



# Prospects of EU accession of Western Balkans and Turkey

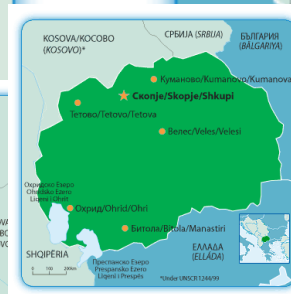
**Dušan Vujović**  
**CASE Fellow**  
**and**  
**Professor at FEFA, Belgrade**



# Candidate Countries



## Macedonia



## Montenegro



## Turkey



# Potential Candidates



**Bosnia and Herzegovina**



**Kosovo UN SC 1244**

CASE - Center for Social and Economic Research



**Serbia**



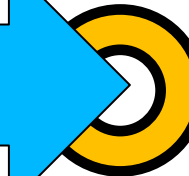
**Albania**



# Accession process clear



**CROATIA**  
June 2000 → July 2013



**TURKEY**  
September 1959 → Progress made. Human rights stall negotiations.

**MACEDONIA**  
June 2000 → Some issues. Ready to negotiate.

**MONTENEGRO**

June 2000/2006 → Some issues. Ready to negotiate.



**BOSNIA and HERZEGOVINA**  
June 2000 → Limited progress by October 2011

**SERBIA**  
June 2000 → Good progress. Candidate status pending.

**KOSOVO UN SC 1244**  
June 2000 → Limited progress.

**ALBANIA**  
June 2000 → Some progress. Candidate status delayed .



# Accession process clear



**CROATIA**  
June 2000 → July 2013

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All criteria met.  
Favorable opinion issued: October 12, 2011.  
Monitoring will continue until accession date set for July 1, 2013.

June 2000/2006 → Some issues. Ready to negotiate.

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**CROATIA**  
**June 2000 → July 2013**



All criteria met.

Favorable opinion issued: October 12, 2011.

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July 1, 2013.



# Accession process clear



**CROATIA**  
June 2000 → July 2013

**TURKEY**  
September 1959 → Progress made. Human rights stall negotiations.

*Progress made but further results are needed to secure freedom of expression in practice.*

*New momentum with the implementation of Customs Union with the EU and normalization of relations with Cyprus.*

- **Political criteria:** Court cases against writers and journalists, restrictions on access to Internet.
- **Economic criteria:** No issues – functioning market economy.
- **EU Legislation:** Progress in most areas.

June 2000 → Good progress. Candidate status pending.

**KOSOVO UN SC 1244**  
June 2000 → Limited progress.

**ALBANIA**  
June 2000 → Some progress. Candidate status delayed .





## TURKEY

September 1959 → Progress made. Human rights stall negotiations.



***Progress made in meeting EU membership criteria but further results are needed to secure freedom of expression in practice. The pace of negotiations would gain new momentum with the implementation of Customs Union with the EU and normalization of relations with Cyprus.***

### **Political criteria**

The implementation of Constitutional reform launched.

Free and fair parliamentary elections took place on 12 June 2011.

Ministry for EU affairs was created.

Further efforts are required to guarantee fundamental rights regarding freedom of expression (court cases against writers and journalists, restrictions on access to Internet).

**Economic criteria:** No issues – functioning market economy.

**EU Legislation:** Progress in most areas.

Efforts needed in procurement and custom union related laws.





# Accession process clear



**CROATIA**  
June 2000 → July 2013

**TURKEY**  
September 1959 → Progress made. Human rights stall negotiations.

**MACEDONIA**  
June 2000 → Some issues. Ready to negotiate.

**MONTENEGRO**

*Sufficiently fulfills the political criteria.  
Continued accession reforms needed, core challenges remain.*

**Political criteria:** Parliamentary elections in June 2011.  
Progress in judiciary and public administration.

**Economic criteria:** Progress towards functioning market economy.

**EU Legislation:** Progress in aligning legislation, policies and administrative capacity.

Open accession negotiations October 2011.

**ALBANIA**  
June 2000 → Some progress. Candidate status delayed.

**MACEDONIA**  
**June 2000 → Ready to start negotiations**



***Sufficiently fulfills the political criteria.***

***Continued accession reforms, core challenges remain.***

## **Political criteria**

Parliamentary elections in June 2011 in line with international standards.

Progress in judiciary and public administration.

Ensure effective implementation.

Strengthen dialogue with opposition.



**MACEDONIA**

**June 2000 → Ready to start negotiations**



## **Economic criteria**

**Recovery in 2010 based on** export demand and investment in construction.

Easier company registration and simpler regulatory framework.

Fiscal policy maintained its stability role.

**Weak rule of law impedes market economy.**

Public administration efficiency is low.

And so is the quality of fiscal governance.

**Progress in aligning legislation, policies and admin capacity.**

December 2005: Candidate status granted

October 2009: EC recommends to open accession negotiations

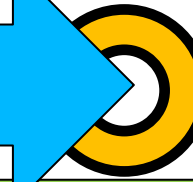
December 2009: Visa-free travel to the Schengen countries



# Accession process clear



**CROATIA**  
June 2000 → July 2013



**TURKEY**  
September 1959 → Progress made. Human rights stall negotiations.

**MACEDONIA**  
June 2000 → Some issues. Ready to negotiate.

**MONTENEGRO**

June 2000/2006 → Some issues. Ready to negotiate.



***Good progress on priorities. Ready to open negotiations.***

***Must continue reforms (esp. in combating corruption and organized crime) and implement anti-discrimination legislation.***

**Political criteria:** Improved legal/institutional framework. Professional public administration. Independent judiciary.

**Economic criteria:** Good macro, stable banks, prudent fiscal stance. Structural problems, tight and expensive credit, high unemployment.

**EU legislation:** Important laws adopted. Near compliance in company law and procurement. Dialogue to align legislation with the *acquis*.



***Good progress in addressing the key priorities. Ready to open accession negotiations. But must continue reforms (esp. in combating corruption and organized crime) and implement anti-discrimination legislation.***

## **Political criteria**

Improved legislative and institutional framework.

Better work of the parliament and electoral framework.

Professional and de-politicized public administration.

Independent and accountable judiciary, anti-corruption policy, media freedom and cooperation with the civil society.

Some positive trends in combating corruption and organized crime.

Implementation remains a challenge.





## Economic criteria

Recovery in 2010 reinforced macro position, helped stabilize the banking sector and maintain a prudent fiscal stance.

Challenges: Structural problems, fragile international financial environment, tight and expensive credit, high unemployment.

## EU legislation

Important laws adopted and near compliance achieved in some areas (public procurement and company law).

Dialogue with EU to aligning country legislation with the *acquis*.

December 2009: Visa-free travel to the Schengen countries

November 2010: Opinion on EU membership.

December 2010: Candidate Status granted.



**Limited pace of reforms. Lack of political consensus stalls reforms and state-level laws. EU accession hampered by lack of capacity and good coordination.**

**Political criteria:** Delays in forming State-level Government. Decision-making and coordination problems limit capacity to make progress towards EU integration. Little progress on the rule of law.

**Economic criteria:** Despite growth, recovery subdued. Fiscal eased by the IMF program. Medium-run issues: absence of fiscal framework  
Business environment constrained. Privatizations delayed.

**EU legislation:** Some progress. More is needed in customs, taxation, procurement, competition.

**BOSNIA and HERTZEGOVINA**

June 2000 → Limited progress by October 2011

**SERBIA**

June 2000 → Good progress. Candidate status pending.

**KOSOVO UN SC 1244**

June 2000 → Limited progress.

**ALBANIA**

June 2000 → Some progress. Candidate status delayed .





**BOSNIA and HERTZEGOVINA**  
**June 2000 → Limited progress by October 2011**



***Limited pace of reforms. Lack of political consensus stalls reforms and the adoption of state-level laws. Functional institutions and good coordination on EU accession matters.***

**Political criteria:** Limited progress

Huge delay in forming State-level Government. Adoption of State-level laws is stalled.

Decision-making and coordination problems limit country's capacity to make progress towards EU integration.

Little progress on the rule of law.

**Economic criteria:** Little progress

Despite growth in 2011, the recovery is subdued.

Fiscal situation: eased by the IMF program, but faces medium term issues in the absence of fiscal policy framework



**BOSNIA and HERTZEGOVINA**  
**June 2000 → Limited progress by October 2011**



## **Economic criteria: .....**

Weak commitment to reforms and sound public finance.

Business environment constrained by inefficient administration

Delays in planned privatizations, restructuring of public enterprises and liberalization of network industries.

## **EU Legislation**

Some progress has been made but much more is needed in the critical areas of customs, taxation, competition, procurement, etc.

June 2008: SAA and Interim Trade Agreement signed.

December 2010: Visa liberalization granted.



***Candidate status recommended October 2011. Open accession negotiations upon “taking steps to normalize relations w Kosovo”***

**Political criteria:** Comprehensive legal and institutional framework and judicial reform. Progress in SAA process (cooperation w ICTY).

**Economic criteria:** Consensus on market economy and good reform track record. Macro stability maintained during the crisis. Economic (trade) integration with the EU is high.

Structural weaknesses: cope with the EU competitive pressure. High unemployment, social pressures, informal economy are challenges.

**EU legislation:** Good progress in aligning customs, taxation, company law. Solid admin capacity to implement *acquis*. *Additional efforts needed in procurement, free movement of goods, labor, services and capital, trans-European networks, consumer and health protection.*

**SERBIA**

June 2000 → Good progress. Candidate status pending.

**KOSOVO UN SC 1244**

June 2000 → Limited progress.

**ALBANIA**

June 2000 → Some progress. Candidate status delayed .



**SERBIA**

June 2000 → Good progress. Candidate status pending.



***EC recommended Serbia to become a candidate country, ready to start accession negotiations pending progress in dialogue with Kosovo.***

## **Political criteria**

Comprehensive legal and institutional framework and judicial reform

Progress in SAA process (esp. cooperation with ICTY).

## **Economic criteria**

Consensus on market economy and good reform track record.

Maintained macroeconomic stability during the global crisis.

Economic (trade) integration with the EU is high.

Structural weaknesses: cope with the EU competitive pressure.

FDI started to recover in 2011, high unemployment, social pressures, informal economy remains a big challenge.



**SERBIA**

June 2000 → Good progress. Candidate status pending.



## EU Legislation

Further progress in aligning legislation with EU standards, particularly in customs, taxation, economic and monetary union, statistics, enterprise and industrial policy and company law.

Good admin capacity to align and implement the EU *acquis* and potential to assume membership obligations in the medium run.

Additional efforts needed in some areas: free movement of goods and workers, services and capital, public procurement, competition, financial services, intellectual property, information society and media, food safety, transport policy, energy, social policy and employment, Trans-European networks, regional policy, consumer and Health Protection.

December 2011: Progress in dialogue with Prishtina can trigger negotiations.



# Accession process clear



**CROATIA**  
June 2000 → July 2013



**TURKEY**

**Political criteria:** Progress in important areas but challenges remain. General elections marred by serious shortcomings and alleged fraud. Capacity of the public administration remains weak.

Stronger law enforcement and judicial need to tackle challenges posed by organized crime and corruption. EC proposes a structured dialogue on the rule of law.

**Economic criteria:** No progress in establishing a functioning market economy. Issues of long-run sustainability of the budget.

**EU Legislation:** Mixed progress. Partial Census (North did not participate). Visa dialogue.

**KOSOVO UN SC 1244**  
June 2000 → Limited progress.

**ALBANIA**  
June 2000 → Some progress. Candidate status delayed .



**KOSOVO UN SC 1244**  
**June 2000 → Limited progress.**



## **Political criteria**

Progress in a number of important areas but challenges remain.

General elections marred by serious shortcomings and alleged fraud.

Capacity of the public administration remains weak.

Stronger law enforcement and judicial need to tackle challenges posed by organized crime and corruption.

EC proposes a structured dialogue on the rule of law.

## **Economic criteria**

No progress in establishing a functioning market economy.

Issues of long-run sustainability of the budget.

**EU Legislation:** Mixed progress.

Census (North did not participate). Visa dialogue.





## Progress on some of the 12 key priorities identified in the 2010 Opinion. Conditions for accession negotiations not met.

**Political criteria:** Limited improvements in parliamentary rules of procedure. Judicial reform action plan adopted – awaits implementation.

Progress in fighting organized crime: 'anti-mafia' law.  
Limited progress on fighting corruption.

Local elections marked by shortcomings and controversy.  
Essential steps in public administration reform completed.

**Economic criteria:** Macro stability and positive growth. Some progress towards a functioning market economy.

Structural problems persist due to political stalemate. Developing capacity to cope with EU competitive pressures.

**EU Legislation:** Some progress in approximating EU legislation and standards. Limited progress in public procurement, intellectual property law, air transport, information society and media, and environment.

## ALBANIA

June 2000 → Some progress. Candidate status delayed .



**Progress on some of the 12 key priorities identified in the 2010 Opinion. Conditions for opening of accession negotiations have not been met yet.**

**Political criteria:** Limited progress

Limited improvements in parliamentary rules of procedure.

Judicial reform and action plan adopted – await implementation.

Progress in fighting organized crime: 'anti-mafia' law.

Persistent political stalemate hampers reforms.

Local elections marked by shortcomings and controversy.

Essential steps in public administration reform completed.

Progress on fighting corruption has been limited.



## ALBANIA

June 2000 → Some progress. Candidate status delayed .



### **Economic criteria**

Macro stability and positive growth after the global crisis.

Some progress towards a functioning market economy.

Developing capacity to cope with EU competitive pressures.

Structural reforms persist due to political stalemate.

A 3.8% GDP growth in 2010 was based on strong exports.

### **EU Legislation**

Some progress in approximating EU legislation and standards.

Limited progress in public procurement, intellectual property law, air transport, information society and media, and environment.

April 2009: SAA enters into force and membership application.

November 2010: EU Opinion with 12 key priorities.



# October 2011 Enlargement package in brief



**Croatia:** Favorable Opinion on accession October 2011.  
Member July 2013.

**Montenegro:** Candidate status 2010 (w 7 priorities).  
Open accession negotiations October 2011.

**Serbia:** Favorable Opinion on Candidate Status October 2011.  
Open accession negotiations upon taking  
*“further steps to normalize relations with Kosovo in line with the conditions of SAP” (single priority)*

**Turkey:** Accession negotiations “have not moved forward”.

**FYR Macedonia:** Open accession negotiations October 2011.

**Albania:** Opinion w 12 key priorities November 2010.

**Bosnia and Herzegovina:** Application and Opinion pending.

**Kosovo under UNSC 1244:** Application and Opinion pending.



# Common elements/issues



- **Accession dates tend to get delayed, extended ...**

*Waiting for Godot? Or just an impression ....*

- **EU commitment to enlargement is now less clear**
- **Accession benefits are becoming uncertain**
- **Membership risks are growing**
- **Domestic (political and popular) perceptions in candidate and potential candidate countries disproportionately affected by EU problems**



- **Accession hurdles (appear) more difficult in post-crisis environment**

# EU: Mirage or Reality





# EU: Mirage or Reality





# Key attractions of EU membership



Trade, Capital and Labor movements: Substantial already, but expected to increase w membership.

Financial assistance from the EU increases for candidate countries ...

Most important aspect of accession:  
provides drivers for

**LONG TERM POLITICAL VISION**

and

**INSTITUTIONAL REFORMS.**



# Challenges for institutional reforms



Institutional reforms increase vulnerabilities in:

**MACRO:** monetary and fiscal side;

**INSTITUTIONAL REFORMS:** progress of institutional reforms and the quality of the regulatory framework,

**DEGREE of OPENESS:** dependence on imports (energy, technology, knowledge), export markets and external finance (remittances, foreign credit, and capital flows), and

**FLEXIBILITY:** presence of commitments to sustain real pensions, social services (in health and education), and control unemployment rate.

To counter increased vulnerabilities countries must increase institutional and policy resilience.



# Managing Vulnerabilities through Greater Resilience



In a recent paper (Vujovic et al. 2011) we constructed a composite net vulnerability index based on methodology developed by Briguglio et al (2008) capturing four dimensions of the vulnerability-resilience pair:

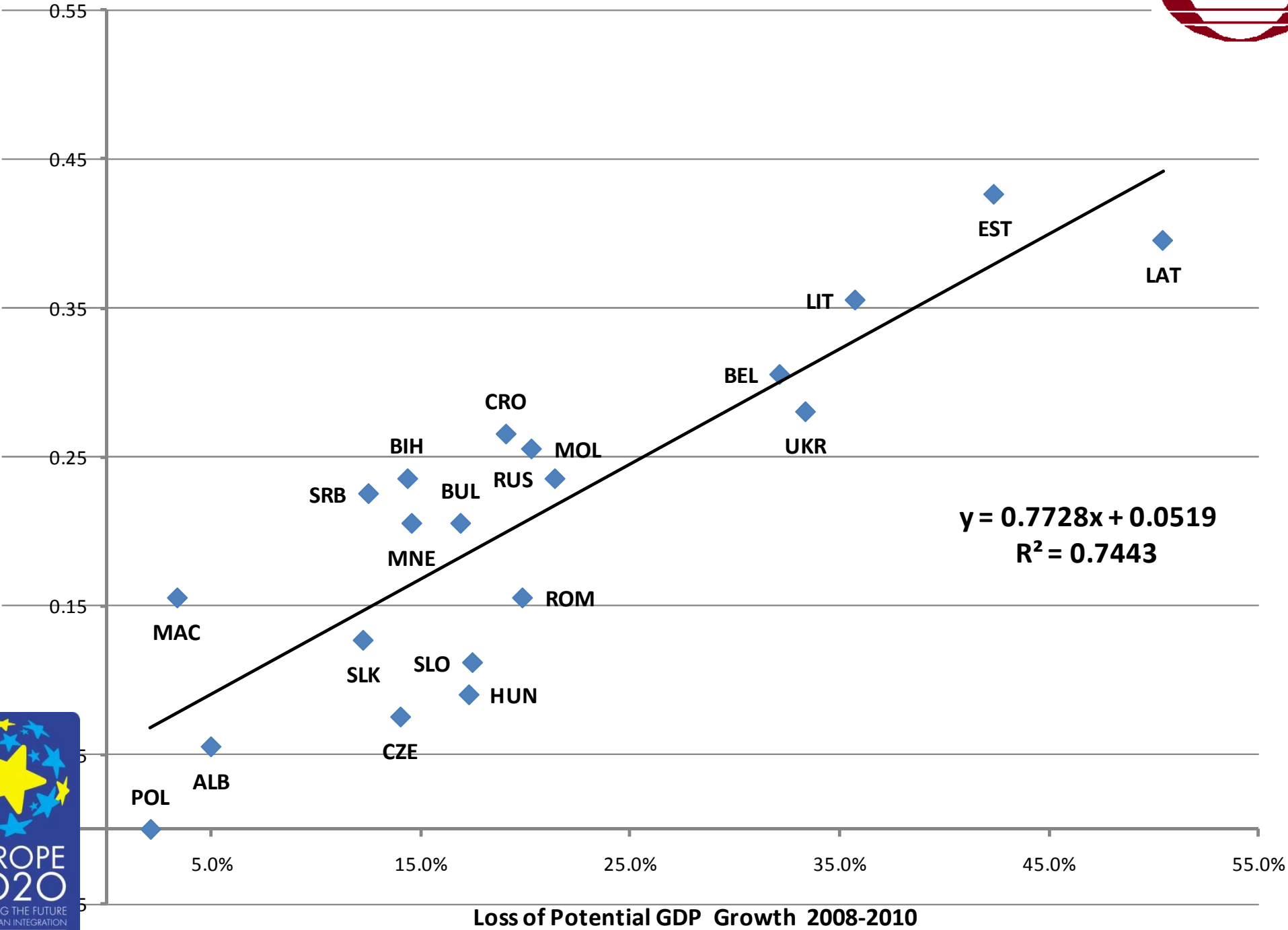
- (a) the quality of macro-economic fundamentals both on the monetary and fiscal side,
- (b) progress of institutional reforms and the quality of the regulatory framework,
- (c) dependence on imports (energy, technology, knowledge), exports, and on external finance (remittances, foreign credit, and capital flows), and
- (d) rigidity of social commitments to sustain real pensions, social services (in health and education), and control unemployment.



Figure 5: GDP Loss and Pre-Crisis Net Vulnerability



Net Vulnerability Index



# Lessons for Western Balkans and Turkey



The global crisis revealed vulnerabilities that varied across countries.

**Baltics and few advanced Central European TEs** vulnerabilities included:

- heavy dependence on global markets and capital flows,
- large buildup of foreign debt,
- incomplete regulatory reforms, and lack of prudential controls to match the risks of deep EU integration,
- risks of sudden stops and asymmetric reduction in credit,
- uneven availability of government policy and fiscal support.

LESSON: Aim for more balanced trade openness, stronger CA position, and institutional and policy reforms that address new vulnerabilities and risks generated through deep trade and financial integration with the EU and global markets.



## **Fast growing FSU countries:**

- lesser integration with the EU and global economy,
- shocks transmitted through a variety of channels, including trade and partially hidden financial and portfolio flows,

LESSON: There is no safe place in the crisis. Partial reforms or absence of reforms create a false sense of security. The best response is to allow full policy and institutional reforms and manage associated regulatory risks.

## **Modestly growing Central and South Europe TEs:**

- growth based on domestic aggregate demand and
- asymmetric trade liberalization (with large trade and CA deficits) is not sustainable in the longer run.

LESSON: These countries must complete reforms and adopt a viable export-led growth strategy anchored in productive investments and sound government policies.

# Broader Lessons for Candidates and Potential Candidates



- ❑ Long-term export orientation has no alternative,
- ❑ Gradual, well designed and balanced institutional reforms combined with key policies affecting GDP growth and competitiveness are of utmost importance.
- ❑ Institutional reforms necessitated by EU accession process tend to increase net vulnerabilities either due to:
  - unbalanced advances in policies and reforms unmatched by adequate regulatory and institutional improvements; or
  - lack of policy and institutional adjustment in response to wider global policy and real developments.

Once all institutional reforms are done and net vulnerabilities well managed, candidate countries can quote Marx ... Marx brothers, that is, and say:

**We don't need to be a member of a club that would take us for a member.**











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