Woodrow Wilson International Center for Scholars

Policy Brief: The Working Group on the Western Balkans

Although the EU and the US agree that the long-term goal for the Western Balkans is European integration, progress has stalled. This series of working group meetings aims at launching a discussion on the hurdles to enlargement in the Western Balkans, the tools available to various international actors in the region, and how these resources might best be applied to reach the goal of integration most efficiently. These meetings, therefore, address issues that are at the core of the making the Transatlantic relationship work.

The Working Group is support by a grant from the EU Delegation. This brief is the result of a meeting held in June 2010.

Policy Brief from Meeting I:
The Hardest Cases for EU Accession—Kosovo and Bosnia and Herzegovina

Since the second half of 2009, European and American policies towards the Western Balkans seemed to have an historic level of coordination and harmony. Rhetorically, at least, there has been unequivocal agreement on both sides of the Atlantic that these countries will be members of the European Union, once they meet the conditions. EU membership, it is agreed, will end the unhappy chapter of the violent demise of Yugoslavia, by bringing the region into a secure, democratic and prosperous EU.

Progress toward this goal has been extremely slow, however. As a baseline for comparison, the countries of Central Europe and the Baltic states that had submitted their applications by 1996 acceded within eight years. By contrast, six years after the 2004 Thessaloniki Summit declared that enlargement to the Western Balkans would be the top priority of the EU's foreign policy, only two countries (Croatia and Macedonia) are official candidates for membership. Worse still, Bosnia and Herzegovina and Kosovo have not achieved a sufficient level of political development to be able to *apply* as candidates yet. While no one expected this process to be quick, the protracted period of accession threatens to undermine the entire policy, as reform momentum fails, undemocratic policies and corruption flourish, and voter apathy turns to hostility towards the EU.

The EU accession model is facing a difficult challenge in the Western Balkans as a whole, where internal and external obstacles to reform thwart the EU's conditionality. But in Kosovo and Bosnia, these obstacles are compounded, and it will be difficult for the EU to combine its tested EU member-state building model with its untested state building abilities. The slow progress also threatens to undermine EU-U.S. unity on this policy.

Kosovo and Bosnia and Herzegovina are the hardest cases, and the stasis there has caused some observers to support radical solutions that would further fragment the region. Both Kosovo and Bosnia have problems that surpass typical governance issues associated with transitional governments. Neither has full sovereignty, and therefore international organizations are actively buttressing their governments. Sovereignty is essential for signing contractual agreements and treaties, which make up the legal side of the EU accession process. This legal problem is most acute in Kosovo, since its independence is contested by Serbia and has not been recognized as an independent state by several EU member states[1]. And although Bosnia and Herzegovina is recognized internationally, it consistently fails "to speak with one voice" as a state. The rhetorical disunity between the country's Entities is mirrored by its complex institutional and legal structure, and continues to rely on the support and guidance of the Office of the High Representative, which acts as an externally imposed governor of the country.

In Kosovo, Bosnia, and Serbia, the conflict over territory dominates politics, permeating every level of government. The nationalist-driven contest over territory has not ended despite the end of overt war. Kosovo's contest over territory goes beyond the question of recognition, but also manifests itself in the maintenance of parallel government institutions in Northern Mitrovica. In Bosnia, the ethnic conflict continues through the ethnically-segregated Entities and the parallel legal systems created by the Dayton Constitution. Although the EU Commission has identified the absence of state-level institutions and ethnic-based voting to be a hindrance to the country's progress to EU membership, deep-seated ethnic divisions in the country have prevented attempts at institutional reform to succeed.

In theory, the EU accession process offers a distraction from ethnic and territorial concerns because the process forces leaders to focus instead on meeting the technical conditions for membership. Civil society demand for EU accession compels politicians to compromise on the wide range of issues necessary for the state to meet EU standards. However, a different dynamic is at work in Bosnia, where creating links between high-profile reforms (such as constitutional reform, or closing the OHR) and EU accession may be raising the ethnic stakes and creating a "catch-22" situation. Rather than driving reforms, local populations and their politicians view high-profile reforms as "selling out" to the EU, and these reforms are seen as a zero-sum game by all ethnic groups. In Serbia, this dynamic plays out in term of recognizing Kosovo.

A pattern of international involvement can be observed, in which high-profile initiatives are presented to the political elite and the public, with the result that nothing changes. If progress is made, it can only be seen on paper. The disillusioned external actors retreat for a time, until a new initiative is launched. This episodic involvement and paper progress undermines the credibility of external actors, and damages the credibility of the EU accession project.

[1] As of July, 2010, Cyprus, Greece, Romania, Spain and Slovakia have not recognized the independence of Kosovo.

To end this stagnation, some working group participants advocated substituting high-profile, "quick-fix" initiatives with incremental changes. These smaller changes may be initially less impressive and may extend the time-frame of the process. Nevertheless, it is hoped that the cumulative effect of all of these small-scale reforms will be a way out of the current impasse. Linking small-scale reforms with clear incentives, as was the case with visa liberalization policy, will help induce political leaders to act.

For this incremental approach to work, it will be important to consider the EU accession process as a series of smaller steps and for all of the actors involved to create a functional and coherent agenda. These other actors (the U.S., individual EU member states, Turkey as well as the International Monetary Fund and the World Bank) should be brought into this process to coordinate incentives and arguments that will help politicians to buy into the EU agenda.

The current economic crisis in the EU, the recent institutional reform initiated by the Lisbon Treaty, and other compelling issues are turning the focus away from the Western Balkans. If the EU is seen as less attractive to the Western Balkans, or if it seems indifferent to the region, the EU accession policy will falter. The EU must recognize that there are tools and actors outside the Accession process, and actively engage with them, lest the momentum for accession decline.

Working Group participants discussed how the current economic crisis has dashed the hopes of many countries in the region to follow in the development path of Ireland and the Baltic States. Some see the crisis as a blow to the region, since there is unlikely to be a game-changing economic model to follow. Nevertheless, the current crisis also creates opportunities, since financial issues can be used to kick-start a political dialogue. The example of Greece may convince politicians in the Western Balkans to create greater transparency and create a more conducive environment for business in order to be able to attract new foreign investors.

Part of the problem with the EU-U.S. strategy in the Western Balkans is that it is not clear whether EU accession is a remedy or a goal. Of course, it must be both, but in order for the goal of EU accession to be a remedy for the Western Balkans, there must be a greater focus on the process, rather than the end. Focusing solely on the EU as a goal, creates a binary system, and seems to place the responsibility for enlargement on the EU rather than on the Western Balkan countries. This perspective also gives the EU a reactive, rather than proactive, position, as it is simply there to judge events in the region.

But by flipping the rhetorical switch, it becomes clear that the process involved in acceding to the EU involves activity in the region, not just a decision by the EU. When accession is seen as a process, the many steps involved in EU accession can be presented as a menu of activities that are compatible with EU goals. The Commission already prepares country-specific reports on issues that it needs to address, and these reports should be read by all actors involved as the single voice of the EU in terms of what must

be done.[2] With EU accession as a process with many 'menu' items to choose from[3], politicians in the Western Balkans can build an agenda according to their capacity and the many actors that make up the international community can find a sector or issue that they can work on, and ensure that these different elements will eventually push each country further down the path towards the EU.

[2] Criticism of the EU for being a cacophony of voices could be assuaged by focusing all policies on the reports. The most recent reports and EU's strategy can be found here: http://ec.europa.eu/enlargement/press_corner/key-documents/reports_nov_2010_en.htm

[3] A helpful list of negotiation chapters with short descriptions can be found on the European Commission's website on Enlargement: http://ec.europa.eu/enlargement/enlargement_process/accession_process/how_does_a_country_join_the_eu/negotiations_croatia_turkey/index_en.htm#5

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RE-READING THE BOSNIAN CRISIS

Ioannis Armakolas, Lecturer, University of Macedonia and Director of Research, US-Greece Task Force: "Transforming the Balkans"

This brief aims to contribute to the ongoing debate on the political crisis in Bosnia and the formulation of an international strategy in response to it. It will endeavour to explain what are widely perceived as the key problematic features of contemporary Bosnian politics: the resilience of awkward institutional arrangements and the political culture of obstinacy that accompany them. The analysis will demonstrate that the elements that contribute to the crisis Bosnia are neither one-dimensional nor recent. Instead, several enduring dimensions of crisis are simultaneously in play, creating a multi-dimensional system that is inadequately understood. In light of these enduring elements of the crisis, the brief will also attempt a re-reading of the more visible aspects of Bosnia's problem, such as the failure to reform. Overall, this brief argues that in order to understand the Bosnian deadlock, it is necessary to move beyond the mere focus on nationalism and elite interests. Instead, more attention should be paid to the foundation of the problems: the ethnic and societal divisions, the inadequate reckoning with the past, the failure of elite consensus, and the Bosnians' lack of common vision for the future of their country.

Enduring dimensions of the crisis

Since this brief attempts to explain the resilience of problems in the country, it is worth reciting the historical truism that is frequently ignored in debates about Bosnia: the political identities and societal divisions produced during civil wars tend to endure and their mending requires enormous effort in a process that can last decades. The civil wars in Europe throughout the 20th century provide plentiful examples. The Spanish civil war created or cemented political identities and intra-state differences that remain to this day. Conflict over how to deal with the legacy and memory of war persist 70 years after the civil war and 35 years since the restoration of a vibrant

democracy there. In Greece, 60 years since the end of the civil war and 30 years since the official rehabilitation of the defeated Communist camp, party identifications are still influenced by older left-right divisions. The legacy and memory of the conflict is anything but de-politicized, and intellectuals still frequently engage in bitter battles over them. In Cyprus, 45 years since the first inter-communal violence and 35 years since the Turkish invasion, the conflict remains unresolved and both communities more often than not vote intransigent leaders into office.

Despite this legacy, the lesson that civil wars produce deep and lasting divisions in society was not learned in Bosnia. International policy makers and analysts often overlook the complexity produced by the mutually-reinforcing operation of several features, which form the enduring dimensions of the Bosnian crisis. The first enduring dimension is the problematic Dayton Constitution. As is often said, Dayton ended the war, but it cannot deliver Bosnia to the EU. For most analysts, 'Dayton Bosnia' and 'Brussels Bosnia' are two divergent state models. Among the key deficiencies of the Dayton compromise were the overpowering strength of the political rights of constituent peoples (including the 'vital national interests' clause); the extreme weakness of the central Bosnian state; and the extremely complex, burdensome and costly organisation of the state (see more in DFID 2009; Gelazis 2010).

The international debate over how to address these problems is often conducted with completely unrealistic expectations. For example, it is unrealistic to call for a civic (one-man, one-vote) organisation for a divided state, especially when ethnic consociational systems are found in some of the most democratic European states. It ought to be clear that any solution for Bosnia will require a balance between the consociational arrangements and supra-ethnic institutions, ensuring that state institutions are functional.

Despite its deficiencies, it would be misleading to isolate the Dayton Constitution as the only problem in Bosnia. Another enduring dimension of the crisis is the fierce ethnic political competition, which incapacitates the political process. I do not share the opinion of those who believe that the vociferous debates in Bosnia are simply 'normal' political competition, devoid of an ethnic element. We cannot forget, after all, that ethnic competition is a lasting characteristic of many Western multi-ethnic states. Still, it is also clear that the ferocious ethnic politics pursued in Bosnia tend to generate more crises than the political system has the capacity to resolve.

The third enduring dimension pushing Bosnian politics into crisis is the mixture of populism, virulent political competition and the absence of a culture of cooperation. Importantly, these are exhibited equally within each ethnic group. In addition to ethnic politics, brutal intra-group politics is in play. This picture is complemented by the proliferation of political parties. The side-effects of political instability are felt on a daily basis, with local elites failing to make policy without the intervention of the international community. They are felt also at crucial moments when leaders attempt to adopt key reforms, when they are derailed by intra-group bickering, as was the case with the 2006 constitutional reform package. In that context, one might conclude that the attempt to create political pluralism in Bosnia resulted in ethnic party chaos. In the past, the international community engaged in extensive political engineering (by reducing the power of nationalists, efforts to 'divide and conquer,' and attempts to deal with un-cooperative politicians, democratization and party education projects etc.). The unintended consequence has been extreme political fragmentation which came to sit comfortably on top of the pre-existing three-way political and electorate divisions. Needless to say this is unsustainable.

The final enduring dimension of crisis is the deeply divided Bosnian society, which creates the foundation upon which all of the above features have been built. While the physical

reconnection of the country has been successful, the more difficult mental/psychological reintegration is still in question. Perhaps out of guilt for having been at first easily attracted by the 'ancient hatreds' thesis, the international community fell under the spell of viewing the divisions in Bosnia as superficial and easy to overcome. A certain functionalist logic—which held that divisions would be bridged through contact and interaction—informed the international community's understanding of Bosnia. In this view physical re-connection was supposed to bring about social reintegration. Fifteen years after the end of the war, we can draw the conclusion that this logic has been proved wrong. Reintegration and reconciliation in Bosnia form parts of a complex and prolonged process that requires interventions for facilitating an honest 'dealing with the past' and for addressing the core divisions in society. For the time being, though, the simple and powerful fact is that Bosnian society continues to live with open wounds from the war and that the legacy of the war still matters much more than analysts acknowledge and than Bosnians themselves admit.

The political uses of war memory are woven into virtually every policy question, not only by politicians but also by ordinary citizens. This tactic can scuttle any reform initiative, and politicians' narrative of victimhood are quickly picked up and legitimated by the media and civil society groups. The victimhood syndrome makes compromise extremely difficult, since it sees policy-making as a zero-sum game. But this problem goes beyond the political class, because Bosnia has a large contingent of unelected actors who manage to legitimately speak in the name of the 'victimised' nation. The public has not embraced a set of institutions and rules that could legitimately act as an arbiter of past crimes and address the issues faced by vulnerable groups considerably undermines inter-ethnic trust. The fact that the past has not been resolved contributes to the elevation of fear in society, which has re-emerged as a result of the political crisis. After years of relative peace, ordinary people in Bosnia are again talking about the possibility of violence returning to the region.

The domestic elements of the crisis are reinforced by external elements. The international community does not have a clear strategy in Bosnia. After a sloppy transition from an over-active High Representative to one who practiced a hands-off approach, and having suffered from a series of setbacks, the international community finds itself in a cul-de-sac: it unable to move forward but does not wish to go back. The Office of the High Representative (OHR) maintains a large administrative structure in Bosnia, but with ever-shrinking power and legitimacy. The OHR continues to engage in the micro-management of domestic politics and often the picks fights with domestic politicians. The international community, which backs the OHR, is not united about its role in Bosnia. Frequent changes in international priorities, so-called "Bosnia fatigue," and a growing disagreement about EU enlargement have further weakened the policy towards Bosnia. Yet, because the international community has been the main driver for change in the country for many years and is heavily involved in domestic politics, the external crisis has a profound impact on Bosnia.

Another major element of the current crisis is the resurgence of Bosnian Serb separatism. It is fair to argue that political forces of the other groups (especially the Bosniaks) have significantly contributed to the escalation of the ethnic tensions. Similarly, it is true that the international community mismanaged the problem, first by abandoning the relatively moderate Bosnian Serb leadership of the past, by heavily backing the unsuccessful 2006 constitutional reform package, and finally by failing to adequately address challenges from Banja early enough, when they were easier to control. These shortcomings aside, recent policies of the Republika

Srpska clearly jeopardize recent reforms made at the state level, and agitate nationalist rhetoric beyond Banja Luka. As a result, the international community is now in the most difficult situation it has faced in the past decade. Painfully gained reforms are threatened to be rolled back, consensus that was reached on the issue of war crimes is being reopened, nationalism is on the rise, and the possibility of Republika Srpska attempting to secede is looming on the horizon. The lowest point so far may have been reached before the October 2010 elections, when SNSD's unofficial campaign slogan became "Republika Srpska forever, and Bosnia for as long as we have to."

What strategy?

This is the context in which the debate about the future of the international community's role in Bosnia unfolds. This debate is coloured by the influences of two diametrically opposed positions. One side advocates the "super-interventionist" approach, which argues in favour of an indefinite OHR presence in Bosnia and the active use of the Bonn powers. This approach holds that the institutional structure of Bosnia is fundamentally flawed and reinforces divisions in the country. These divisions are cultivated by nationalist leaders whose interests are not served by reforming the existing system. What is implicitly or explicitly argued is that Bosnian society would willingly, and rather easily, abandon nationalist postures if the institutional set up did not privilege ethnic categories and if the state provided more services to the people. The international community should, forcibly if necessary, fundamentally repair the institutional structure in the direction of a civic (one-man, one vote) democracy. Part and parcel of this approach is the individualisation of responsibility for political deadlocks; the latter are usually produced by Bosnian Serb nationalist politicians and less often by Bosniak and Croat equivalents.

The other side advocates for the "conveyer belt" approach, in which the solution to Bosnia's problems is the closure of the OHR and the treatment of the country like any other potential EU candidate. According to this view, the problems in Bosnia are produced by the presence and active role of the international community, which alters the balance of power between domestic political forces and creates incentives for leaders to block reforms in order to prolong the international intervention. Had the international community left Bosnians alone everything would have fallen into place, they believe. Intransigent and immature political elites, dependent on foreign policy making and accustomed to 'game changing' interventions by the international community, would be forced to find solutions to Bosnia's problems and would not let the opportunity to join the EU slip away. If Bosnia is treated like any other candidate, it is believed, reforms would slowly but surely be adopted during the various phases of the EU process, which serves as the engine to the "conveyer belt."

Both approaches, however, fail to take into account certain inconvenient intricacies of the Bosnian problem. The solutions offered by super-interventionists are not in harmony with international trends. The priorities of the international community have changed over the last decade, with greater and more pressing problems consuming the energy and resources of Western powers. The strategy of the super-interventionists would require the sharp increase of resources devoted to Bosnia when in fact cuts are the order of the day. At the same time, consensus for any active international role in Bosnia is hard to achieve; any solution will have to balance more or less clearly articulated diverging opinions within the Western alliance, the re-emergence of Russia, and lately the autonomous role of Turkey. This new international reality is

not receptive to a super-interventionist international role in Bosnia. But more importantly, the super-interventionists fail to take into account the failure of "strong arm" tactics in Bosnia. These policies were tried before—under drastically more favourable conditions—with unimpressive results. Although Bonn powers have been used to impose policies in Bosnia and did manage to create institutions, they did nothing to improve the culture of elite collaboration, which is necessary for those institutions to function. Furthermore, the tendency of super-interventionists to blame the political elite for all the political problems fails to address the complex socio-political reality of Bosnia. The three ethnic groups are still deeply divided, not just their leaders, and underplaying these divisions will not make them disappear. Advancing policy reforms without addressing the lack of trust and hostility will only make divisions sharper and attitudes more militant.

The more optimistic "conveyer belt" approach is also flawed. The approach treats Bosnia like any other aspiring EU member, which is problematic. In addition to the legacy of war and its institutional dependence on the international community, Bosnia is troubled in ways that other postcommunist countries never were. Bosnia currently enjoys more legitimacy abroad than it does among its citizens. The proponents of this approach also fail to take into account the deterioration of the situation in Bosnia over the last four years. The optimists' false dichotomy—international bad, local good—was devised several years ago, when interventions by the international community were at their peak. Given the political deterioration since that time, the international community should adjust its policy accordingly, and not by giving up all efforts and responsibility.

Finally, the more general problem of the 'conveyer belt' approach is that it associates Bosnia's future and its stability with EU accession. It expects that the true solution to Bosnia's problems to come through the accession process and final entry into the EU. While it is true that the prospect of the Western Balkans' accession into the EU is the foremost component of the Western strategy for the region, to base the future of Bosnia entirely on the EU accession process is a risky plan. EU accession is a volatile process, which is subject to a myriad of internal and external pressures, including economic downturn, the European elites' enlargement fatigue or the moods of the changeable EU public opinion. Above all, it is a process that is not controlled by the Bosnians themselves. Therefore, it is a vision that can complement but not replace a necessary common vision for their future that Bosnians themselves must jointly develop.

It is worth-mentioning here that these two approaches have friends in high places, with 'super-interventionists' having many supporters in the Washington policy circles as well as in a few EU countries, while supporters of the 'conveyer belt' approach is celebrated in many EU member states. However, it is not insignificant that Western officials do not seem at ease with either of the two approaches. The hunch of experienced diplomats and the balance of power among the Western countries has not allowed either of the two strategies to become dominant. Without a clear winner in this policy debate and with no middle road solution apparent, the international community continues to delay its decision on how to proceed in Bosnia. The fact that both of these two approaches recipes are wrong does not make indefinitely postponing the new strategy right. To the contrary, it is vital for the future of Bosnia that the international community correctly interprets the enduring political crisis and develops a strategy to facilitate the development of genuine political consensus in the country. Luckily, analysts and observers of Bosnian affairs also have provided studies that are positioned in between the two extremes and

offer insightful contributions to the debate on the international strategy on Bosnia (see e.g., Bieber 2010; Gelazis, 2010; Sebastian 2010).

Re-reading the Bosnian political crisis

This brief aims to help untangle the complexity of the Bosnian problem and shed light to certain aspects of it. More specifically, it focuses on three areas: the difficulties in pursuing political reform, the issue of institution-building, and the legacy of war crimes as a function of contemporary political competition.

When discussing political reform, one thing must be clear from the outset: the reform capacity of a country is a function of the ability of its elites to legitimately advocate the reforms to their constituencies. It is also a function of the 'absorption capacity' of the public. These elements must be kept in mind when analysing the persistent obstacles to reform in Bosnia. These obstacles are strongly associated both with the inability of elites to legitimately pursue reform and the low 'absorption capacity' of the Bosnian public, or, better put, Bosnia's largely ethnic 'sub-publics'. The state's complex institutional structure and the absence of a culture of compromise produce protracted political processes that are resistant to reform and result in deadlock. Reform initiatives are subjected to the characteristics of the Bosnian political system, including: ethnic divisions and weak inter-ethnic trust; the fragmented party landscape; the lack of noteworthy political forces appealing to an multi-ethnic constituency; and the considerable informal political power of non-party actors, such as religious institutions, the media, veterans' associations and other war-associated groups. Analysts who typically blame inter-ethnic competition for the failure to reach political consensus miss other equally important dimensions. It is often more the case that compromise becomes implausible due to the exploitation of ethnic issues for intra-ethnic political and party competition. On the whole, the complex political predicament is based on ethnic and societal divisions and the lack of genuine efforts towards reconciliation and building inter-ethnic trust.

According to conventional wisdom, political reform is blocked by obstinate political elites anxious to maintain their grip on benefit-bearing political positions. By blocking reform, political elites struggle to prevent changes that will harm shady businesses that are associated with the political system. Nationalism is often an opportunistic flag used for the same purpose and it is mobilised before elections in order to herd voters around the "protectors" of national interests.

If we were to follow the same logic, a distinction would have to be made between those political forces that are reform-minded and those that tend to block reform, usually linked to the ethnic parties. But this is not a useful analytical distinction in Bosnia, because it is a misconception that the dominant political forces have always been opposed to change and reform. What is frequently overlooked is that, to varying degrees and in different periods, most key leaders and parties have attempted to adopt a reform agenda or have at least been open to reasonable change, including all of the main ethnic parties that have troubled Bosnia since the end of the war. These cases have to be understood if we want to formulate truly effective policies. Why do political forces abandon their pro-reform agendas? What makes compromise a suboptimal choice for political actors?

The conventional view also assumes that ethnic divisions are mainly cultivated and enhanced before elections. Although it is true that political actors frequently manipulate divisions and ethnic fear for political purposes, this does not make the ethnic divisions less real.

In fact, politics tend to reflect the divisions in society. For politicians, it is a rational political choice to play the ethnic card, and their game, more often than not, proves successful because it is based on the existing social divisions. Conversely, those political forces who do not play the ethnic card risk seeing a serious decline in their power base.

One of the key components of the same conventional wisdom is the idea of political-business linkages, which are threatened by reforms. Yet, this analysis may be overestimating the power of the new rules to decouple politics from business. Strong linkages between politics and business remain in stable and successful post-socialist countries and in established capitalist economies of the European south, where there is a long tradition of political patronage and business-politics links. In all of these countries, EU regulations only partly managed to change these practices. At varying degrees, politics continue to influence economic activity and the generation of new business elites. Thus, although it is true that some of the most dubious businesses in Bosnia will be severely affected by serious reforms, it is unlikely that they will threaten the business interests of political elites with extinction. If the same elites can strategically re-position themselves within the new business environment, they can survive the overhaul by switching to more legitimate economic activities and even gain benefits from the economic growth that will be generated through the EU accession process. In other words, the EU accession process is more an opportunity than a threat. Therefore, it is better to discuss the politics of 'managing' the accession process, rather than assuming that the goal of politicians is to block accession outright.

In Bosnia, this 'management' of accession can mean promotion, delay or blocking of reforms, depending on the environment. Therefore, it is useful to understand the instances when political elites block reforms or have a genuinely ambivalent position which effectively becomes counterproductive for the whole process. Even in these instances, the reasons remain more complex than is often acknowledged. Political elites remain anxious about maintaining their electoral success and securing their privileged position by maintaining their clientelistic networks. The reform agenda is not a threat to their business interests in the short term. Rather, it threatens their electoral appeal because it is perceived as threatening what people consider their national rights.

In any attempt to build a constituency for reform, leading political actors find themselves in an impossible position, which is produced by the structural characteristics of the Bosnian party system and the (largely ethnic) sub-systems. The ethnic segments of public opinion are still heavily influenced by the experience of the war and the divisions produced by it as well as by 20 years of nationalist discourse. Under this influence it is difficult to convince the population of the necessity to compromise with the other ethnic groups, which are still seen as their old war enemies. Heavily influenced by ethnic entrepreneurs (war-affected groups and lobbies, media, politicians) who skilfully play the ethnic card, these segments of society tend to simply reject any reform. The advocates of a specific reform are easily portrayed as traitors since any change inevitably requires some measure of compromise. No political actor is strong enough to ignore public opinion, since it will surely be harmful to any party's electoral success.

At the same time, the party system is fragmented, with several players competing for votes from one of the three main ethnic groups. Building a constituency for reform requires expending a great deal of political capital, and there is little probability of success. The result is the dead-end position in which we find ourselves: on the one hand, consensus between fewer actors may be easier to achieve, but even with fewer actors Parliament has failed to adopt

reforms, since there always seems to be one group which benefits from being rejectionist. On the other hand, consensus involving more actors is harder to achieve, and there is still no guarantee that changes will be adopted in parliament, or that renegades will restrain themselves from scoring political points. This picture is further perplexed during pre-election periods. Notoriously, after each electoral cycle several months are required to form governments at the various administrative levels. By the time these governments are formed, there is only limited time left for 'normal politics' before the prolonged informal pre-election campaign of the next electoral cycle. In post-Dayton Bosnia, the average time between elections has been 1.5 years. Add to that calculation the time required for a reform process to mature through expert meetings and elite negotiations and the result is that it is simply impossible to find a period in which policies and reform can take precedence over elections.

The international community seems to demand that politicians go against this reality, pressing them to ignore the vivid signals from their electorates. It is unhelpful that the international community considers certain reforms to be technical matters, when both elites and the population understand that all policies have deeply political consequences. In reality, the very fact that the international community fails to fully acknowledge the political nature and consequences of reforms complicates the reform process. By refusing to admit and adequately address this political dimension, the international community in fact achieves the opposite effect: the over-politicisation of the reform agenda. It enables the political manipulation of the reform process by all sides, creating a vicious circle of ethnically-based polemics. Consequently, it undermines even uncontested reforms or reforms that could, with minimal effort, gain the support of the wider public. This process can be observed in almost every key reform and is even more explicit when the necessary reforms for strengthening the central state are in question. As a recent report by the National Democratic Institute put it, "strengthening the state–seen by most outside observers as critical to Bosnia's ability to succeed as a country–inherently produces political instability that in turn has precluded such reform from occurring" (NDI, no date).

A final point regarding the strategy for political reform is necessary here. Due to the constraints resulting from the structure of the political system and the Bosnian political culture, high-profile reform initiatives become highly ineffective endeavours. These attempts attract public attention and consequently raise the ethnic stakes involving political or societal 'guardians' of national interest. Therefore leaders find it impossible to consent to compromises that can easily be portrayed as 'treacherous.' All-encompassing reform initiatives are equally problematic since they make agreement much more difficult to accomplish. They also have the negative side effect of tying easier reforms with the fate of the big political questions, such as the organisation of the state and the constitution. Thus, the failure of elite level package reform initiatives can plausibly be understood as good attempts which simply tried to do too much.

At the same time, and while not having a great potential for success, such reform initiatives carry important risks. They raise the public's expectations without making it clear that the chances for success are slim and that a measure of compromise will be required. Failure brings additional disillusionment as well as the deepening of ethnic and political divisions, since the ethnic opponents are typically blamed for the failure. Finally, since the initiatives are by and large internationally sponsored, the failure further undermines the authority of the international community in the country. By contrast, incremental change may offer better chances, both for serious political reform and for avoiding negative side effects on inter-ethnic trust. The cumulative effect of incremental change may be the way out of the current political deadlock.

Institution building and the question of the new constitution

The main preoccupation of the international community has been on Bosnia's extreme decentralisation and overwhelming institutional complexity, and has therefore focussed its efforts on building state-level institutions. These institutions have been promoted as necessary reforms for 'Europeanising' Bosnia, based on the requirements of the *acquis communautaire*. However, a more careful examination does not always support this claim, and that has undermined the success of institution building and constitutional reform.

The international community's initiative to create new institutions cannot be dismissed entirely. Many achievements were made and analysts are correct to stress the relative success of what a recent report calls 'institutional engineering' (Gelazis, 2010). A series of agencies and state-level bodies have been introduced. Several of these institutions took up a life of their own and have been contributing to the modernisation and the rationalisation of the complex Bosnian state. Some have even demonstrated early signs of professionalization and development of an institutional culture above and beyond ethnic and party influence. Analysts even considered this institution-building through legislative process and under the guidance of the international community as a good learning process for the intransigent Bosnian elites (Gelazis, 2010). At the same time, however, it is true that these early successes blossomed mostly while inter-ethnic competition was curtailed and as long as they were not perceived as greatly influencing the sensitive ethnic balance of power. As the influence of the international community waned and the consensus at the level of the Bosnian political elites crumbled, many of these reforms started to look increasingly uncertain and of questionable sustainability. In this way, the reform drive of the international community exhibited insufficient attention to the absence of a culture of consensus and collaboration (see DFID 2009).

One could argue that the divergence of international expectations and domestic political realities was a product of their different institutional backgrounds. For the frame of mind of international officials in Bosnia a preoccupation with institution-building was more than reasonable. International officials are accustomed to the institutions of their long-established home polities; they are also heavily influenced by the post-communist state-building paradigm, which relied heavily on institution-building. However, with this background, Western officials could not easily grasp the Balkan political reality: political elites receiving their legitimacy from communitarian forces and struggling to rule over relatively young and non-established polities, with traditionally weak institutions and fearful of frequent wars and border changes.

In its anxiety to build institutions that would solve Bosnia's ethnic problems the international community failed to learn the lessons of the Yugoslav collapse. They forgot how genuinely integrated and relatively well-built Yugoslav institutions quickly fell apart when two key factors coalesced: the deadlock within the governing elites after one group's aggressive attempt at political domination and the deepening ethnic and societal divisions. This explosive mix of failed elite coordination and societal division destroyed the powerful and integrated Yugoslav institutions. This misplaced trust in the power of institutions, even when the rest of the key elements are missing, can be seen also in the key Bosnian reforms. It can be seen in the struggle to formally unite institutions, such as the army and the police, in the belief that they can function as institutional safeguards to instability and the deterioration of inter-ethnic relations. It can also be seen in the depiction of defence reform as a success simply because separate ethnic units were formally united under one command. One is reminded that the equivalent institutions

of the Yugoslav Federation quickly collapsed along ethnic lines under political and ethnic pressure. Their collapse occurred despite the fact that they were fully integrated, and they maintained a central position in the Yugoslav socio-political system, and Yugoslavia had enjoyed a 40-year history of peace and stability.

The international community's inflated trust in institutions can be seen in yet another key debate. The long-awaited new constitution, itself a form of legal institution, is understood as another institutional 'fix'. International policy makers, analysts and journalists perceive the new constitution as a panacea that will fix the country's political instability and inter-ethnic problems. Like a 'magic formula' it is supposed to do away with the separatism of the Serbs and the blocking of necessary reforms through ethnic veto. It is also supposed to achieve the streamlining of policy making and excess administrative structures and make way for building a vibrant democracy. However, what is not realised is that, more than new institutions, Bosnia is lacking the tradition of operating the existing ones in a fruitful way. When it comes to the culture of pragmatic debate, elite cooperation, and policy making through consensus, Bosnia is found wanting. As one expert on Bosnia put it, in the constitutional reform debates "cause and symptoms are confused: the cumbersome political structure is not to blame for the delays in EU integration and the slow pace of reforms; the political disputes between the different political parties are" (Bieber 2010).

As in other public policy matters, the misplaced international expectations resemble the following metaphor: it is as if Bosnia is required to buy expensive and advanced software when neither the operative hardware is there nor is its need is understood or appreciated. The new constitution is, thus, losing its integrative, educative and functional capacity. It becomes merely an illusory institutional straightjacket to keep separatism, nationalism and irrational policy making at bay. Instead, the new constitution in a country with overwhelming internal political and ethnic divisions can only be effective and sustainable through the building of a level of political and social consensus that currently does not exist. As a recent report by British Department for International Development put it, "agreement on the shape of a new constitution, and through it the future shape of the state, would be the visible manifestation of a common vision and understanding of the future of the country" (DFID 2009; see also Bieber 2010).

Transitional justice and the legacy of the trials

Finally, little attention is typically paid by the international community on the role that dealing with the role the war plays in contemporary politics. In recent years, students of post-conflict societies are becoming increasingly aware of just how crucial it is for societies to deal with the past in order to build peace and reconciliation. Policy makers in post-conflict polities, with the support of intellectuals and civil society, increasingly more confidently argue for an honest encounter with the traumatic legacies of the past. This is often done against strong opposition by war associated lobbies and the society at large.

In Bosnia, the push for punishing war crimes and genocide through trials was a revolutionary project that was made possible only by the persistence of the international community (see Armakolas and Vossou 2008). But after the initial drive, the transitional justice process became somewhat 'bureaucratised.' The awarding of justice for war crimes and genocide continued to populate the agenda of the international community. But, like other issues in which the international community is involved, it became a box ticking exercise, in which success is measured only by arrests and convictions. For years axioms are being repeated without reflection

about the actual effects of the transitional justice process. The progress in war crimes trials is assumed to bring the successful 'closure' of the war 'chapter'; explicitly or implicitly the progress is also assumed to contribute to reconciliation and the overcoming of the war divisions. Today still, when the agenda of high profile trials is almost complete, influential international analysts simply assume that justice will bring reconciliation.

While fully pursuing justice for the war crimes is necessary, it is also a dangerous misapprehension to believe that arrest and trials will necessarily contribute to the improvement of inter-ethnic relations. Little attention is being paid to the unintended consequences of war crimes trials. In reality, trials are far from automatically leading to the healing of wartime wounds. Instead, despite the necessity for punishing war crimes, trials may have the side-effect of sharpening divisions. Especially in the case of Bosnia, where there are very few complementary policies and weak consensus on the rules of the game, justice can potentially undermine the cause of peace-building and reconciliation. A closer examination of the effects of transitional justice measures will reveal that even achievements that were for a while seen as irreversible appear now quite volatile and conditional on the general building of inter-ethnic trust. Without reaching a modus vivendi on how to view the wartime events and a modus operandi on how to remember and commemorate them, the legacy of the war will continue to hamper the healing process and impede the building of a new Bosnia.

Yet more, negative effects can easily spread from the societal to the political level. In a process that resembles the above-outlined folding of political reform, conciliatory politicians who adopt 'unpatriotic' positions on the issue of war crimes can be easily undermined politically. Despite the hopes of the international community, the politicisation of war crimes trials and rulings easily proves a rational political move for domestic political elites. Subsequently, this politicisation further feeds into the already tense political and social setting yet more undermining inter-ethnic trust and making political compromise even more difficult. The vicious circle of low inter-ethnic trust and inability to reach political compromise is reproduced indefinitely.

Overall, the international community and the domestic political elites need to understand that Bosnian society cannot move forward before finding the answers to fundamental dilemmas which arise from war crimes trials. At the core of the reproduction of divisions is the fundamental disagreement about whether the war crimes trials have political consequences for contemporary Bosnia. This open question is at the core of most political disputes and societal divisions; it is also the source of politicians' efforts to manipulate criminal justice and the ethnic publics' enthusiastic endorsement of politicians who do so. Without a solution to this riddle, Bosnia is unlikely to follow the path of genuine reconciliation.

Elements for a strategy: Back to the basics

This brief has attempted to demonstrate some of the complex socio-political processes that provide the backdrop to policy making in Bosnia. The difficulties should not be excuses for abandoning the reform agenda and the efforts for building inter-ethnic trust and reconciliation. Instead they compel us to duly analyse the disparate elements that make up the post-conflict political jigsaw and acknowledge the complexity and multiplicity of processes and actors involved. They should also make us devise realistic and well-designed policies rather than temporary political fixes.

As a way of closing the above analysis, this brief will offer some elements for a strategy of the international community. The call is for a 'return to the basics'. The constraints from the Bosnian political system and political culture, the complexity of the socio-political processes, the deep societal and ethnic divisions, and the growing separatism in Republika Srpska require a sustained effort focused on the true foundations of the problems.

The international community should explicitly and unequivocally re-affirm its commitment to Bosnian sovereignty and territorial integrity. This commitment should extend to include also clear security guarantees and reliable deterrent.

The Bosnian population has to openly deal with its war legacy. But for that to take place the fear element has to be removed from the equation. Visible security guarantees and clear political reassurances by the international community should convince the increasingly worried population of the inconceivability of a new war. A 'fast track' accession to NATO should be considered as a potential tool for extending such guarantees.

The international community should truly acknowledge the primacy of local leaderships in policy making and reform because only through this a genuine and sustainable consensus for the future of the country can be reached.

At the same time though, the international community cannot abandon Bosnia and should create a new role for itself that will entail support and advice for the complex matters such as state building, reform of the constitution, consociational arrangements, building of inter-ethnic trust and reconciliation.

The international community should facilitate the creation of a culture of collaboration and political consensus building and make these priorities on par with institution-building and the adoption of European standards. Only by focusing on consensus building and the culture of collaboration will the international community help Bosnia truly get to the 'starting blocks' of the accession process.

Along the same lines, the international community should evade the temptation to impose any institutional solutions. The debate on the new constitution should be an inclusive process that will assist elites and people to jointly establish a common political vision for the future of Bosnia.

The central role that war-created ethnic divisions hold in all aspects of contemporary Bosnian politics has to be addressed. The international community should focus on facilitating the building of inter-ethnic trust. It should also assist an honest 'dealing with the past' that will make way to genuine reconciliation. This process can only be achieved through addressing fundamental divisions arising from war crimes trials. In addition, the issues that reinforce ethnic and societal divisions in society, such as the political role of war-effected groups and the victimhood syndrome, have to be addressed.

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Woodrow Wilson International Center for Scholars

Working Paper: The Working Group on the Western Balkans

Although the EU and the US agree that the long-term goal for the Western Balkans is European integration, progress has stalled. This series of working group meetings aims at launching a discussion on the hurdles to enlargement in the Western Balkans, the tools available to various international actors in the region, and how these resources might best be applied to reach the goal of integration most efficiently. These meetings, therefore, address issues that are at the core of the making the Transatlantic relationship work.

The Working Group is support by a grant from the EU Delegation.

The Effects of the Sovereign Debt Crisis in Europe on the E.U. Integration Policy in the Western Balkans

Jens Bastian

Introduction:

As the twin fiscal and public debt crises unfold in Greece, neighboring countries in southeastern Europe are anxiously trying to determine how they will be affected by the developments in Athens. In light of Greece's track record of foreign direct investment, its foreign policy focus on the region and growing trade volumes between the countries neighboring Serbia, Albania, FYR Macedonia, Romania, Bulgaria and Turkey cannot remain indifferent to the magnitude of the crisis next door. Nor can they cast a blind eye to the possible solutions being addressed in Athens or advocated in Brussels, Berlin and Washington.

Both Serbia and the EU member Romania currently have IMF-led stand-by agreements. These facilities have been in place since early 2009. In the case of Romania the IMF program is being supplemented by financial assistance from the European Union, the EBRD in London and the World Bank. Turkey itself is presently in negotiations with the IMF about possible financial assistance. Put otherwise, as the discussion and controversy over possible IMF support for Greece continues, some of its neighbors have extensive experience with the Washington-based

institution. The same holds for Hungary and Latvia, equally two EU members with multi-year IMF-led macroeconomic stabilization programs in operation.

Potential Implications:

What could be the short to medium-term repercussions of the Greek fiscal and public debt crises for its neighbors? Is the contagion risk limited or imminent? Some spillover effects have already started to manifest themselves. As Greek 10-year bonds fall and yields continue to remain above six percent, sovereign debt issuance and the risk premium investors demand to hold securities emitted by Romania, Serbia, Bulgaria and Turkey have been adversely affected.

Moreover, the ripple effects of the Greek crisis are being felt in three other key areas, namely the impact on foreign trade volumes, the level of remittances being send back home from Greece and the cost of lending by the local subsidiaries of Greek parent banks operating in the region.

Consequences for the euro zone:

What initially started as a Greek fiscal and public debt crisis in October 2009 has matured within the past seven months into a fully-fledged crisis of the euro zone. It extends well beyond the immediate causes: collective irresponsibility in Athens during the past decade and a lack of effective policy intervention and coordination in Brussels. The crisis now fundamentally affects the medium-term stability of the 11-year old currency.

It also shines a bright light on the euro zone's delayed and conflict-ridden crisis resolution capacity. Finally, the crisis has catapulted on the continent's agenda the issue of political leadership in the European Union. What was unthinkable only a month ago has quickly become unavoidable a few weeks later. Between agreeing for a €110 billion international rescue package for Greece and a €750 billion emergency package to stabilize the euro hardly 36 hours had passed in Brussels, Berlin and Paris.

Saving the euro as a single currency union can only be achieved under the premise of a stable currency. Many urgent questions about the future of the European Union and the stability of the euro zone are searching for coherent answers. Key among these are the following issues:

1. Does Europe have the leadership to achieve a transition from a European Union into a much closer economic union under conditions of severe economic distress? There is considerable concern across the continent about the lack of coordination in Europe over how to address and fix the current crisis. The impression that EU nations are not working together is harming their credibility.
2. How do you distribute fiscal adjustments and correct structural economic imbalances across Europe? The existing toolbox at the EU level and among national governments is in urgent need of having to be updated. The instruments in their arsenals have not been geared toward a challenge of such proportions and urgency as today's sovereign debt crisis across Europe.
3. What effects and consequences will both the euro zone crisis and the process of fiscal adjustments across the continent have on the EU accession - and by extension - equally on the euro zone enlargement agenda? More specifically, is one of the two adversely affected? Will countries such as Serbia, Montenegro, Albania, F.Y.R. of Macedonia and most importantly Turkey be kept at arms length by the Commission and/or from existing EU members? Is euro zone enlargement towards Hungary, Poland, Bulgaria and the Czech Republic off the agenda for the time being once Estonia joins as the 17th member in January 2011?

Fiscal retrenchment and austerity:

All countries in the EU and those simultaneously inside the euro zone face a dilemma: choices between two options, each characterized by risks and challenges. Euro zone member countries such as Greece, Portugal, Ireland and Spain have begun implementing unprecedented austerity programs during 2010. These efforts have been triggered by the domestic and international demand for immediate fiscal consolidation.

Equally, the E.U. member Hungary has experienced five consecutive years of government-imposed austerity.[1] In Lithuania austerity measures implemented since early 2009 have cut public spending 30 percent, reduced public sector wages 20 to 30 percent and lowered pensions as much as 11 percent. After Greece, Lithuania is undertaking the second-largest fiscal adjustment ever within an E.U. member country.[2]

However, the focus of these multiple endeavors also rests on a commitment by governments and their political economies to embark on a multi-layered structural reform path. In the case of Greece, the structural reform agenda is part and parcel of the set of conditionalities agreed upon by the government of Prime Minister Papandreou with the so-called *troika* (I.M.F, E.C.B. and the European Commission) in return for a €110 billion international financial rescue program over next three years.

This structural reform agenda ranges from pension and social security reform, over liberalization and flexibility in labor markets to making licensing procedures for opening up businesses less time-consuming and administratively cumbersome. Despite its unpopularity among trade union organizations, professional interest groups and large segments of populations across the continent, this agenda of structural reforms seeks to underline that Europe's economic malaise is not primarily a stagnant growth and spending issue.

Euro zone enlargement – A distant objective?

For those countries from central and eastern Europe seeking to join the single currency in the coming years the events of the past seven months surrounding Greece and the euro zone crisis underlines a key challenge for them vis-à-vis the E.C.B. More specifically, the E.C.B. in Frankfurt needs to be frank to applicants from Sofia, Warsaw, Prague, Budapest, Bucharest about how and why its role expanded between March and July 2010 from guardian of price stability to last line of defense against a financial markets' meltdown in Europe.

[1] In Hungary the median wage remains not much higher in 2010 than it was in 1989 when the country began its economic transition towards a market economy. 1.7 million citizens in a country of 10 million hold foreign currency loans, mainly denominated in either the euro or the Swiss franc.

[2] Unemployment in Lithuania currently stands at 14 percent while the economy declined 15 percent last year, the steepest recession recorded in 2009 among the 27 E.U. members.

The events of the past months during the sovereign debt crisis have thus brought to the fore important challenges related to accumulated structural imbalances and economic as well as fiscal imbalances. The fear of repeating a Greek-style situation as emerged during the first quarter of 2010 is driving a range of policy adjustments and calls for institutional reform. Issues that currently define the public debate and potentially shape the agenda include:

1. The new government of Prime Minister Viktor Orban in Hungary is the first one to openly challenge the new orthodoxy of fiscal austerity and painful structural reforms that is currently sweeping across the European continent since the onset of the Greek sovereign debt crisis late last year.
2. After Estonia is planned to adopt the euro in January 2011, eight countries in central, eastern and southeastern Europe are currently in line to seek euro zone accession. Two countries in the Western Balkans have already unilaterally adopted the euro as legal tender. They are Kosovo and Montenegro. According to the E.U. Commissioner for Economic and Monetary Affairs, O. Rehn, "there is no queue out of the euro, [but] only a queue to join the euro".
3. To what degree can the Growth and Stability Pact be reformed in order to subsequently move the goal posts regarding the accession criteria?
4. As Bulgaria, Poland, the Czech Republic and Hungary are gradually revising their timetables for euro zone accession, the more immediate consequences concern their inclusion in and compliance with ERM-2 conditions.
5. Bulgaria has put off its planed 2010 ERM-2 application, citing the recession, its fiscal deficit and unspecified hurdles in the euro zone. Meanwhile, the Polish government has delayed its own euro entry timetable, arguing that the sovereign debt crisis in Greece affects the country's inclusion in the single currency.[3]
6. The Czech government in June 2010 introduced a new twist in the debate and timetable for euro zone enlargement. Prague will not adopt the euro *until* the euro zone's

[3] The Polish Finance Minister, Jacek Rostowski, argued that "the euro zone is now like a house that needs some work, repainting and refurbishing…As with all such works, there is some noise and dust, so it's maybe better that we are in our own little house and *in a few years* (emphasis added J.B.), when the euro is refurbished, we move there". Poland's deputy central bank chief, Witold Kazinski, has not identified a concrete date for Poland's later accession to the euro zone.

existing members meet the Maastricht treaty requirements first before applying them to future applicants. Put otherwise, the test to join is reversed from the applicants to the current members who must comply with rules and standards they seek to apply to future members.

7. Will the deepening of euro zone integration; enhanced budgetary transparency requirements and improved Commission/ECB oversight on policy compliance contribute to delaying euro zone enlargement? Put otherwise, if the incentive structure inside the euro zone is changed towards greater compliance and individual country controls, some applicant countries may shy away from the revised demands and increased levels of conditionality.

Priorities of E.U. integration policy in the Western Balkans:

Moreover, the European Commission needs to be equally frank to applicants from Belgrade, Tirana, Podgorica, Skopje, Pristina, Sarajevo and Ankara what lessons it is willing to learn *and* apply from the sovereign debt crisis of the past months for the definition and configuration of the enlargement agenda once Croatia completes its accession process.

Croatia could join the EU as early as 2012. But no other Western Balkan country (Serbia, F.Y.R. of Macedonia, Kosovo, Bosnia, Montenegro and Albania) is likely to be ready for membership before at least 2020). Hence, the next decade is about keeping these countries focused on the merits and challenges of the accession agenda. This endeavor entails issues such as these:

1. How are rampant procurement fraud, corruption and organized crime being fought by applicant and accession countries; let alone existing members? The Commission detailed in an evaluation report from July of 2010 how Romania and Bulgaria, which joined the European Union in 2007, are addressing these issues and complying with EU standards and procedures.
2. Bulgaria for its part remains a serious problem. One in five E.U. farm subsidy payments continue to be subject to fraud. Since joining the Union Bulgaria has been under special scrutiny because of persistent concerns over high levels of

corruption. However, it has received praise from the Commission to push through reforms against entrenched corruption.

3. In Romania, the government was publically criticized by the Commission for lacking in political commitment to support and provide direction to the reform process, and demonstrated a degree of unwillingness within the leadership of the judiciary to cooperate and take responsibility.

The Western Balkans comprises a region of roughly 22 million citizens. Either EU and/or NATO member states surround them in all geographical directions. Every country in the Western Balkans has EU membership as its key foreign policy strategic goal. Equally, NATO accession follows close behind for most countries in the region.

In consequence of the aforementioned, it is paramount for the enlargement debate in the coming years to shape and refine the incentive structure offered to the countries in the Western Balkans. We therefore specifically suggest a five-stage approach that includes the following roadmap:

- The FYR of Macedonia should be given a date to start negotiations on accession, no later then when Croatia has formerly closed its accession process. The 19-year dispute between Greece and the FYR of Macedonia over the latter's name needs resolution. The government of Prime Minister Papandreou in Athens appears to seek new momentum in moving forward with its neighbor towards a compromise. This could include a simple geographical suffix such as 'Northern Macedonia'. The international community, including the UN, needs to support this momentum and give the recent initiatives added traction;
- Serbia, which formerly applied for EU membership in 2009, needs to be moved forward to candidate status. Cooperation with Kosovo and a resolution of practical differences between Belgrade and Pristina is part and parcel of this system of incentives offered to Serbia by the E.U., organs of regional

cooperation such as the OSCE, Regional Cooperation Council (RCC), the Council of Europe and the European Investment Bank (EIB);

- In order to avoid any appearance of favoritism towards the former Montenegro should equally be a concrete timetable as to when and how it will be offered candidate status;
- Bosnia and Albania, who where not granted visa-free travel to the Schengen zone by the European Commission in 2010, should receive this assurance one year later upon completion of their outstanding tasks and obligations;
- As regards Kosovo, the July 22nd 2010 advisory opinion of the ICJ on the country's declaration of independence from February 2008 should facilitate a process of dialogue and cooperation between Pristina and Belgrade. In Kosovo, various EU institutions and missions have the unique opportunity to make progress on the ground in partnership with the US. This joint engagement includes carrots and sticks towards both constituencies. Both countries are neighbors to each other and have a prime strategic incentive to seek constructive dialogue and cooperation, namely the prospect of E.U. membership. Co-existence and cooperation are the order of the day, not fence-building!

The more the E.U. establishes a local lense on the challenges ahead in the Western Balkans the better for all parties concerned. Over time and after various setbacks the Commission has successfully anchored the perception of itself in the region that there is value added to continue engaging with Brussels. The Western Balkans are today a fairly safe environment loaded with political, economic and institutional challenges that don't immediately appear on the radars in Brussels, Berlin, Paris, London and Washington.

Still, numerous shackles continue to hold back the region's economic development and political integration. Frequently, politics persist in trumping economic sustainability. In a word, the coming years will determine to what degree politics in the Western Balkans can be turned from a liability into an asset.

The Greek responsibility and the growing role of Turkey in the region:

We have to bear in mind that the recession-hit markets in southeast Europe still have a long way to go until they can legitimately claim to be on safer economic grounds. The secondary effects of the global economic and financial sector crises in the region are feeding through the real economies of these countries, e.g. in terms of declining consumer demand, indebtedness of private households and corporate entities as well as growing unemployment.

Under these difficult conditions, the economic crisis in Greece risks affecting the recovery potential of its neighbors. Over the past decade foreign direct investment from Greece, rising trade volumes with each other and labor migration to Greece all contributed to assist the economic transition of its neighbors. This positive impact may be put on hold for some time to come.

Moreover, the void left by Greece is quickly being filled by the pro-active involvement of Turkey in the region. As an investor, diplomatic force and political facilitator Turkey is increasingly engaging in the Western Balkans. This sustained intervention will have considerable strategic consequences for the region. The contrast of economic outlook between Greece and Turkey could not be bigger at present. While the former's economy continues to be in a deep recession, declining by 2.5 percent in the first half of 2010, the latter's economy grew by almost 10 percent during the same period.

However, possibly the most important issue on the minds of policy makers and central bank governors in neighboring countries are the potential consequences for the most crucial political project in the region. There is a growing concern across capital cities from Tirana over Skopje to Belgrade and Ankara that the EU accession perspectives for countries in southeast Europe could be affected as a result of the EU becoming rather cautious about enlargement and more rigorous regarding economic conditionalities of membership.

It is in this area of foreign policy making where Greek leadership will be most crucial in the coming months. Sending out clear signals of engagement with the region, sustaining these with

practical efforts of support for its neighbors can underscore this crucial message: Despite the crisis and the challenges it poses, Greece will not become in-ward looking nor forget its neighbors!

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The Working Group is support by a grant from the EU Delegation.

Reform in Kosovo: Is EU Integration a Goal, or the Means?

Marianne Ducasse-Rogier

On September 9, 2010, the United Nations general assembly adopted a long-awaited resolution on the issue of Kosovo's status. Serbia surprised observers the previous day, when it accepted a substantial change to the text of the resolution it had initially planned to put forward, after negotiating with EU High Representative for Foreign Affairs and Security Policy, Catherine Ashton. While still not recognizing Kosovo's independence and resolving not to change its position, Serbia abstained from requesting further international condemnation for Kosovo's independence declaration and went as far as to express its willingness to enter into an EU-facilitated dialogue with Kosovo. The resolution acknowledged the International Court of Justice's advisory opinion rendered in July, which had concluded that Kosovo's declaration of independence did not violate international law. Serbia's cooperation on the resolution was achieved in exchange for promises from key EU actors (the UK and Germany among others) that Serbia's entry into the EU would be accelerated, and its status as a Candidate would be expedited. This development should be greeted with a sigh of relief, especially since it may help push Kosovo out of its current impasse with regard to internal reforms and EU accession.

Kosovo's impasse, at first glance, seems to stem from its uncertain status. Since the February 2008 proclamation of independence by Kosovo's Parliament 74 countries have recognized its statehood. Serbia's recent cooperation with the EU and the UN seems to have stopped the escalation of the crisis, but the situation is far more complicated. While they are less publicized than the status issue, the Kosovo's government struggles to function and has failed to implement a number of key reforms. Even more important than achieving international consensus on Kosovo's independence is the puzzle of how to encourage the country to adopt reforms: What incentives or policy tools can be applied to compel the country's political leaders to carry out what may sometimes seem to be painful reforms? The impasse in Kosovo forces the EU and the US to reform their approach, not only to Kosovo, but to the wider region.

The change in Serbia's stance on the resolution it presented to the UN seems to indicate that the EU can indeed play an important role in fostering stability and reconciliation in the Balkans through its power of attraction. It remains to be seen, however, if the EU alone is best able to promote the comprehensive set of reforms needed to make Kosovo (as well as Bosnia) a functioning state. The nature of the role that the EU must play in Kosovo will thus be explored here, with a special focus on the dilemma over its political versus its technical role.

The issue dominating Kosovo's agenda is its status. Despite the claims that this case is sui generis, Kosovo's status will have repercussions far beyond its borders. In some cases, these repercussions will directly affect the EU: five EU member states have not recognized Kosovo's independence because they fear for their own territorial integrity. Beyond the EU, a number of sub-state entities and separatist movements view Kosovo as a potential model.[1] This internal conflict may affect the credibility of the EU's common foreign policy and diminish its leverage.

Yet, the status question distracts from the large number of other issues that the Kosovo government must address in order for its institutions to function properly and be able to meet the conditions for EU accession. Kosovo must address the de facto division of northern Mitrovica, especially the persistence of parallel government institutions. Serbian communities throughout the country must be integrated, minority rights must be protected and internally displaced people (IDPs) must be allowed to return to their homes. Kosovo must continue to make progress in establishing the rule of law[2], good governance and democracy, with a special focus on enhancing press freedoms and fighting corruption. On top of everything is the fact that Kosovo is a very small and poor nation, with limited prospects for economic development. All of these interrelated issues make the problem of Kosovo a comprehensive one. The role and capacities of the EU in this regard needs to be examined further.

Policy circles in Europe posit that the EU is best suited to act in the Western Balkans because of its geographic proximity, shared concerns and the region's aspiration to enter the EU. This view echoes those made in the early 1990s, when the wars in Bosnia and Croatia were raging. "The hour of Europe has come"[3] was pompously declared in 1991, but Europe's attempts at negotiation failed to prevent an escalation of the crisis.

One could argue that the EU today has evolved since the 1990s. However, while its membership and experience has grown, the EU is currently managing a complex institutional restructuring, which may affect its efficiency in the short term. Furthermore, at 27 members, the EU is having difficulties designing and implementing a coherent foreign policy, in spite of the new institutions created for that purpose. On top of that, the EU is currently facing a severe economic and financial crisis which takes its toll on its resources as well as its potential for coordinated action. There is a real risk that these

[1] Although it would be quite easy to justify an opposition to RS move towards independence, highlighting the fact that RS ethno-geographic homogeneity is an artificial creation, forged through a policy of ethnic cleansing, it might be more complicated to find some legal grounds to oppose Abkhazia's or Nagorno-Karabakh ambitions.

[2] See on this issue ICG report *The Rule of Law in Independent Kosovo*, Europe report no 204, 19 May 2010

[3] In 1991, Jacques Poos then Luxembourg Minister of Foreign Affairs, made this declaration while heading for negotiations to end the crisis in the former Yugoslavia

issues will impede its capacity to promote painful and complicated reforms in the Western Balkans.

Finally, regarding its policies towards the Balkans, the EU has not always been very consistent about its objectives and the criteria set to reach them. For example, when the EU lowered its criteria for the signing of the SAA with Bosnia, it certainly sent the wrong signal to other Balkan countries, which may now believe that the EU and its accession criteria can be easily manipulated. None of this is news as far as the EU is concerned, but how does this effect the often-stated assumption that the EU is the best actor to promote change in the Balkans? The assumption that EU integration is the best tool to promote reform in the Balkans should to be taken with more caution.

Is EU integration a goal, or a means? Historically, the EU was meant to serve as a tool to build a peaceful and prosperous Europe. Since the beginning of the 1990s, however, it has been argued that EU integration is currently more an end in itself than a tool. This debate is important for the Western Balkans, where it is often assumed that Europe's mere power of attraction will convince politicians to launch reforms. While the EU's attraction may have been powerful in the 1990s, it is another story in Kosovo and Bosnia, where the state-building reforms promoted have little do with the EU's *acquis* or the integration process. We have learned from experience that when the EU strays into areas beyond what its members have agreed unanimously, its power to compel reforms is substantially weakened.

In addition, it is important to note that, in the cases of Kosovo and Bosnia, EU accession is a distant prospect. The current crises within the EU (economic, financial and institutional) push the Western Balkans further down the list of priorities. Moreover, within the EU, some states are extremely reticent about admitting new members in the short and medium terms, which seems to diminish the power of the EU. With the EU accession so far off, it might be easier to convince people and decision-makers to launch reforms that directly benefit the population, rather than justifying all reforms as necessary for the EU integration. In the end, the citizens of Kosovo might be more receptive to arguments that reforms will increase stability and employment, improve their children's education, and raise social protection standards, than eventually joining the EU.

Another limit to the EU's power to transform the Western Balkans stems from its peculiar position in Kosovo and Bosnia. The EU is inextricably linked to government institutions (through its EU missions and EULEX), in which it assumes the role as one of the reform-implementing agents within the government. At the same time, the EU acts as the judge to determine if the country is ready for accession. This inherent conflict further erodes the EU's power to promote change in the region. Politicians have already learned to blame the EU when their own governments fail to implement necessary reforms, as they deflect criticism in order to gain re-election.

Similarly, questions may be raised on the nature the EU's role: is its intervention political or technical? It can be argued that the EU has become a political actor because the measures it must take in order to encourage reforms in Kosovo and Bosnia are far beyond the usual technical counselling done in previous enlargements. The issue is not whether the EU should play a political role, but whether the EU is strong enough to take on these demanding tasks. For example, there is a need to develop measures that could be taken in case of non-compliance beyond merely stalling the accession process. But beyond the issue of innovative tools, the lack of unity within the EU regarding the

recognition of Kosovo complicates EU conditionality: how can the Commission use the "carrot" of EU integration when five EU members do not recognise Kosovo as an independent country?

A third point to be made is related to the risk of creating false expectations, which can in turn generate frustration and bitterness. This could ultimately undermine the EU's power of attraction, which would scuttle the enlargement project. Already, observers have wondered whether or not policy-makers overestimate the EU's power of attraction. Often, EU proponents seem to believe that simply having the prospect of joining the EU will act as a motor for reform. There is also a need for EU policy-makers to adapt their thinking on the situation on the ground, to better understand the expectations of the people in the region and the roles of other actors working there. Developing better adapted and more efficient policies are necessary in order to promote the reforms required by the accession process

Do the doubts aired above mean that the EU should not act at all in Kosovo? Certainly not. The EU is the key actor in the Western Balkans and withdrawing from a region that has a potential European future would be pointless. But there is great need for clarification regarding the role that the EU can play, in particular the nature (political versus technical) of the EU's involvement in Kosovo. Given the disagreements within Europe on the status issue and its political weakness (especially in the area of foreign policy), it would be misleading to believe that the EU can assume the political role as a reform-pusher on its own, relying solely on promises of EU integration.

The success of the policy in the Western Balkans will rely on the EU's ability to widen its strategy, and go beyond the mere integration process argument. There is room for the EU to assume a more practical role, advising in a technical capacity on the various reforms local governments consider to adopt. This can be done in coordination with other partners, such as Turkey, the U.S., and other international organisations. With the participation of other actors the argument that reforms will benefit Kosovo by making it a functional state (and not because they will bring Kosovo in the EU) will carry more weight. This argument does not preclude EU accession, but it does not make it the only goal.

Accordingly, there is a need to identify concrete incentives that can be implemented in the short or medium term by the EU and would directly benefit the population (visa liberalisation, education grants, EU-sponsored investments…). In order to reach the population, a vast public relations campaign would also have to be launched so that citizens are made aware of what the EU and other international actors are doing in the country, what the goals of those policies are, and what are the responsibilities of the Kosovo government[4]. The citizens of Kosovo would thus be made aware of the reforms for which they need to hold their government accountable.

As mentioned above, any EU strategy should involve other key international actors working in Kosovo, including Turkey and the U.S. Common priorities should be identified, along with a timeline to reach them. Among them, the question of the North of Kosovo will need to be addressed as a central concern. Some proposals are currently on the table, but the situation seems to be at an impasse.[5] This question certainly has to be

[4] The affair of the visa liberalisation policy in 2009 should be used as the example of what has to be avoided in terms of EU public diplomacy

[5] See for instance *Kosovo and Serbia after the ICJ opinion*, ICG Europe report, no 206, 26 Augustus 2010

tackled at the regional level and will be part of broader negotiations on the normalization of relations with Serbia. One potential way out could be to resort to international arbitration (as in the cases of Brcko in Bosnia or Abyei in Sudan).

The EU is an important actor in the Balkans, but overestimating its capacity to promote reforms in post-conflict situations is risky. It is risky for the EU itself, which will be confronted once again by its lack of political cohesion and power in that area. It is risky for Kosovo, which might not be given the impulse to move forward. EU (and NATO) integration are useful tools (i.e., carrots), which should be used as such, but they should not conceal the main reasons for going through with reforms: to become functioning states. The well-being and prosperity of their populations, the future of their citizens and the stability of their region are more immediate goals for the people in the Western Balkans, and that should be addressed by the international policy toward the region.

Woodrow Wilson International Center for Scholars

Working Paper: The Working Group on the Western Balkans

Although the EU and the US agree that the long-term goal for the Western Balkans is European integration, progress has stalled. This series of working group meetings aims at launching a discussion on the hurdles to enlargement in the Western Balkans, the tools available to various international actors in the region, and how these resources might best be applied to reach the goal of integration most efficiently. These meetings, therefore, address issues that are at the core of the making the Transatlantic relationship work.

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EU in Kosovo: How to make a difference?

Elton Skendaj

The European Union has already invested significantly in Kosovo, since 60 per cent of the overall 3.5 billion Euros of international support has come from European countries and institutions. Such aid has often attempted to build democratic state institutions before the EU accession roadmaps. There have been mixed results of such international support for state bureaucracies. In this brief, I will make recommendations for three policies: support for effective bureaucracies; visa liberalization regime, and prosecution of corrupt senior officials.

On one hand, the EU and other international actors have supported the construction of two effective bureaucracies in Kosovo, the customs service and the police force. These bureaucracies have high public or elite satisfaction, successfully fight corruption in their ranks, and are responsive to the public. The relative success of these bureaucracies is puzzling since they are often the most corrupt and repressive bureaucracies in other countries. The key to their success is that international organizations insulated these bureaucracies from political patronage. In the customs area, EU officials led the construction of the bureaucracy by ensuring that capable local officials were recruited through competitive examinations and vetting. As public officials built their careers on merit, they focused more on performance and ethics than political gain.

On the other hand, my research identified two ineffective state bureaucracies in Kosovo, the central administration and the judicial system. These bureaucracies enjoy low public satisfaction, do not penalize the high corruption in their ranks, and are not responsive to the public. They became sites of political patronage after the early devolution of power to elected local leaders. Since domestic and international constituencies for civil service reform were nonexistent, these bureaucracies relied on historical clientelist patterns and remained ineffective.

The current government in Kosovo is trying to remove the head of the customs service after spreading misinformation in the media that he is corrupt or a friend of the “internationals.” The

EU Rule of Law (EULEX) mission in Kosovo has supported the current customs director. EU should promote independent civil service in Kosovo and support the current successes in customs and police but building on them for other institutions. It should try to build domestic constituencies for civil service independence by requiring the central government to pass and obey the law on civil service.

EU should also commit to Kosovo's elites and publics that the long term vision for Kosovo is its accession to the European community. The current economic crisis and enlargement fatigue is making many European elites and publics skeptical of further enlargement. Yet, the stability and prosperity of Europe's courtyard, Kosovo, Albania, Serbia, Montenegro and Albania, depend upon the carrot of EU accession. EU is still very popular in the region, and the accession processes will allow for difficult political and economic reforms to pass.

The short term implication for EU accession in Kosovo is the visa liberalization policy. In the Western Balkans, Kosovo is the only state that does not have a visa liberalization roadmap from the European Union. When citizens of Albania and Bosnia are able to travel for short term trip to the European Union next year without visa, citizens of Kosovo are going to be the only ones to remain in the visa ghetto.

Kosovo's ministry of interior has a unilateral roadmap of its own for visa liberalization, but it does not carry the EU promise of visa-free travel if it succeeds. The Kosovo government has implemented various technical aspects of the unilateral roadmap in the areas of organized crime, narcotics, terrorism and corruption. Most of these actions remain however in the phase of formulation of national strategies or legal frameworks, and do not necessarily translate into their implementation on the ground. Significant challenges remain before such policies may be implemented, such as weak judiciary and anti-corruption mechanisms.

In the absence of an EU policy on visa liberalization for Kosovo, the central government is not likely to go through these reforms. A clear policy from the EU would put the burden of implementation on the government and would rally the civil society, media and the representatives of international community on the ground toward the change. Of course, since five countries within the European Union do not recognize Kosovo, it is hard to see a coherent policy emerge without a negotiated deal between Serbia, Kosovo and the EU.

The biggest EU rule of law mission abroad, EULEX, started off a rocky start in Kosovo as delays in recruitment of European police officers, judges and other officials added to the lack of clarity of the mission's support for Kosovo's independence. While the mission's goal was to fight organized crime and corruption in the whole Kosovo, Kosovo Albanian elected leaders have tried to reframe their goal toward ensuring that the Serb residents of Northern Kosovo becomes incorporated into the new state. As of now, the EU mission is not reaching any of these goals.

For obvious reasons, Kosovo politicians vehemently oppose the international organizations' efforts to hold them accountable. Indeed, while Kosovo leaders did not publicly confront the international advisors, they reacted immediately when international prosecutors publicly investigated one of the ministers suspected to be engaged in extensive corruption. When the EU mission, EULEX, raided the offices and houses of the minister of transport, Fatmir Limaj in May

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2010, the prime minister claimed that such independent investigations were a violation of Kosovo's institutions. However, according to the constitution and the Ahtisaari agreement, the EU Mission had the authority to investigate such crimes.

The public investigation of minister Limaj by EULEX has raised the hopes amongst part of Kosovo's public that the EU mission would finally end the impunity of high officials who have been stealing the state through dubious public procurement practices. The EULEX prosecutor made a strong statement on the national TV that corruption will be met with punishment. While it is too early to assess this policy, the EULEX conduct of the Limaj affair leaves room for improvement.

Firstly, there was no agreement among European and American actors on how to proceed in the indictment of the second most powerful minister in Kosovo's government. The American ambassador issued a statement that supported the embattled transport minister, Fatmir Limaj. When the EU Rule of Law mission attempted to indict minister Limaj for corruption in 2010, the US ambassador publicly stated that corruption is best fought by ensuring that politicians do not control the economy and not through the prosecution of individual politicians (Express 2010). Insider Kosovo observers noted that before the EULEX raids, the US had discretely planned to send minister Limaj in an ambassadorial position abroad and suppress media coverage of the affair (YIHR 2010 :34). The division between the United States embassy and the EU mission might undermine efforts to indict corrupt politicians who amass wealth with impunity.

The supporters of minister Limaj in the government have also been monitoring the EULEX actions now that the investigation has become public. They have been observing the EULEX offices and field operations. It is unclear whether EULEX is going to gather significant evidence after its intentions became clear.

The high profile Limaj investigation suggests two implications for EULEX. Firstly, the organization should make high profile arrests after they have sufficient evidence for the arrest. Secondly, they should coordinate their high profile arrests with the other main international actors on the ground. To borrow a poker analogy, EULEX showed up their cards too early. Their ally, the US, disagreed with their strategy, and the indicted minister is claiming both innocence and fighting the investigation.

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