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 “THE INTEGRATION OF WESTERN BALKANS INTO THE EUROATLANTIC
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Reaping the Benefits of Euro Atlantic Integration

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Since the creation of the EU half a century ago, Europe has enjoyed the longest period of peace in its history. European political integration is unprecedented in history and EU enlargement has helped overcome the division of Europe – contributing to peace, prosperity, and stability across the continent. By the creation of a single market and a common currency conditions for companies and consumers, while preserving Europe’s diversity the EU has united the citizens of Europe.

If we go back at the genesis of the E.U. the process of the creation has been signed by several landmarks. In the aftermath of World War II, first the European Coal and Steel Community was created. The aim was to secure peace among Europe’s victorious and vanquished nations and bring them together as equals, cooperating within shared institutions. Based on a plan by French Foreign Minister Robert Schuman, the Six founding countries – Belgium, the Federal Republic of Germany, France, Italy, Luxembourg and the Netherlands – signed a treaty to run heavy industries (coal and steel) under common management. The process reached the first highlight in 1958, when the treaty of Rome was signed. The six founding countries expanded cooperation to other economic sectors, creating the European Economic Community (EEC) – or “common market.”As a result, people, goods, services, and capital today move freely across the Union and it is undeniable that

“Enlargement has been a success story for the European Union and Europe as a whole. It has helped to overcome the division of Europe and contributed to peace and stability throughout the continent.”¹

Tab 1.

| 1951 | 1973 | 1995 | 2004 | 2007 |
|--|--------------------------------------|------------------------------|---|---------------------|
| <i>Founding Members</i> Belgium France Germany Italy Netherlands Luxembourg | Denmark Ireland United Kingdom | Austria Sweden Finland | Cyprus Czech Republic Estonia Hungary Latvia Lithuania Malta Poland/Slovakia | Romania Bulgaria |

¹ **European Council Declaration** Dec. 15, 2006

Integration of the Western Balkans

But the process is not complete, there are still the *Candidate Countries* Croatia, Former Yugoslav Republic of Macedonia, Turkey, and the *Potential Candidate Countries* Albania, Bosnia & Herzegovina, Montenegro, Serbia including Kosovo under UN Security Council Resolution 1244. Integration was more difficult in the beginning, candidate countries were bigger, economies larger and with more need for funds (Spain), political instability (Greece), and the specter of Soviet Union threatening the social fabric of the European Continent (1968 students protests), still the foundations for this massive structures were laid and it got operative in only ten years, and the speed of integration was higher. After the 1990, most countries of the Central Europe entered during the 2004 Integration process, process that continued with the integration of Romania and Bulgaria in 2007.

There are several factors that in a recurring fashion are named to address this delay but it can not be neglected that the road to integration has become extensively more difficult. Multiple thresholds and intermediate stages have been drawn up to regulate the new entries.

1. Feasibility Study of the Stability Pact (SA) process
2. Start of negotiations for the Stability and Association Agreement (SAA)
3. Conclusion of these negotiations
4. Initialing of the SAA
5. Signing of the SAA
6. Ratification process from National Parliaments
7. Implementation of the SAA
8. EU Candidacy
9. Start of Accession Talks
10. Opening and Closing of the 35 Chapters
11. Signing of the Accession Treaty
12. Ratification Process by National Parliaments and European Parliament

Even though the integration process has been hailed as a success, several problems like the “enlargement fatigue” or the rejection of the constitution and the Lisbon Treaty have pushed the Western Balkans down from the agenda of the Union. As a prominent figure of the European Union said in a international conference

*"Don't expect too much [from Brussels]....You will be given a little push, and then you will be expected to walk."*²

That means that a region with 7 countries (including Kosovo), and not more than 20 million people is undergoing different accession speeds and are situated at different placements in the EU accession ladder.

² THE BALKANS AND THE EU: CHALLENGES ON THE ROAD TO ACCESSION Bucharest, Romania November 19, 2005 <<http://www.per-usa.gov>>

- Croatia is conducting accession talks with EU
- FYROM is a candidate country with a view to start accession talks
- Albania has signed the SAA
- Montenegro has signed the SAA
- Bosnia has recently signed the SAA
- Serbia was offered a pre-accession pact, not a full SAA
- Kosovo* is on a different tracking mechanism

As it can be noticed by Map 1, there is an empty space in the Western Balkans area, an empty space that represents the delay of these countries in integrating with the European Union. In the Western Balkans this difficult process has had more than 18 years to go on, and especially post 1999 every government and political elite in the region has vigorously pursued the E.U. dream. If in the year 2008, this dream has yet to become a reality; it basically means that there is a flaw on the strategy of the EU toward the region.

Map 1.



The EU is, or at least considers itself to be a global player. Its soft power promotes stability, prosperity, democracy and human rights, delivers concrete results in the fight to eradicate poverty, and in achieving sustainable development. But how can it be that this appeal is not being enough to draw in a region with no more than 20 million people?

No more Stick and Carrot

This author's point of view is that the policy of Stick and Carrot of the E.U toward the Serbian people and Serb Governments has not had the expected results and it is indeed the decisive flaw on the EU strategy. Placing the whole future of the regions integration process upon on the shoulders of one country is already difficult. Placing it upon Serbia is especially unfair and counterproductive. This strategy has led to a failure of winning the hearts and minds of the common people in this key country, and has given rise to the strengthening of the nationalistic reflexes and to the radicals.

E. U. has made great use of the carrot in order to attract Serbia Government and the Serbian Population using unprecedented interfering to affect the outcome of political elections. Dialogue on visa liberalization only three days before the presidential elections in early 2008, without the need for full compliance with ICTY was only one of such example. Also in April 2008 the SAA was signed in a show of support for the more liberal parties. But still Serbia is on the bottom end of the integration ladder. Unfortunately, the main 'carrots' the EU has to dangle in front of Serbia - the SAA and the possibility of accelerated progression to candidate status – are, for the time being, not effective. And in the words of Professor Judy Batt, "*In these circumstances, it seems that the EU would do best simply to keep quiet*".³

The presumption that Serbia is an indispensable actor of the region and the European future of the region can not be constructed without the agreement of Serbia is corroding the stick part of the strategy. Declaration similar to this one of D'Alema's that "*Serbia's normalization and integration in Europe is crucial for the stability of South Eastern Europe*",⁴ have been repeated by several prominent figures of the establishment of the European Union. This presumption has strengthened the hand of the radicals and of that part of population that still sees the E.U. as an optional choice not a priority and certainly not *indispensable*.

This has led to continuous flirts with the influence of Russia and has welcomed the increased involvement of Russia on these issues. Russia's worsening relationship with the

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<http://www.iss.europa.eu/index.php?id=18&no_cache=1&tx_ttnews%5Btt_news%5D=1049&tx_ttnews%5B%5D=

⁴ Speech by Mr. Massimo D'Alema, Minister of Foreign Affairs and Chairman of Fondazione Italianeuropei on the occasion of the workshop "Europe and the Prospects of Enlargement", organised by the Fondazione Italianeuropei, Rome 15th/16th Feb, 2007 <http://www.ewppp.org/programmes/western_balkans.php>

West also presents Serbia with an increasing dilemma. It is standing with one foot firmly planted on each side of a steadily widening gap between Russia and the West.

On the one hand, logically Serbia should be strongly critical of Russia's actions in Georgia and its recognition of unilateral declarations of independence by breakaway regions. It is exactly the Serbian complaint over Kosovo. Moreover, while they may differ on what actions to take in response to Russia's actions, virtually every member of the European Union is united in its criticism and unease over the Georgian situation. Serbia's ambivalence is out of sync with its future EU partners.

On the other hand, Russia has been the strongest supporter of Serbia's position on Kosovo and the Serbian government would not want to endanger that support by antagonizing Russia. The result of the above is that Serbia has maintained an increasingly difficult balancing act. As Russia's relationships with the West continue to deteriorate, that will become harder and harder to maintain. As William Montgomery noted on his article on 31 August 2008;

*"..., it has already had the collateral effect of widening the gap regionally between Serbia and its neighbors."*⁵

As late as in 2005, the words of Jaap de Hoop Scheffer represent a strong stance that Serbia has a long way to go in the matter of public sentiment toward the initiation of a process of regional healing.

*"...It is crucial for the longer term future of countries that they come to terms with their past – not just selectively, but to the full. That is why we first need to finish what is still unfinished. We need to bring these people to justice. If we want to move away from notions of collective guilt, we must first of all acknowledge individual guilt – and then do what is necessary, and just. This is urgent and cannot be put off indefinitely. Because I believe that Serbia and Montenegro must finish its unfinished business, and thereby take a final and decisive step out of its previous self-isolation. The reward for such a step will go far beyond membership in PfP. The European Union, in particular, offers considerable prospects as well."*⁶

The results on Tab 2 show that even after all the political investment and several less than ambiguous supporting moves for the more liberal parties, last election even though considered a victory for President Tadic showed that a possible combination of Koshtunica+Radicals+ex Miloshevic party has a majority over the more Western Tadic's coalition, and that the radical movement which has a very dangerous background because it was the political basis of the war in Bosnia and Kosovo gained 29,1% of the votes.⁷ The fact that their list was headed by Seselj, who created this political movement and is responsible for all its acts over the last 10 years in Serbia, in ex-Yugoslavia and beyond,

⁵ <http://www.b92.net/eng/insight/opinions.php?nav_id=51802>

⁶ NATO Secretary General, Jaap de Hoop Scheffer Club de Madrid International Forum, Belgrade, 18 July 2005 <<http://www.nato.int/docu/speech/2005/s050718a.htm>>

⁷ <http://www.cesid.org/eng/rezultati/sr_maj_2008/index.jsp>

demonstrates that this political force is not reformed and not ready at all to deal with the process of political reform in Serbia.⁸

Tab 2.

| Final Estimation | | Serbia | | |
|-------------------------|--|----------------|-------------|----------------|
| | | votes | % | mandats |
| 1 | Za evropsku Srbiju - Boris Tadić | 1587630 | 38.7 | 103 |
| 2 | Liberalno-demokratska partija - Čedomir Jovanović | 213657 | 5.2 | 13 |
| 3 | Demokratska Stranka Srbije-Nova Srbija-Vojislav Kostunica | 463996 | 11.3 | 30 |
| 4 | Srpska radikalna stranka - dr Vojislav Seselj | 1194029 | 29.1 | 77 |
| 5 | Socijalistička partija Srbije-PUPS-Jedinstvena Srbija | 321908 | 7.9 | 20 |
| 6 | Bošnjačka lista za evropski Sandžak–dr Sulejman Ugljanin | 34481 | 0.8 | 2 |
| 7 | Mađarska koalicija – Istvan Pastor | 71822 | 1.8 | 4 |

It is fair to say that since the majority of the population and every political party ,accept one, is against the recognition of such independence, now that Kosovo has been recognized by nearly 20 countries of the EU, it is unclear how high the integration in EU will score on the general public perception. And even before the independence of Kosovo, the various challenges such as the issue of ICTY, and the Mladic Factor affected that perception. This author's suggestion is that we need to think out of the box and use a different approach to this problem.

What can the EU do?

In the short term:

a) The over-riding message must be – as it has rightly been to date - that the EU remains open to Serbia and stands ready to assist with reforms and further progress in EU integration whenever Serbia is ready.

b) The coherence of EU policy towards Serbia has too often been compromised by a sense of guilt and the need to 'compensate' Serbia for its traumas. All this has achieved is

⁸ Besnik Mustafaj, member of the Parliament in Albania ex-Foreign Minister of Albania Topic: political situation in Serbia: Comments & Analyses (interview by Albana Qehajaj, ALSAT TV, Tirana, 2004) <<http://www.seetv-exchanges.com/code/navigate.php?id=120>>

to diminish the credibility of EU conditionality and undermine trust in the EU's integrity and fairness, not only in Serbia but in the Western Balkans region. The EU has indeed made mistakes in handling Serbia, and there are lessons to be learned. Right now, what is needed is clarity and consistency.

c) The EU should stop telling Serbia it is the 'vital key' to the success of the EU's regional strategy for the Western Balkans. Serbia is indeed important, but it is not indispensable. If need be, and with regret, the EU can and should proceed with those other states that are ready and committed to EU integration. The EU should redouble its efforts to support the EU perspective of Serbia's neighbors. They must no longer feel that they are held hostage to Serbia's difficulties, or held back in order to wait for Serbia – this only diminishes the EU's 'transformative power' in those place where it does show signs of working.

d) The EU should now also listen to and consult closely with Serbia's neighbors when devising strategies for 'helping Serbia'. The aim of such consultation is not to isolate Serbia, but to produce a concerted common approach to Serbia that is patient, sympathetic and supportive – and that is well understood, agreed and adopted by Serbia's neighbours too.

In the medium term:

g) The EU should reinforce its political engagement with Serbia. For as long as the SAA process is on hold, the EC Delegation in Belgrade is not the most effective channel of political communication with the government. The EU needs a Special Representative or Personal Representative of the SG/HR in Belgrade for this purpose (However, the introduction of such a post should now wait until the 'dust has settled' somewhat and there is some prospect of more productive communication with the government⁹).

h) The 'Task Force' to help Serbia comply with EU conditionality, as proposed in the moribund 'interim political agreement', should be established as soon as the Serbian government shows interest. ICTY conditionality remains central to SAA conditionality. If the problem of full compliance is really not lack of political will, but one of Serbia's unreformed 'deep state', then the EU and/or individual member states should offer to work together with the Serbian government on accelerated and far-reaching security sector reform.

i) The EU needs a more effective communication strategy for Serbia. The aim would be not so much to provide information about the EU (this is what the EC Delegation already does) but to re-engage with Serbian society in a wide-ranging and serious debate about the nature of the problems Serbia has faced and is facing in EU integration, and how these can be overcome. Here, the EU should be ready to discuss where and why it may have made mistakes - as well as robustly insisting on the ultimate responsibility of the Serbian government for Serbia's performance. A very sensitive, but unavoidable, part of

⁹ Institute Note IESUE/COPS/INF(06)17, 7 June 2006

the communication strategy would touch upon questions of ‘coming to terms with the past’. The failure of Serbia’s democratic elites to stimulate such public debate has allowed nationalist discourse to monopolize the political arena, and thus backfired on the democrats themselves.¹⁰

Regional Cooperation

Solutions to the problems of the region should emanate from the countries of the region¹¹. The EU has set regional cooperation as a necessary condition and target. It is or should be crystal clear that institutionalized multilateral regional cooperation functions in a complementary and supportive way to the European integration process of the Balkan countries. Coordination of action and common goals boost their European course, strengthen their voice and reinforce EU efforts to form an effective regional policy.

There is an increased understanding among Western Balkan countries that regional cooperation is indispensable to regional stability and the process of EU and North-Atlantic integration. The Dayton process, the future status of Kosovo, the development of the union state of Serbia and Montenegro demand constant international attention to the region.

When the Stability Pact for South Eastern Europe (Stability Pact) was created, infrastructure in South Eastern Europe (SEE) was generally below European standards and had been severely affected by direct war damage, which destroyed or rendered unusable important components of the infrastructure and /or by neglecting and under-investment in all infrastructure sub-sectors mainly due to lack of funding. While the direct war damage has been concentrated on strategic and neuralgic points of infrastructure, the omission of regular maintenance affected the least geographical corner – independently if it has been subject of bellicose arguments or not.

There was a crucial need not only for upgrading of existing infrastructures and rehabilitation of those that had been damaged but also for new infrastructures to meet growing demand and ensure better integration within the region and with the rest of Europe. Total investment needs were estimated at €4 billion for road, €12 billion for rail and a tentative figure of €21 billion for power generation only.¹²

Given the already high indebtedness, the precarious macro-economic situation and the limited implementation capacities of most countries of SEE at the time, it was obvious that the countries would need to rely to a large extent on international institutions. It was essential for every actor to adopt a strategic approach at a regional level which would avoid inconsistencies and duplications. This was the purpose of the Infrastructure Steering Group (ISG) set up in a meeting of Stability Pact Working Table II (economic reconstruction, cooperation & development) in Tirana in May 2001.

¹⁰ ISS European Union Institute for Security Studies, Analysis March 2008

¹¹ <<http://old.mfa.gr/seecp/seecp.html>>

¹² <<http://www.stabilitypact.org/infrastructure/default.asp>>

The Regional Cooperation Council

Established in 1999, the Stability Pact for South East Europe was the driving force behind the CEFTA agreement. Now though, that office's mandate is coming to a close, and responsibilities and projects will be given regional ownership, within the Regional Cooperation Council. Heading this office, with its seat in Sarajevo, will be Hido Bišćević, formerly of the Croatian Ministry of Foreign Affairs. Mr. Bišćević spoke with SEE Market Magazine about the RCC while attending the OECD-Investment Compact's SEE Investment Committee meeting:

“By being an operational arm of the South East European Cooperation Process, the RCC is driven by the agenda as approved by the ministers and heads of states and governments of the SEECF participating states. They have recognized that the five priority areas for the accelerated development of the region are energy infrastructure foremost, because of the destructions and damages and the consequences of the four wars of the past decade and a half, followed by economic and social cooperation, cooperation in the field of justice and home affairs to introduce or enhance where necessary the rule of law, security, from a military aspect to police cooperation and prosecutors' cooperation, and last but not least, certainly the building of human capital as generations, in parts of the Western Balkans in particular, have suffered from recent events in the field of education, culture and sport”¹³

For the countries of the Western Balkans, another door was opened in December, when these countries established a free trade area (CEFTA). They replaced a patchwork of 32 bilateral trade agreements with one regional trade agreement. This is a strong signal to potential investors that the region is building an attractive, stable and predictable environment for foreign investments.

CEFTA

Central European Free Trade Agreement is a free trade agreement between several south-eastern and eastern European states and the internationally administered Kosovo. The aim of the agreement is to dismantle customs and non-tariff trade barriers. In view of the associated criteria and agreements, membership of CEFTA is regarded as a precursor to possible membership of the European Union.

The agreement was signed on 21 December 1992 in Krakow by Poland, the former Czechoslovakia and Hungary and entered into force in March 1993. Alongside the European Free Trade Area (EFTA), which has existed since 1960, and the European Economic Area (EEA) set up in 1994, CEFTA is one of the most important economic agreements in Europe.¹⁴ Former parties are Bulgaria, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia. Their CEFTA membership ended when they joined the EU.

¹³ <<http://www.wieninternational.at/en/node/5230>>

¹⁴ <<http://www.stabilitypact.org/trade>>

The new enlarged agreement was initialed on November 9, 2006 in Brussels and has been signed on December 19, 2006 at the South East European Prime Ministers Summit in Bucharest.¹⁵ The agreement went into effect on July 26, 2007 for Albania, Kosovo, Macedonia, Moldova and Montenegro, and on August 22 for Croatia. Bosnia and Herzegovina ratified it on September 6, while Serbia completed the final legal procedures on September 24, 2007. The agreement aims at establishing a free trade zone in the region by 31 December 2010. The agreement covers more than 90 per cent of the goods turnover in the region. CEFTA calls for trade under the same conditions for all manufacturers, liberalization of public acquisitions and the attraction of investments in the member states. The opportunities for entry into European markets will also increase thanks to preferential treatment, permitting the export to third countries of products manufactured from components in different member states. From 1 May 2010, all companies with offices in any of the CEFTA countries will have the status of a domestic company with equal treatment for their products.¹⁶

The signing of the updated CEFTA was supposed to be an historic event in South East Europe – those remaining countries that are still waiting on EU membership would have a free-trade zone, economics would finally have the opportunity to rise above politics and companies looking for growth could expand to nearby markets. But has the reality met these high expectations? Has CEFTA really changed the playing field?

CEFTA in Practice

Important in the success of the updated CEFTA will be the monitoring and the reporting on the agreement. As part of the Organization for Economic Cooperation and Development, the Investment Compact for South East Europe has been set up to promote sector-specific opportunities and track reform in the region, most notably through its Investment Reform Index, which was launched in 2005 and provides a reference for the elaboration, implementation and evaluation of national policies related to investment in the region.

Every member of the CEFTA zone is, in a way, doing it with reluctance. *“The administrative problems are being removed too slowly and the home market is probably being protected for domestic manufacturers that way,”* says Robert Ferko, vice-president of one of Serbia’s largest companies, Delta Holding *“For the most part, there’s no will for that kind of cooperation. The countries amongst themselves, regardless of being outwardly supportive of the agreement, aren’t showing the initiative to solve the practical problems. Customs are still being paid. Sometimes it’s not easy to explain logically why some things are the way they are.”*¹⁷

Increased headaches for business were certainly not the desire of the negotiating teams that transformed the 32 bilateral trade agreements from the region into a single, updated CEFTA for South East Europe. While CEFTA was never meant to be a truly "free-trade"

¹⁵ <<http://www.worldtradelaw.net/fta/agreements/cefta.pdf>>

¹⁶ <<http://www.stabilitypact.org/pages/press/detail.asp?y=2006&p=308>>

¹⁷ <http://www.b92.net/eng/insight/opinions.php?nav_id=51802>

zone, as some customs, tariffs and duties negotiated in the past would be kept and just simplified under the agreement, the spirit of it, and how it has been sold to the public, was to make the process of exporting and importing less complicated and at the same time ensure that trade could not be used as a political lever.

Still though, with Croatia eyeing its acceptance in the EU (projected at either 2011 or 2012) shortly after the agreement takes full effect in 2010, accusations that CEFTA is merely a "waiting-room" document without the teeth of an actual, working free trade agreement might bare weight. Looking in the rear-view mirror, to see how the previous incarnation of CEFTA helped Romania and Bulgaria in cross-border trade, show that the agreement's effects were limited there as well, and though there was growth in trade, the bulk was more likely due to organic processes occurring in emerging markets.

These processes include the building of business networks, product standardizations, transportation improvements, price and cost rationalizations and the flow of new retailing and wholesaling practices. To such extent, when looking at trade between Serbia and Romania and Bulgaria, even after the latter two joined the EU, we can see a blossoming effect.

Regardless of what is and what isn't working under CEFTA, price variations between countries can range between 20 and 50 percent, thus implying that cross-border trade will eventually force the issue and consumers will benefit. Companies with regional focus and capabilities will naturally seek out greater sales outlets to boost sales.

Rade Pribičević, of the Danube Foods Group, says that *"The deficiencies [in CEFTA] exist more in the application than in the agreement itself. The fact is that some countries still find ways to, outside of the spirit of the agreement, continue to protect the domestic market through various measures besides customs."*¹⁸

The new Importance of the Sub-Regional Cooperation

Following Croatia's application for EU membership and the decision of the European Council to start accession negotiations, the region of the Balkans is shrinking further, leaving Albania, Bosnia and Herzegovina, Macedonia, Serbia and Montenegro including Kosovo behind. As the European Council emphasizes through the Presidency Recommendations on 17-18 June 2004, Croatia's achievement of candidate status should be an encouragement to the other countries of the Western Balkans. The advance of the individual countries of the region towards European integration will proceed in parallel with the regional approach, which will remain an essential element of the EU policy.

Even though attempts on the part of individual countries to accelerate the process of EU integration have resulted in weakened cooperation at the regional level,¹⁹ still it can be easily observed that the accession process to the Union induces political leaders to think increasingly in regional, rather than purely national, terms. Regional cooperation lies at the heart of the European project: it is indispensable for successful European

¹⁸ <<http://www.see-market.com/>>

¹⁹ <http://www.ewppp.org/programmes/western_balkans.php>

integration.²⁰ The Serbian stalling attitude toward integration, especially after the Kosovo issue has had the effect of raising a lot of questions about the future of the Western Balkans so in order to focus and to achieve better results, there is a need for a more manageable sub-region formation of countries more willing to cooperate with each-other. The new sub region would include:

- *Albania*
- *FYROM*
- *Montenegro*
- *Kosovo*²¹

This countries have been selected out of not the common thread of Albanian ethnicity connecting them, even though that's potentially a major advantage, but for the simple fact that these countries are the poorest (see Tab3). Instead of talking about the crucial importance of Serbian political and national good will toward the integration of the region; why not focus more on improving the economical landscape of this sub-region?

Tab 3.

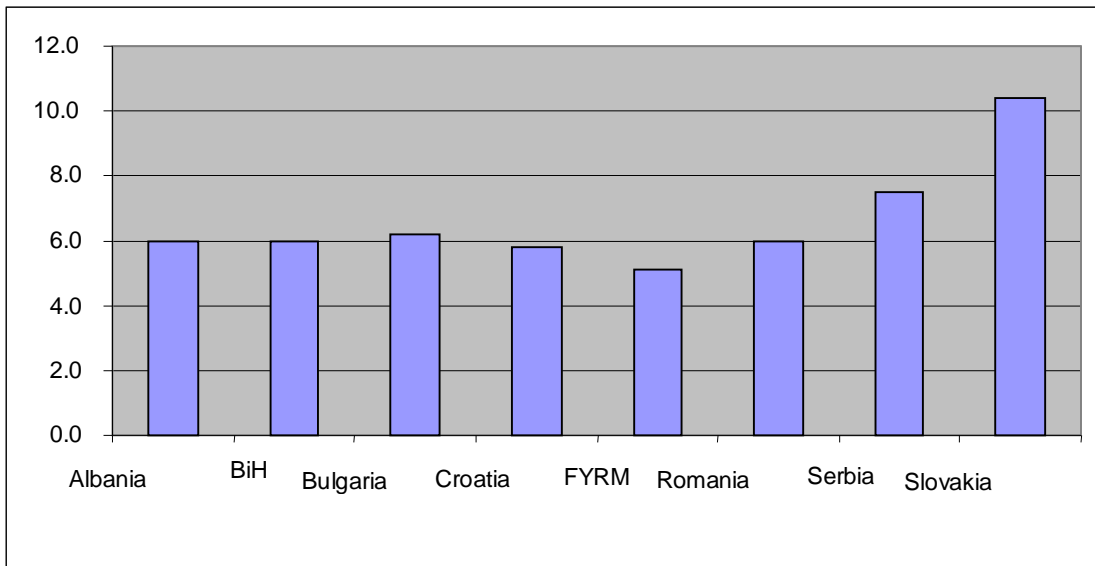
| | Albania | FYROM | Mont. | BH | Cro | Serbia |
|--------------------------|---------|-------|-------|-------|-------|--------|
| Population (millions) | 3.2 | 2.1 | 0.6 | 3.8 | 4.5 | 7.5 |
| Poverty rate (% , 2005) | 25.4 | 22.0 | 10.4 | 17.8 | 4.0 | 9.4 |
| GDP (billion current \$) | 9.1 | 6.2 | 2.4 | 12.9 | 42.6 | 31.6 |
| GDP per capita (US\$) | 2,830 | 3,050 | 3,760 | 3,290 | 9,580 | 4,220 |

Simply said, these countries need to decrease their poverty rate and raise their national and per capita GDP. Even though, growth appeared healthy in 2007 for the sub region (see Tab 4), if compared to the other regions this growth is not enough (see Tab 5). But the more important issues is that this growth needs to come through exports, and that's quite a challenge for the countries considering the small scale of their national economies.

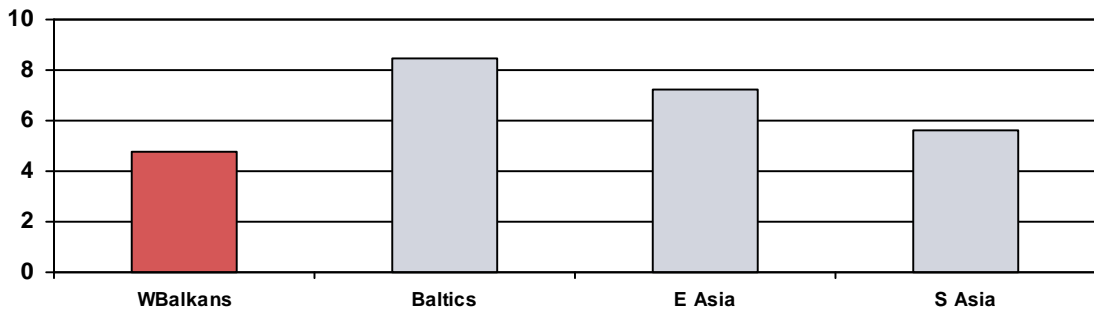
²⁰ <<http://www.libertysecurity.org/article825.html>>

²¹ *Author* After the independence Kosovo Republic should be able to interconnect better with the neighbor countries.

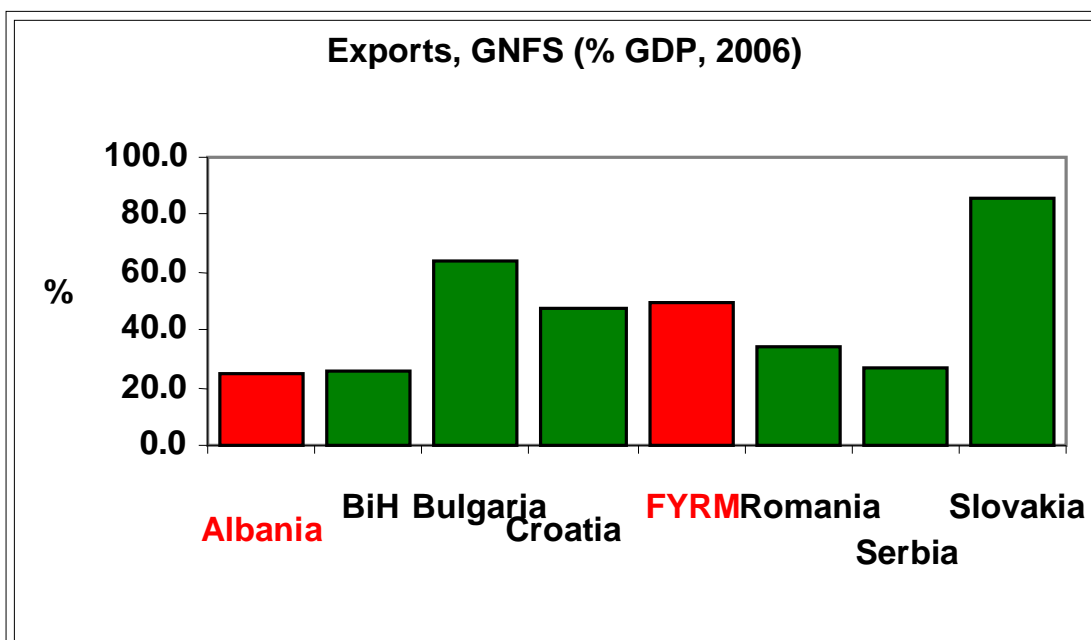
Growth in 2007 Tab 4.



Growth by regional performance 2000-06 Tab 5.



Exports as a Share of GDP Tab 6.



The figures which were taken by the Report of World Bank Europe and Central Asia Region, July 2008²² show clearly that a export-led growth is imperative. The problem relies in the fact that exports and growth demand skills which make the Foreign Direct Investments important- as well as the labor skills.

So what will bring in FDI? Messages of Regional Integration and Re-prioritization of some elements of the national investment climates will help the region become more attractive. Exports are also critical for growth, small countries need to trade more, and benefit more from trade. In fact, growth has to be export-led and EU integration demands increased exports thus, exports crucial for both macro stability and growth However, according to the conclusion of Sanjay Kathuria Lead Economist of the World Bank export performance, is largely disappointing... *“because of poor export performance, low skill-based exports, but wages out of line with such export patterns, and not an important part of producer-driven supply chains, hence, concerns on sustainability of exports”*.²³

Deeper Integration in South Eastern Europe in general and in our selected sub-region in particular will benefit both the sectors of Goods and Services because it would Reduce market segmentation and in this case the Cefta 2006 Agreement is definitely a major step forward but there is still a long road ahead especially in the topics of reducing border frictions; CEFTA rules of origin and regional cooperation in services.

Especially in the labor market integration can become a viable option to increase the employment rates in the countries before mentioned. This can be done bilaterally to begin with and later allow it to be spread across the other countries. Also mutual recognition of professional qualifications and educational institutions can help the free movement of professionals by the help of temporary worker agreements, cooperation in education-specialization and the implementation of return migration programs can help in skill formation.

It is a recognized fact that each and every country of the region can prosper better and faster if their neighbors prosper better and faster and the success story of the EU is the best example for that. Not merely redirecting funds but placing the success of this sub-region as crucial for the future would provide the crucial background support for the small scale economies of these countries in order to achieve what these people are longing for, that is *ECONOMICAL PROSPERITY*. Albania could, and should be considered as the new strategic ally of the EU in the region. Prosperity in Albania, strengthening of their political stability and their influence upon the respective neighbors will give the strategy of the EU a credibility in the eyes of the Serbian population and the prospect of integrating; will become more appealing and visualized as positive influence on their everyday lives.

²²<<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/0..contentMDK:20113477~menuPK:265246~pagePK:146736~piPK:226340~theSitePK:258599,00.html>>

²³ How Can the Small Countries in the Western Balkans Continue to Grow? Europe and Central Asia Region, World Bank July 2008
<<http://siteresources.worldbank.org/ECAEXT/Resources/publications/454763-1213051861605/9780821374726.pdf>>

Conclusion

The relation between Serbia and Albania has often been compared to the relation between France and Germany in the early 1950 and upon that assumption the myth of the inevitability of the Serbian option was built. The new approach should consider Serbia like the UK of the early 1950. In order to attract Serbia in, a new leverage should be created; and the new successful, peaceful, and prosperous sub region would more positive impact in the Serbian everyday life than all the mole of work that Western diplomats and E.U. officials have to offer. Every positive footstep in the path of Serbian integration has had a price tag attached to it and little by little, EU has been lured in a bidding war. Everything has become much muddier, even the capture of Karaxhic left a taste of the fulfillment of a promise to the EU for all the support prior to the election. Even the day that the Serb Parliament ratifies the SAA, the same day a very important energy contract is given to the Russian interests. This continuous “*quid por quo*” *modus operandi* can not be continued.

The EU’s strategy of attempting to get Serbia locked into the process of EU integration, preferably with the SAA agreement, in order to make it difficult for Serbia to abandon the process after Kosovo’s independence, has clearly failed. Instead, the EU has offered a partial political agreement to Serbia, which nearly backfired. The fact that the EU is not as keen on Serbia as it claims was a potent weapon in the hands of the Radicals. The EU itself has been trapped by its own policy. On the one hand, signing the SAA without Serbia’s complete fulfillment of the Hague conditions would seriously discredit the EU’s policy and the integration process not just in Serbia but in the entire region of the Western Balkans. On the other hand, the EU insisted on the separation of Serbia’s European integration and the Kosovo issue, while at the same time using the very integration process as a carrot for Kosovo’s independence.²⁴

Now that Serbia has delivered the democratic candidate, the ball is in the EU’s court. Its biggest challenge is to manage the fallout of Kosovo’s independence, while keeping Serbia’s European process on track but without compromising the tenets of European integration. On the contrary, Serbia may yet turn its back on the EU. Even worse, the widely-held assumption that ridding Serbia of Kosovo will accelerate Serbia’s democratization may prove to be utterly wrong. The question of ‘lost’ Kosovo may come to haunt Serbia’s democratization in the long run, by locking it into the vicious cycle of ethnic politics.

²⁴ Serbian elections: who has actually won and what does this mean for the EU? by Denisa Kostovicova
<http://www.iss.europa.eu/index.php?id=18&no_cache=1&tx_ttnews%5BpS%5D=1199142000&tx_ttnews%5BpL%5D=31535999&tx_ttnews%5Barc%5D=1&tx_ttnews%5Btt_news%5D=1006&tx_ttnews%5BbackPid%5D=210&cHash=1dca4ddb40>

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