more attention on how to introduce more comprehensive approach into the entire region, including the question of its integration. In 2000 in Santa Maria de Feira, Portugal, European Council confirmed that the Western Balkan countries will be potential candidates for EU membership. The first meeting of WB countries` representatives with EU was held in Zagreb in November 2000. They all agreed to proceed with the “Stabilizations and Association Process” (SAP) and to start democratic, economic and institutional reforms in order to reach possible candidate status. The European Union declared on Zagreb Summit a single Community aid program for the countries participating in the stabilisation and association process, entitled CARDS (Community Assistance for Reconstruction, Democratization and Stabilisation) and these five WB countries (Montenegro was part of Federal Republic of Yugoslavia) were be endowed with a financial reference amount of EUR 4.65 billion for the period 2000-2006 as support of the

democratic, economic and institutional reforms<sup>4</sup>. Between 2007 and 2010, around **€430 million** has been allocated either to IPA projects supporting regional cooperation or activities addressing common needs in the region.

The next important meeting was Thessaloniki Summit in 2003 which confirmed that the future of the Western Balkans lies within the EU. Stabilisation and Association Process (SAP) is established as the main framework for the European course of the Western Balkan countries, and progress of each country towards the EU depends on its own merits in meeting the Copenhagen criteria and the conditions set for the SAP<sup>5</sup>. After signature, document requires ratification by all European Union member states as well as the parliament of the specific country. Ratification of SAA binds respect for democratic principles, human rights and the rule of law, the establishment of a free trade area with the EU and they set out rights and obligations in area such as competition, state aid rules and intellectual property. The centerpiece of the SAP is the conclusion of a stabilisation and association agreement (SAA), which represents a contractual relationship between the EU and each Western Balkan country, entailing mutual rights and obligations. Main goals of SAP are:

- Stabilizing the countries and encouraging their swift transition to a market economy;
- Promoting regional cooperation; and
- Eventual membership of the EU<sup>6</sup>.

All countries sooner or later successfully got through process of visa liberalization. Albania and Bosnia and Herzegovina were last in the region that enabled their citizens to travel through Schengen countries without short term visa. Croatia is the nearest WB country that opened the way to membership. EU representatives announced that Croatia is going to become EU member state at 1<sup>st</sup> July 2013. Croatia and Serbia have the most stable institutional systems region-wide, but the chances of Serbia for membership are still quite small. Albania submitted its application for EU membership on 28 April 2009. On 16 November

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<sup>4</sup> Balkans: Zagreb Summit 24 Nov 2000 - Final Declaration, 24.11.2000, available at <http://reliefweb.int/node/72698>

<sup>5</sup> Report from the Commission: The Stabilisation and Association process for South East Europe-First Annual Report, available at [http://eur-lex.europa.eu/smartapi/cgi/sga\\_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=502DC0163](http://eur-lex.europa.eu/smartapi/cgi/sga_doc?smartapi!celexplus!prod!CELEXnumdoc&lg=en&numdoc=502DC0163)

<sup>6</sup> European Commission, The Stabilisation and Association Process, available at [http://ec.europa.eu/enlargement/enlargement\\_process/accesion\\_process/how\\_does\\_a\\_country\\_join\\_the\\_eu/sap/index\\_en.htm](http://ec.europa.eu/enlargement/enlargement_process/accesion_process/how_does_a_country_join_the_eu/sap/index_en.htm)

2009 the Council asked the Commission to prepare an opinion on the country's application. The Commission adopted its Opinion on 9 November 2010.

Serbia is facing particular problems of political nature that hamper EU accession, although arrested and transferred war criminals in the International Criminal Tribunal in Hague. Belgrade needs to cope with the problem of Kosovo, because country can't pass Copenhagen criteria if have bad neighbourhood relations or no fixed borders. Macedonia gained candidate member status, but situation is not so bright. Skopje needs to sort out the "name issue" with Athens, which proves to be an important identity dispute for both countries.

*Table 1. Western Balkans countries progression overview in EU integrations*

<b>Events</b>	<b>Croatia</b>	<b>Serbia</b>	<b>FYR Macedonia</b>	<b>Monte- negro</b>	<b>Albania</b>	<b>B&amp;H</b>
The start of negotiations for SAA	2000	2005	2000	2006	2003	2005
The signing of SAA	2001	2008	2001	2007	2006	2008
The ratification of SAA	2004	2010	2004	2010	2006	2008
The date of the membership submit for EU	2003	2007	2004	2008	2009	2007
The acceptance of the status of the candidate country	2004	/	2005	2010	/	2008
The start of the negotiations for joining to EU	2007	/	2009	2011	/	/
The acquisition of the status of member state	2013	/	/	/	/	/

*Source: European Commission*

### **Economic and trade relations**

Regional cooperation is very important for stimulating economic development and good neighbor relations among countries in region and creates great basics for integration process improvement. From the economic aspect, regional economic initiatives can improve the business environment, attract investors and

contribute to prosperity and growth, thus, speeding up the accession process<sup>7</sup>. First step in EU integration Western Balkan countries started on similar way as the previous SEE countries – with trade liberalisation. On the one hand, they have progressed in signing and, in some cases, implementing bilateral free trade agreements, establishing free two-way trade in manufacturing and goods. Simultaneously, the EU mediated the regional reintegration of the WB countries, aiming at starting inter-regional trade and investment flows in creation grounds for multilateral economic arrangements in the Western Balkans. This last priority has been established through the regional trade agreement (CEFTA – Central European Free Trade Agreement) by linking all the Western Balkans and Moldova. EU suggested the creation of the "Balkan zone of free trade". This idea has been rejected by the Croatian authorities who have seen it as an attempt to revive the type of integration similar to that in former Yugoslavia. The basic thesis of their rationale rests upon the opinion that the integration of Croatia with the countries that did not move far in the process of joining the European Union would slow down the negotiations that had already started<sup>8</sup>. As an alternative, it was proposed to enlarge the CEFTA agreement. The realization of this idea was done in late 2006 when, at the summit of the CEFTA in Bucharest, all WB countries and Moldova signed their integration into the organization. It replaces a previous bilateral free trade agreement, thereby setting uniform trade rules across the region. CEFTA entered into force for all Parties in November 2007. Although not a party to CEFTA, the EU supports the process, which it sees as complementing the Stabilisation and Association process.

Table 2. Share of WB countries' total export and import in EU, in 2010, in %

	<b>Total merchandise export</b>	<b>Total merchandise import</b>
<b>Albania</b>	70.0	64.6
<b>Serbia</b>	57.3	56.0
<b>Montenegro</b>	55.9	37.7
<b>FYR Macedonia</b>	56.2	52.2
<b>Bosnia &amp; Herzegovina</b>	54.4	45.9
<b>Croatia</b>	61.1	60.1

Source: WTO; <http://stat.wto.org>

<sup>7</sup> European Commission, Regional Cooperation, available at [http://ec.europa.eu/enlargement/projects-in-focus/regional-cooperation/index\\_en.htm](http://ec.europa.eu/enlargement/projects-in-focus/regional-cooperation/index_en.htm)

<sup>8</sup> Edfana Teri, Pipa Donila, *The European Perspective of Western Balkans*, West University of Timisoara, Faculty of Economy and Business Administration, Albania, p.1110, available at [http://www.upm.ro/facultati\\_departamente/stiinte\\_litere/conferinte/situl\\_integrare\\_europeana/Lucrari3/istorie/113\\_Donila%20Pi%20WESTERN%20BALKAN1-1.pdf](http://www.upm.ro/facultati_departamente/stiinte_litere/conferinte/situl_integrare_europeana/Lucrari3/istorie/113_Donila%20Pi%20WESTERN%20BALKAN1-1.pdf)

The biggest part of imports and exports of Western Balkan countries is oriented to EU. This is very important indicator on how crucial is improvement of economic and trading relations with EU member states. In 2010 the largest share of all its exports and imports to EU has Albania with 64% of import and 70 % of total export oriented to market of European Union. The less dependant country on EU market of goods is Montenegro with 37% of import and 56% of total export oriented to EU. In 2006 – 2010 period EU had positive trading balance with Western Balkans, in every single year. The highest was in 2008 with 19.1 billions of euro, with the highest trading volume in same year.

*Table 3. European Union, trade with Western Balkan Countries, millions of euro, %*

<b>Period</b>	<b>Imports</b>	<b>EU Share of total Imports (%)</b>	<b>Exports</b>	<b>EU Share of total Exports (%)</b>	<b>Balance</b>	<b>Trade</b>
<b>2006</b>	11.573	0,9	25.204	2,2	13.631	36.777
<b>2007</b>	13.347	0,9	29.367	2,4	16.020	42.714
<b>2008</b>	13.929	0,9	33.030	2,5	19.101	46.958
<b>2009</b>	11.195	0,9	25.459	2,3	14.264	36.654
<b>2010</b>	13.830	0,9	26.510	2,0	12.680	40.341

*Source: EUROSTAT*

In 2010 EU goods exports to the Western Balkans are €26,5 billion, and goods imports from the Balkans: €13,8 billion, so export/import ratio is 1.92. Effects of global economic crisis are evident in 2009, because during that year is recorded lowest trading volume in past 5 year with 36.6 billions of euro. Average share of total exports to WB is this 5-year period is 2.3%, and imports are 0.9. Concerning WB countries, they had negative trading balance with EU in every year, the largest in 2008.

Average share of total imports is 66.6% and share of total exports from WB to EU is 66% durin 2006-2010 period. This indicates that all WB states are dependent on EU market and they import almost as twice more than they export to European Union. This is quite normal, because economies of WB countries are not export oriented and in observed period generally had negative balance account.

Table 4. Western Balkan Countries, trade with European Union, millions of euro, %

Period	Imports	WB Share of total Imports (%)	Exports	WB Share of total Exports (%)	Balance	Trade
2006	17.839	66,5	8.577	68,9	-9.262	26.416
2007	19.635	66,5	9.379	67,2	-10.256	29.015
2008	22.457	66,5	9.827	66,4	-12.630	32.284
2009	16.782	66,9	7.591	63,3	-9.191	24.373
2010	17.271	66,7	9.431	64,5	-7.841	26.702

Source:EUROSTAT

Of great importance for the WB countries is the possibility of using autonomous trade preferences which were granted by the EU in the year 2000. Preferences represent duty-free access to the EU markets for nearly all products

The use of trading preferences could be helpful for the political stability and could speed up the economical development and support the process of economical integration of the states in the entire region.

### Foreign direct investments

The development and the improvement of the economical relations between the EU and the Western Balkan caused rise of interest by the European investors. For a longer period of time, they had the leading position on most of the investment markets on the Western Balkan. It could be explained by several factors: geographical proximity, possibility for investors to expand their own markets and familiar business environment and familiar standards.<sup>9</sup> Data shown in the table represent the situation in the period between 2000 and 2009.

<sup>9</sup> Valerija Botric, Foreign Direct Investment in the Western Balkans: Privatization, Economic Institutional Change and Banking Sector Dominance, Economic Annals , Volume LV, No. 187 / October - December 2010, p. 11-12, available at <http://www.doiserbia.nb.rs/img/doi/0013-3264/2010/0013-32641087007B.pdf>

Table 5. Foreign Direct Investment (million EUR)

Countries	Outward FDI			Inward FDI		
	2000	2005	2009	2000	2005	2009
<b>EU-27*</b>	142 278	239 454	263 335	58 286	129 167	221 734
<b>Croatia</b>	5	192	919	1 141	1 468	1 875
<b>FYROM</b>	-1	2	9	233	77	181
<b>Serbia</b>	2	18	38	56	1 268	1 410
<b>Montenegro**</b>	-0	4	33	76	384	944
<b>Kosovo*</b>	0	0	10	43	108	288
<b>Bosnia &amp; Herzegovina</b>	0	-0	3	159	493	361
<b>Albania</b>	0	0	0	157	209	680

Source: Eurostat, *Pocketbook on the enlargement countries*

(\*) 2004 instead 2000

(\*\*)2002 instead 2000

In the majority of Western Balkan countries income of direct foreign investments from the EU was increased from 129 billion (2005) to almost 222 billion EUR (2009), which was almost 70% rise. Albania achieved the highest upgrowth. In Albania the income FDI from the EU in 2009 was 680 million EUR (which is an increase of 225% since the year 2005). In Kosovo, FDI from the EU in 2009 rose to 288 million EUR (166% growth). In Montenegro in 2009, FDI from the EU was 944 million EUR (145% growth) and reached more than 80% on the total FDI. In FYROM in 2009 were noted FDI in the amount of 181 million EUR (135% growth) which represents 60% of total FDI. In Serbia and Croatia growth rate of FDI from the EU were slower, so that in Croatia in 2009 the income FDI was 1.875 billion EUR (28% growth), while the rate of FDI in Serbia was 1.410 billion EUR (11% growth).

Decrease of income of FDI was noted only in one state, Bosnia and Herzegovina. In 2009, FDI from the EU was 361 million EUR which is a decrease of almost 27% compared to the year of 2005. As a main reason it was stated that “Net FDI outflows in the financial sector caused by constraints in the home markets of some parent banks”.

Inflows of FDI is one of the key factors which can help to enforce economic growth, increase trade potential, bring new technologies and know-how, create



new jobs and improve working conditions. That's why Western Balkans countries should pay great attention to creation of conditions which could help to attract more FDI.

## **EU FINANCIAL AID**

Financial support is a very significant element of the economical relations and the key factor for the full strategy of the EU towards the states of the Western Balkan. Throughout different programs and specific instruments, the states of the Western Balkan, starting from 1991, had been receiving financial help which was above all directed to the support of the integration process, improvement of the regional cooperation, development of infrastructure and of different sectors, support to the reforms etc. In different stages, various programs and instruments were used. As the most important are considered PHARE (originally „Poland and Hungary: Assistance for Restructuring their Economies“), CARDS (Community Assistance for Reconstruction, Development and Stabilization) and IPA (Instrument for Pre-Accession Assistance).

## **PHARE and OBNOVA**

The PHARE program was set up in 1989, initially intended for Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovenia and Slovakia, was expanded to three other states of Western Balkan – Albania, Bosnia and Herzegovina and Macedonia (FYROM)<sup>10</sup>. The main goals referring to the countries of Western Balkan were directed to supporting of administrative and institutional reforms and the development of the infrastructure. As a part of PHARE program in the period of 1990 to 1999, Albania received 347.71 million EUR, Bosnia and Herzegovina 199.72 and Macedonia 110.29 million EUR<sup>11</sup>. As an additional instrument of financial aid in the year of 1996, the program OBNOVA was established. It was supposed to give support in post-conflict reconstruction for the countries of Western Balkan (excluding Albania) with association of the PHARE program. In the period between 1996 and 2002, under the program was paid off around 400 million EUR<sup>12</sup>.

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<sup>10</sup> European Commission. The Phare Programme, available at [http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/phare/index\\_en.htm](http://ec.europa.eu/enlargement/how-does-it-work/financial-assistance/phare/index_en.htm)

<sup>11</sup> European Commission, „The Phare Programme. Annual Report 1999“, available at [http://ec.europa.eu/enlargement/archives/pdf/financial\\_assistance/phare/phare1999\\_en.pdf](http://ec.europa.eu/enlargement/archives/pdf/financial_assistance/phare/phare1999_en.pdf)

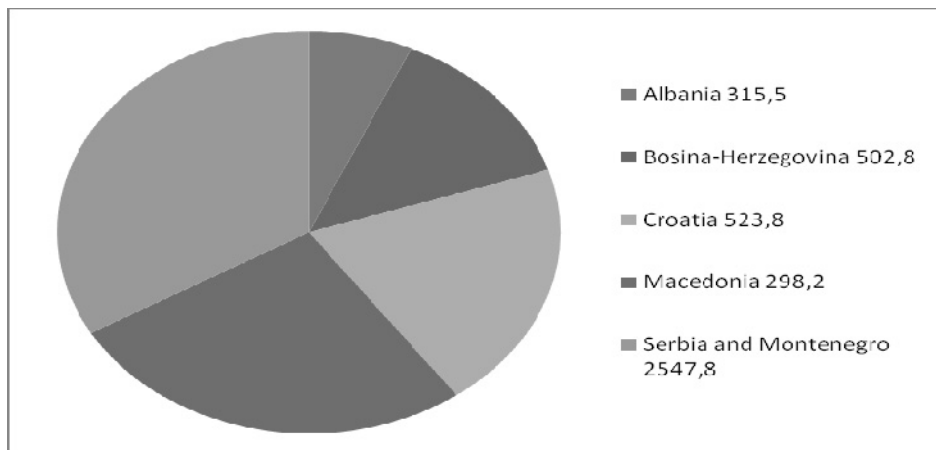
<sup>12</sup> Ministry of Foreign Affairs and European Integration, „Obnova“, available at <http://www.mvpei.hr/ei/default.asp?ru=616&sid=&akcija=&jezik=2>

The first financial instruments had their faults, for example inefficient usage of resources, insufficient coherency and coordination between the programs.

## CARDS

The next phase of the financial support from the EU was in the period between 2000 and 2006. In 2000, as a reaction to signing an agreement of Stabilization and Association Process, a new financial instrument was conceptualized, named CARDS (totalling 4 650 mil.EUR), above all directed to the support of the international process, regional stabilization, support to the democracy and creating of a new law and institutional frame, economical reforms and sustainable economical development, elimination of social problems, development of relations and encouragement of all levels of cooperation between the states and the EU, also between the states in the region<sup>13</sup>. Apart from that, the new financial instrument was supposed to eliminate the faults noted during the realization of the previous programs.

*Graph 1. CARDS Programme Allocation for 2000-2006 (million EUR)*



*Source: European Comission, CARDS, Financial Statistics (2000-2006)*

Even if CARDS was better structurally developed and adjusted to the needs of the states of the Western Balkan, disadvantages were noted again, disabling the possibility of using the resources more carefully. The problems referred to

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<sup>13</sup> European Council, „Council Regulation (EC) No 2666/2000 of 5 December 2000”, available at [http://ec.europa.eu/enlargement/pdf/financial\\_assistance/cards/general/2666\\_00\\_en.pdf](http://ec.europa.eu/enlargement/pdf/financial_assistance/cards/general/2666_00_en.pdf)

insufficient regional dimension and building of an institutional and legal frame, on a high level of centralization and inefficient implementation of the reforms.

## IPA

In 2007, there was a change again and all of the previous financial instruments were replaced with a new one - Instrument for Pre- Accession Assistance (IPA), which was intended for the period between 2007 and 2013, with the main goal of supplying help in the amount of 11.5 billion EUR.

The main assignment of IPA was creating a simpler and more efficient framework of help, which would support and relieve the preparation of the states of Western Balkan for the membership in the EU.

The new instrument includes 5 basic elements: transition assistance and institutional building, cross-border cooperation, regional development and rural development. Also, those 5 elements are available only for the candidate countries, while the first 2 are available for the potential candidates as well.

The average annual allocation from the IPA per country between 2007 and 2011 is €694 million. Altogether, the total average Community allocation for the Western Balkans in the coming years is around €800 million (EC 2008b). The highest overall EU financial assistance per inhabitant is foreseen for Montenegro (because it is a very small country), Croatia and FYROM (which have the formal status of EU candidates) and for Kosovo (to ensure stability and security).

Table 6. Finance assistance allocation (million EUR)

Country	2007	2008	2009	2010	2011	2012	2013
Croatia	141,2	146,0	151,2	154,2	157,2	160,4	162,9
Fyrom	58,5	70,2	81,8	92,3	98,7	105,8	117,2
Serbia	189,7	190,9	194,8	198,0	201,9	205,9	214,7
Montenegro	31,4	32,6	34,5	34,0	34,7	34,2	35,4
Kosovo	68,3	184,7	106,1	67,3	68,7	70,0	73,7
Bosnia and Herzegovina	62,1	74,8	89,1	106,0	108,1	110,2	118,1
Albania	61,0	73,8	81,2	94,2	95,0	96,2	98,1

Source: European commission

It is expected that the countries of Western Balkan will build suitable capacities, which will enable better coordination and usage of funds. That is a challenge which won't be easy to fulfill. There is a question if the states are ready to supply

the suitable institutional frame and arrange the help efficiently. As the practice has shown during the realization of pre-accession help, the states of Western Balkan had been facing various problems. For example, according to the Multi-annual Indicative Planning Document (MPID 'is designed to provide information on the indicative breakdown of the overall IPA envelope'<sup>14</sup>) from 2009 to 2011 in Croatia was noted an insufficient approach in the administration for the preparation of the infrastructural projects. Also, in some cases, a negative impact also had the common organizational changes in management.

Albania was criticized for the lack of inter-institutional cooperation and fulfilling of report standards. Macedonia faced a lack of political support in specific political fields. Apart from that, the problem was in low administrative capacities and the lack of national ownership over projects. In Bosnia and Herzegovina propositions of projects which could carry political risks were noted, also, a lack of suitable legal-regulatory and institutional frame was noted. In Serbia the problems referred to too complicated project identification process, insufficient administrative capacities, low coordination of state institutions with the authorities of the EU responsible for the financial aid. Montenegro accomplished the best results in absorption and distribution of the financial aid, where no serious faults were noted.

#### **PERSPECTIVES ON FUTURE DEVELOPMENT OF RELATIONS EU AND WESTERN BALKAN COUNTRIES**

The countries of the Western Balkan made significant progress in developing relations with the EU during the last two decades. It is obvious that the main result of longterm cooperation of every single WB country should be membership in European Union. The question is: when is that goal finally be accomplished?

The states of the Western Balkan are on different levels of pre-joining process and it is still not known when and which state will become a full member of the EU. Relatively certain we can only be when it comes to Croatia, which finished the joining negotiations with the EU in June this year and after the ratification of the association agreement, which will become the 28<sup>th</sup> member state.<sup>15</sup> Joining

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<sup>14</sup> European Commission, „Communication from the Commission to the Council and the European Parliament. Instrument for Pre-Accession Assistance (IPA), Multi-Annual Indicative Financial Framework for 2010-2012”, available at [http://ec.europa.eu/enlargement/pdf/press\\_corner/key-documents/reports\\_nov\\_2008/miff\\_2010\\_2012\\_en.pdf](http://ec.europa.eu/enlargement/pdf/press_corner/key-documents/reports_nov_2008/miff_2010_2012_en.pdf)

<sup>15</sup> It is estimated that association contract will be signed until end of 2011 and come into force on 1st 2013

Croatia “ will be a major step in the historic project of integrating the Western Balkans into the EU”<sup>16</sup>.

During accession negotiations the European Commission will supervise the completion of all the obligations that Croatia has with focus on judiciary and fundamental rights; justice, freedom and security; as well as competition policy.<sup>17</sup>

Macedonia also has the candidate status, but before the official accession negotiations begin, it will have to resolve the quarrel with Greece concerning the state’s name. Macedonia should also focus on encouraging and attracting foreign investments, which are currently on an unsatisfactory level. Their lack could have a negative impact on the economical development and could be a problem in the future, which could stop the state in fulfilling the conditions necessary for the membership in the EU. Otherwise, Macedonia was praised by the EU for successful following of political criteria (implementation of political, parliamentary, justice system and administrative reforms and the protection of the minorities’ rights).

According to the Commission’s propositions, the accession process of FYROM should be moved to the next stage as soon as possible so that the reforms and struggle of political forces could successfully continue.

Because it received the candidate status in December 2010, Montenegro made the next important step and continued to successful development of relations with the EU. It also achieved good results in the struggle to fulfill political reforms. The European Commission stands ready to support Montenegro in the further implementation of reforms and it will pay attention to the progress in these areas: judiciary, anti-discriminatory policy, fight against organized crime and corruption. European Commission “welcomes that Montenegro has made significant achievements in the fields required for starting the accession talks” and “is committed to providing all support and assistance that Montenegro should need in starting the negotiations and in advancing its integration process”.<sup>18</sup>

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<sup>16</sup> European Commission, „Communication from the Commission to the European Parliament and the Council. Enlargement Strategy and Main Challenges 2011-2012“, available at [http://ec.europa.eu/enlargement/pdf/key\\_documents/2011/package/strategy\\_paper\\_2011\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2011/package/strategy_paper_2011_en.pdf)

<sup>17</sup>[http://ec.europa.eu/enlargement/pdf/key\\_documents/2011/package/strategy\\_paper\\_2011\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2011/package/strategy_paper_2011_en.pdf)

<sup>18</sup> <http://www.kormany.hu/en/ministry-of-foreign-affairs/news/the-ministry-of-foreign-affairs-of-the-republic-of-hungary-on-the-enlargement-package-of-the-european-commission>

Albania has lately faced political problems, which could have a negative impact to its cooperation with the EU (because of instable political situation, Albania didn't receive candidate status in 2010). Political forces should concentrate on the stabilization of the situation so that democratic institutions could continue working normally. Also they have to concentrate on finding a consensus between political parties and the implementation of electoral reforms. Only after taking those steps and together with successful following of the key priorities and membership criteria the accession negotiations will be opened. It is lately expected European Commission's progress report in which it will state its opinion on Albania's status of candidate country.

The relations between Serbia and the EU could be considered as the most complicated in the region. Even if the situation has gratefully improved compared to the last one, 10 years ago, there are still many problems and factors that complicate the approaching process of Serbia to the EU. One of the main problems for which Serbia had been criticised for a long time by the EU was insufficient cooperation with the Tribunal of War Crimes in Hague. With the arrest and the extradition of Goran Hadzic and Ratko Mladic, Serbia fulfilled its obligation towards Hague and with that, approached the membership candidature. On October the 12th 2011, the European Commission suggested that Serbia should get status of a candidate state.<sup>19</sup> A serious obstacle on the path towards becoming a member state for Serbia is the problem of Kosovo. Serbia is asked to make effort in the normalisation of relations between the two sides as soon as possible. The greatest problem in the process of integration of WB countries will be Bosnia and Herzegovina. The political instability, insufficient effort of the government with application of the reforms (above all judiciary reforms), weak institutional and administrative structure – these are only some of the faults which prevent the possibility of efficient cooperation and the accession process into the EU. Also, so that Bosnia and Herzegovina could apply for the membership status, it should pass a law on state aid and coordinate its Constitution with the European Convention on Human Rights<sup>20</sup>.

Overall, the WB countries have a long and tough path ahead of them when it comes to European perspectives. The future of the relations relies on the possibility of each state to conquer all of their problems and eliminate the main obstacles. The development of the situation depends a lot on the willingness of the EU to take in new members. Integrating the states (which are far behind) too fast could take harm on the EU itself. On the other hand, to continue the delation

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<sup>19</sup> The EC recommendation is to be verified by the EU Council in December

<sup>20</sup> File: Dva uslova da bih zatražio punopravno članstvo”, (06.06.2011), available at: <http://www.smedia.rs/vesti/66282/stefan-file-pravosudje-bih-file-dva-uslova-da-zatrazi-punopravno-clanstvo.html>

of the accession process could make negative impact on the stability in the WB region, on implementation of the reforms and also on the trust and willingness to progress in the European perspectives.

The integration process of the Western Balkan countries in the EU depends a lot on the suitable distribution and the efficient use of the financial aid. Lately, a frame for the period from 2014 to 2020 is being prepared. The proposition for a budget in the amount of 12.5 billion EUR was granted by the European Commission on June 29<sup>th</sup> 2011. It was announced that the financial aid would give pre-joining help and that it would be focused above all to inducing the reforms in the countries that were a part of the expenditure process through the existing Instrument.

The European Commissioner for Enlargement and European Neighbourhood Policy Štefan Füle stated: “The Commission’s Proposal to maintain the current levels of pre-accession assistance will allow the EU to continue strong support for our partners’ efforts to prepare for accession and advance their reforms. This will ultimately benefit all of us through greater security and prosperity”.

The realization of the aid will mostly be based on the reform strategies, appliance of the law and the EU standards. The next important step which will enable the better use of investments into the infrastructure is the implementation of the financial arrangements with the international finance institutions.

## **CONCLUSION**

The countries of the Western Balkan during last two decades made significant progress in developing the relations with the EU. Regardless of the accomplished results in developing relations and the process of integrations of the Western Balkan states, there are still many problems to be solved so that the necessary conditions for becoming members of the EU could be fulfilled. The diapason of problematic areas is wide. All region states have a low level of economical development, poor institutional frame, inefficient political machine and numerous social issues.

As a limiting factor in developing relations and development of approaching process can also be considered the inner problems of the EU. The impact of the global economic crisis, disagreements and complications considering the Lisbon Treaty and the Greek situation are threatening the faster integration process of the Western Balkan countries. Apart from that, there is also a problem known as “enlargement fatigue”. This problem shows the insecurity of citizens’ future in the EU, the fatigue of constant and long-term expenditure and the lack of trust in

the enlargement process. Also, the enlargement fatigue is present both with the citizens of the EU and with the citizens of the Western Balkan states.

So that the Western Balkan and the EU could have a successful cooperation and encourage the integration process, it is necessary to take actual steps in solving the limiting factors through constructive dialogue and mutual work. In order to fulfil the accession conditions and to approach the EU standards, the countries of the Western Balkan must above all focus on creating a suitable conditions for market economy, encouraging the development of democracy and reforms in the justice system, on supporting minority rights, successful fight against corruption and organized crime, building strong administrative and institutional structure and improvement of regional cooperation.

However, so that the integration could be successful, the EU has to make effort as well. Apart from increase of credibility of their promises concerned to the WB, the EU must fight against Euro-scepticism through creating a positive vision about future development. In order to create terms for successful enlargement process, the EU must also focus on solving their inner problems, strong defining of priorities and strengthening the common policy.

Considering the fact that the association process will be staled, the further accession of the WB states probably won't happen before the year 2020. The EU must judge how to maintain the influence in the region and how to direct the states to continue with the reforms towards a European integration path.

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