

WESTERN BALKANS: BETWEEN EUROPE AND BALKANIZATION

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Abstract: *Western Balkans IS an area relieving continuous fluidity inside the layers of histories and their respective products.*

Always in between East and West, following up the proper vocations, some of them visible and some other hidden, which in every moment in history have been translated in simple words: “Where to go?!”

Today’s reality in Western Balkans testify how the area has become an mobile arena, once again in search of identity, by making its flag of battle the European Union, as a final destination, aiming the unification of the geographic principle with the administrative and political one, and above all, the spiritual dimension incorporated in a common values system.

This last one, has been and continues to evolve under strong strains for all Western Balkans countries. The culmination of this pressure has been the expression of the will to integrate in EU, which is measured with the readiness from the countries of the area to make all necessary sacrifices it takes to achieve the conformity and standardization with EU, considering the specific situations which alter the mutual will to integration and enlargement from both EU and countries of the region, under the pressure of economic crises.

By following and developing an integrated social, political and economic analysis of the surrounding events and phenomena, the article aims to enlighten the real basic challenge of the countries of Western Balkans in the process of shaping their future: the one expressed through what is considered to be the real inspiration of countries of the area, separately or in a “state of integration”, by projecting alliances and realities and by investigating on the effects of the established security level on human development in the area.

Key words: *Western Balkans, integration, EU, political assessment, economic integration, stability, security, development*

Introduction

Western Balkans area has continuously experienced the destiny of being an arena of the rise and declines of empires. It has been often in the central line of the battle field because of circumstances or due to administrative or ethnic definitions, facing the dilemma of making instant

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pragmatic choices or identify, articulate and be inspired by following up the proper vocations, leaded by cultural and spiritual layers.

The 20th century and the two first decades of the 21st once again testified that the cultural and social processes enhanced by the “imperialism” processes, had initiated and influenced deeply the positions that the countries of the region were going to follow. This mainly referring to the after second world war, where the West and East camps, the communist and capitalist one, challenged and faced each other, as they did delineate their borders exactly in this area.

This has been developed following a cyclic model, which has been demonstrated in the recent history of the last 20 years for the Western Balkans countries, which one more time found themselves in the conditions of re- articulation of their identities, now in logics of globalization, dealing with a social and economic system totally to be renewed. These titanic efforts are held in a global background, characterized by a mobile economic and social environment. This situation always forced the Western Balkans countries to consider the integration and global challenges when they evaluate their achievements of self re-construction.

Economic growth, political and social transformations in this region are always to be referred to the necessary standardization to be achieved due to EU membership and integration agendas, and this is valid for members and aspirant members. They have been preceded from considerable achievements, thanks to reforms undertaken, which guarantee conformity and continuity in the articulated aspiration the countries of the region to be member of NATO, the political and military alliance which today mostly affect the destiny of the world.

Actually, the growth in such indicators as GDP and FDI's, the administrative and legal reforms, which evolved with great speed in this region for the two last decades, have been affected by the trembling of the financial crises showing their effects in the EU and NATO agendas of the countries in the region. In any case this is not an uniform behavior, because this is a strong reading for differentiating the conviction of these countries in following those agendas.

It is definitively one of those historic moments for the countries of the region in inducing their future behavior. The dilemma of continuing with determination the above mentioned agendas or establishing economic, social and politic alliance of the kind: “Good morning, Balkans”.

Balkan's past, present and future in sublimation

A lot of time has passed since the Thessaloniki Summit in 2003.

Time, beside reinforcing behaviors and courses followed by countries of the area, in different occasions, posed significant question marks in different specific moments of those transitions from those countries, regarding the validity of this set of purposes and this prospected future as well.

Following up this agenda, the area is shaped as a set of member countries, candidate and aspirant countries, engaged to be part of the European Union reality.

All these countries facing a promising and strongly important geo-political area, that of Mediterranean Sea.

While pursuing these long-run objectives, the compounding countries of the area have showed different levels of state and institutional settlement, by accelerating or delaying their agenda toward EU.

For instance, Croatia, Serbia and Macedonia have showed a greater stability on their institutional system.

There are still pending issues which are a strong impediment for the general climate on an EU prospective for the South West Balkan countries.

Belgrade has to face and solve its problems with some national strategic issues (old alliances and new partnerships) and its attitude toward Kosovo.

Enlarging this discussion seems that Balkan countries have lost their potential for national reconstruction.

Referring to Bosnia and Herzegovina, we merely see a mechanical compendium instead of a nation; the ethnic division presses strongly on the weak national concept for the country in accordance with political and administrative boundaries.

Kosovo, the youngest country in the map of this region, faces often the risk to lack the institutional rule of law which can be overlapped by a clan based system undermining the social, political and economic development of this young state.

At the same time, more efforts are required from Albania and Monte Negro to enhance their institutional development in order to achieve EU membership standards.

In comparing today's panorama in South West Balkan on its EU agenda with that of 10 years ago, obviously strong advancements on their standardization toward EU²

Crisis??? In bad or worst?!

How does the Balkan panorama look under the strains of European and worldwide economic crises?

Following up main developments and dialectics on Balkan countries, a general tendency to follow European trends can be easily identified, particularly in such generalist indicators as economic growth, unemployment, GDP per capita, as well as they show a general deterioration in such indicators deeply important for those countries such as remittances.

This means that when it comes to recovery for their economies, they will undoubtedly follow similar recovery curves as those of EU countries, but in the case of Balkan countries the shape of this recovery will be "slightly" different, considering the limited capacity to reinforce positive trends due to the unstructured economy and state consolidation.

Even if in some cases optimistic figures of DGP growth in those countries appear, they are still far behind the levels they must achieve to fulfill EU agenda.

Referring developments during the last 20 years in this region, unemployment has been the major cause for emigration particularly toward EU countries. Derived situation due to crisis in unemployment in EU countries resulted in increased unemployment in Balkan area as well.

Increased prices particularly in the primary sector in EU resulted in a improved current account balance and trade deficit. It is not the case to be optimist then, since it obviously shows that this improvement is not the result of effectiveness of the undertaken reforms.

The governmental debt initially showed an improvement in general, beside Greece, but in the last months, increasing the public and governmental debt has become an option for budgeting in most of the countries.

² EU enlargement: Priorities for 2014, EU Commission, Press releases Database

This economic trends and features are sponsored by the level of economic interdependency among Balkan countries and a restricted group of EU countries (such as Italy, Germany, Austria, Slovenia, France, Spain, Netherlands and UK).

Trade flows are a very good reading in this regard.

This reinforces the fact that the economic recovery of Balkan countries has a strong inner-correlation as well as it depends from developments in such economic sectors in EU countries which are object of trade and exchange between EU and Balkan countries.

A historical view of GDP indicators is also a good tool for analysis and reaching up to some conclusions regarding Balkan development.

The economic panorama before 2008 testifies for a visible supremacy on GDP growth of Balkan countries over EU countries, by registering an annual economic growth from 6.7% to 10.7%. The cold financial wind that blew over EU dramatically affected Balkan economies in general.

This inertia in reaction showed to be substantial since it affected trends and drops in annual growth such as the case of Croatia (from 2.4 up to -5.8) or Serbia (from 5.5% up to -3%), diminished the chances for most of Balkan countries to achieve the same growth levels as they did have before crisis.³

Under an EU integration optics, this missions becomes important and hard to fulfill at the same time, considering that Balkan countries must conform themselves to EU in this economic indicator, and they are far behind in doing this.

Two very important readings to be considered are unemployment levels and remittances, both very incisive for the social and economic development of this area.

Balkan countries in general did previously have problems with their unemployment levels, Crisis, by shooting down and downsizing investment in some core sectors with a high employment rate, increased visibly the levels of unemployment. While facing the same situation EU countries trust in solid stabilizers, the lack of these last one due to the poor level of state and law rule in general in Balkan countries, add more drama to the unemployment situation in this area.

Peak figures for this have been registered in Serbia, Macedonia, BiH and Kosovo by reaching from 1/3 to 1/2 of the active population.

Migration flows has been for the last 23 years a typical characteristic for Balkan countries. At the same time, the earnings of migration represented a standing column for their domestic economies.

Now the situation of migration and its financial effect is totally different.

Due to crisis in EU countries, unemployment, reduced earnings from the migration population from Balkan in EU, dialectics with emigrant families, have caused a great reduction of remittances affecting directly SME-s which has been feed by them, investments in rural areas and other sectors which access in the financial market for crediting is limited.

³ Data and forecast by Eurostat and ECFIN, releases 2009, 2011 by DG Economic and Financial Affairs, updated in spring 2012.

The trade balance testify for the great discrepancy between imports and exports and the final result of this is the negative balance those countries have, such as in the case of BiH, Albania, Montenegro and Kosovo reaches an average of 37%. Due to inflation in the primary sector prices in EU an improvement in the trade balance has been observed, but it is not still the case to be enthusiastic since this does not show an improvement of the price/quality ration of the product and services those country offer. Only the last one gives hope for a stability trend in the economic development and once again in this significant indicator Balkan countries are behind the EU average.

Even countries actually member of EU such as Greece and Bulgaria are net debtors and this has affected investment drastically.⁴

South East Balkan, economic scenarios, security and NATO

The recent story of this area, with countries coming out from the communist camp at the beginning of the '90-s, can be characterized by continuous striving to rebuild themselves to face a new world, in the middle of a overall race, fighting for gaining an important and guaranteeing "organ" or "limb" in the "globalization entity".

Considering the priority of building the market economy and the rule of law, most of the countries part of South West Balkan, had to rebuild their economies, markets and finances. Adding some complexity to this, the total lack of stabilizers and supporters in achieving those major objectives, places those countries in positions of total weakness and incapability to find domestic resources necessary for state, economy and society building.

In simple word, capacity building needs funding and building of the market economy needs Foreign direct investments. It means that in the case of Western Balkan they are vital, considering that due to their EU agenda they still need to adopt their economic structure with that of the EU member countries.

The increasing number of FDI-s in the region testifies that the outcomes of risk evaluation indicate a prosperity projected future which incents FDI-s. Making a comparative analysis before and after crisis among FDI curve and that of the above mentioned indicators, it is clear that the level in which crisis affected the last ones, is different from FDI's dialectics. For instance, before 2008 the most attractive countries for FDI-s in the region were Bulgaria and Montenegro having a share of 30% and 20% of their overall investments from FDI's.

Actually good figures of this indicator show that countries as Montenegro and Albania are experiencing a fertile situation with FDI's while others show a diminishment but still not the ame they experienced for the other indicators.

The attractiveness of the resources of this area are still strong, as they have been even 20 years ago. What did change here comparing with the past, is that from a region with an elevated business risk due to low political stability and rule of law, now the consideration are drastically changed.

The strong will those countries have been and are still showing toward EU integration and NATO membership, are a valid indicator for the expectations and

⁴ Data by UN Statistic Division 2012

values of their societies, as well as they are a vivid demonstration of social evolution toward a new established and reinforced agreement between their citizens, the state, perception of human rights and social responsibilities.

The increased presence of NATO in the region and the deep commitment of region's countries to be fully integrated in the alliance, indicate for a status of equilibrium and stability referring domestic political behavior, the adopted of good neighborhood principle and in setting up regional project and collaboration in fulfilling the proper responsibilities toward NATO, by creating a wide basin of collaboration in the prospective of a common future inside EU.

Still, referring to this prospective future, the way to EU is long to do and the imperative for growth and stability are strongly imposed over the governments of the countries of the area. In economic terms two objectives to be achieved in managing public finances are the lowering of governmental deficit to a level of less than 3% and not exceeding the public debt more than 60%.

In both cases, the region will need to increase the financing of their investments and have a leverage for their economies by attracting more FDI's through an established system that guaranties them and decreases the economic, political and social risk perception.

This means to demonstrate continuously a stronger integration will while demonstrating a stronger readiness to support and achieve what's necessary to fulfill standards.

Synopsis on South West Balkan

Energy is for sure the main subject in all sentences articulated to describe and forecast the economic and geo-politics future of Balkan, as it is also one of the main affecting factors in all economic and political scenarios in Europe and worldwide.

The map of energy resources provision in Western Balkan before the starting of the Trans Adriatic Pipeline Project, showed to be an accumulation of countries, which soak to provide energy resources based on a national plan, trying to gain the maximal profitability from chances and structures that used to operate in this area. They were still far behind of setting up a long run strategy in increasing their independence for energy resources or at list in diversifying their energy portfolio by decreasing the ultimate price of energy and assuring for long periods ahead their energy sources. Considering the factors mentioned above, the lack of internal subsidiaries and the need of gaining more and more FDI-s to leverage the strategic sector of their economies, the chances to have a long run solution for domestic energy need for a single country as an independent entity, are definitively low.

For instance, most of those countries, referring gas resources provision, depended on Russian gas (BiH, Macedonia 100% of dependence, Serbia 88%, Croatia 39).

Albania, Monte Negro and Kosovo dot not have yet connection with the gas distribution network depending actually from coal, oil and renewable energies as well as other resources.

The huge economic growth the Eastern Europe countries showed on the two last decades (5%) generates demand for gas energy. In this way, while aspiring and being EU members, those countries will have fulfilled their energy needs by protecting the environment.

TAP actually will bring energy from the Kaspik Sea and the capacity of physical flow in opposite sense of the natural gas that can be fastly activated in case of emergency is such that it may fulfill EU needs.

This will make the region get connected with other new gas resources such as North Africa as well as other diversified sources of liquid gas such as in Italy.

Another attraction of this project is the ability to get connected and make use of different existing pipeline systems of the region by integrating TAP as part of the energy ring in Western Balkan, by fulfilling energy needs of this area.

Actually, the MOU signed between TAP and the Ionian Adriatic Project will strongly widen the TAP gas distribution network by making use of the distribution capacities and terminals through IAP into Northern Albania, BiH and Croatia.⁵

At the same time, it is expected to cause a significant decrease in energy prices and no public money from the involved countries will be spent for this purpose since the project is a private investment.

Another very important outcome of this project will be the increased level of independence in energy resources provision in EU, as it is expected to improve the ultimate portfolio price on energy as well.

This represents a very important and drastic evolution in the perception and planning of the future of Western Balkan, since it is a scenario that integrates instead of increasing worthless competition and division.

By considering it as an outcome of the projection of a common future in EU for the countries of the area and considering the engagement to maintain and reinforce the core values, vision and mission that members or aspiring members of NATO share referring collaboration and integration in the region, positive forecast for this area can be projected.

Maybe it is the case that the phrase “Let us hope so”, now, in the most instable area on the historical point of view, means “We are working together to make it happen”.

⁵ Good will on TAP- IAP signed in Tirana, Natural Gas Europe White Paper, May 2013

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