

WESTERN BALKANS: BETWEEN THE FULFILLMENT OF CRITERIA AND THE DIVERSITY OF PROBLEMS. THE LONG WAY OF ALBANIA

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Abstract

The long history of Balkan region demonstrates, especially in the aspects of state and society building, the enormous diversity of problems. According to many analyses these countries now are reflecting a lot of dilemmas which in fact, every society or sub-region faces on its way to full membership of the EU.

The final goal of the Western Balkan countries is to transform their economies into viable market economies and to achieve integration into the European Union. This paper explores the efficiency of the transition process in the Western Balkans.

This study is aimed at presenting the most important current trends of economic, political and institutional development of the Western Balkan countries and the process of European integration of those countries in transition. This paper examines how EU criteria will be fulfilled by these countries, and especially we will examine the case of Albania. How can it be possible to shorten this long transition in the region that more over is causing fatigue and disappointment?

Key words: criteria, development, integration, transition

INTRODUCTION

The long history of Balkan region demonstrates especially in the aspects of state- and society-building the enormous diversity of problems. Second many analyses these countries now are reflecting a lot of dilemmas which in fact, every society or sub-region faces on its way to full membership of the EU.

This study is aimed at presenting the most important current trends of economic, political and institutional development of the Western Balkan countries and the process of European integration of those countries in transition. According to many studies, Western Balkans represents a complex and diverse reality. Geographically, and not only, the region is important for Europe.

The biggest challenge in the Balkans is that if economic disaster strikes, they can all but do little to prevent the economic shocks, spilling into social unrest, being used instrumentally for political unrest, extremist or populist political projects, or inciting inter-ethnic tensions. Lastly the World Bank has declared that after the double-dip recession, as a group the six South East European countries (SEE6)—Albania, Bosnia and Herzegovina, Kosovo, FYR Macedonia, Montenegro, and Serbia—are now making a fragile recovery. But still EU candidate countries must prove their respect for democracy and the rule of law to be eligible for EU membership. This paper examines how this criteria's will be fulfilled by these countries, and especially we will examine the case of Albania. How can it be possible to shorten this long transition in the region that more over is causing fatigue and disappointment?

The EU integration process is a tool for strengthening and accelerating the transition process, as these processes are mutually reinforcing. The final goal of the Western Balkan countries is to transform their economies into viable market economies and to achieve integration into the European Union. EU accession is seen as crucial to a successful domestic transformation. Further progress with the EU accession process is of great importance for the continuation of institutional reforms and establishment of a functioning market economy across the Western Balkans (Penev, 2012: 94-122).

Enlargements belong to the milestones in the history of the European Union (Glüpker, 2013: 223-241). In 1993, the European leaders established the Copenhagen criteria stating that ‘Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of

law, human rights and respect for and protection of minorities (European Council 1993: 1). Enlargement is very often defined as the EU's most powerful policy (Commission of the European Communities, 2008:4).

In general, aggravating circumstances of transition for most Western Balkan countries were political instability and war conflicts, which had a significant impact on the usual dynamics of the transition from planned to market economy, in a way of slowing it down (Škuflić, 2010). This paper explores the efficiency of the transition process in the Western Balkans, and after the introduction it will give a theoretical review of transition.

1. Western Balkan Panorama

Despite increased investments in the region and rapid economic growth, Western Balkan countries have only 21% (Albania) and 52% (Croatia) of the average European Union Gross Domestic Product (GDP) per capita, indicating the need for faster implementation of reforms and individual involvement of countries into the process of European integration. There is a significant development gap between Western Balkan countries.

Taking into account their economic target, which is EU accession, these countries, except of Croatia, have not achieved a satisfactory results in the area of economy (Ibid). The GDP per capita in relation to the European average separates Croatia from other countries of the region with GDP per capita reaching 52% of the European average. In 2008, Croatia reached 63% of EU-27 GDP per capita which is three times more than other countries. Namely, in 2006 Albania had the lowest position, with 21% of the European average, Bosnia and Herzegovina had 26% of the European average, FYR Macedonia had 28%, and Serbia and Montenegro had 33% of the European average. Western Balkan countries do not have a significant potential for attracting foreign investors.

Most Balkan states are still weak (albeit with strong national identities), separated by soft and porous borders, haunted by the legacy of war, soaked in the communist culture of political connections, and composed of dysfunctional institutions (especially judiciaries), inexperienced administrations, feeble civil societies and a high degree of external dependency. All of these (unflattering) traits help to perpetuate rather than eliminate corrupt practices, and to prevent instead of foster democratic scrutiny and prosecution.

Despite all EU measures in favour of the SEE-5, there is still today a great deal of uncertainty as to when and how (even whether) the SEE-5 could join the EU. A clear strategy for integrating the Western Balkans into the EU still seems to be missing. One of the key elements which is going to influence future developments in EU-SEE relations is the forthcoming enlargement of the EU (Uvalic, 2001: 15-27).

Yet the EU is using normative claims, as they are practiced and understood by Western states, in its effort not just to convince the people in the region of the rightfulness of the criteria, but also as a means to interfere more legitimately in the internal affairs of local governments, as the administrator, the arbiter, and the bearer of moral values (Anastasakis, 2008: 365–377).

The second agenda aims at convergence and political transformation from a functional and practical perspective, through the adoption of rules and procedures and/or the creation of institutions and public administrations that are capable of more effectively addressing the local political concerns and the externally imposed *acquis communautaire* (Ibid). Beyond the 'appropriate' and the 'normal', the functional agenda refers to the 'sustainable' and the 'viable' for the countries in question, with the aim of suppressing clientelistic, particularistic, dysfunctional mentalities, practices, and rules. The logic of functionality seeks to address the weak state structures and institutions that resulted from the post-communist transition, the ethnic wars, the intrusive and heavy-handed external interference and the lack of capacity and experience of the new independent states, successors of former Yugoslavia.

State weakness has become the main challenge of the region and refers to the lack of the rule of law, flourishing organized crime and corruption, and illegitimate and non representative institutions (UNDP 2002).

1.1 The region still weak

Most of the Western Balkan states are weak states (albeit with strong national identities), separated by soft (for informal activities) borders, with inexperienced administrations and a high degree of external dependency (Krastev, 2002: 39-53). The functional agenda of political conditionality is more evident on state building and institution-building aiming to create institutions and structures that should be sustainable and practical, and can produce more efficient outcomes.

Such divisions became more apparent before the accession of Bulgaria and Romania through the use of 'safeguard clauses'¹³ and more obvious in the face of future enlargements, reflected in the debates of 'absorption capacity' and 'enlargement fatigue' (Anastasakis:2008).

At a time when the enlargement process is struggling to be effective, it is crucial to reassess the state of EU-Balkan relations. After Croatia's accession in 2013, there is a concrete risk that the pace of accession will slow down, especially if relations between Serbia and Kosovo continue to be tense. And if the pace does decelerate, overshadowed by the economic and political crises within the European Union, Europe might 'lose' the Balkans once more to nationalism, violence and further breakdowns of agreed states and borders, or it might lose its leverage to other actors who may not share similar views and values with the EU (Balfour, 2011). Also, if the enlargement strategy is to be effective it cannot easily retreat from the principles and conditions it has previously posed.

The balance to be reached does not just depend on the rigour with which conditionality is applied: the problem also lies in its credibility. The conditions for joining the EU have changed over the years, reflecting internal developments, such as the entry into force of the Lisbon Treaty, as well as growing uneasiness in the EU about enlargement and its potential consequences. This has led to speculation in the region that democratic conditionality is being used as an excuse to keep the Balkan countries at arms' length (Ibid).

Rule of law alone cannot compensate for a limited scope of constitutional freedom to create effective democracy and it is clear from Table 1 that it is more difficult for a country to obtain a high score in terms of effective democracy than constitutional freedom. As Table 1 shows, formal rules and procedures for democracy are more or less in place in the Balkans, and the forerunners are, as expected, more advanced in the EU integration process than the laggards. Thus, Croatia stands out with a 74.25% EDI score, which reveals that most democratic rights are guaranteed by the rule of law. Montenegro and FYR Macedonia are behind this number with EDI scores just shy of 40%, suggesting that many democratic rights are still largely ignored. Kosovo, Albania and Bosnia-Herzegovina emerge as the most problematic cases, mainly due to their low RLI scores, which reflect poor implementation of existing democratic rights. Somewhat surprising is the result for Serbia, which attains only 28.8% on the EDI, despite making significant progress in recent years under a liberal-reformist government. However, the scores are for 2009 (as these were the most recent common estimates of the two datasets) and so, to a certain extent, they have been outdated by recent events and developments. Nevertheless, the data sufficiently indicates that apart from Croatia, all of the countries in the region exhibit a clear gap between formal and effective democracy, whereby existing democratic rules are not properly implemented in practice.

Table 1: Effective Democracy Index for the Balkans

	Democratic Rights Index (DRI)	Rule of Law Index (RLI)	Effective Democracy Index (EDI)
Albania	66.66	0.197	13.13

Bosnia-Herzegovina	58.33	0.328	19.13
Croatia	83.33	0.891	74.25
FYR Macedonia	25.00	0.084	2.10
Kosovo	66.66	0.592	39.46
Montenegro	66.66	0.576	38.40
Serbia	75.00	0.384	28.80

Source: Rosa Balfour And Corina Stratulat: The Democratic Transformation Of The Balkans. Epc Issue Paper No.66 November 2011

This approach underlines the disparity between the formal/procedural/institutional aspects of democracy and their actual enforcement. The result also suggests that governments and international organisations such as the EU must adopt a differentiated strategy in order to ensure the continuation of democratisation in the region. This strategy must concomitantly deal with both formal and substantive criteria of democracy in assessing the success or failure of pushing forward a democratic agenda (Balfour & Stratulat, 2011).

1.2 The Western Balkans between the obstacles and consolidation

The Balkan countries are usually placed precisely among those cases in which corruption is the norm rather than the exception. Several broad observations about the region prompt this claim, including *inter alia* the presence of the same individuals in influential positions regardless of the outcome of elections, high political migration from opposition to governmental parties, mediated access to almost every resource by oligarchic networks, widespread popular perceptions that politicians are above the law and that high-level corruption outlives changes in government, as well as failure to take legal action against even the most notoriously corrupt members of the status groups.

According to the most recent *2010 Global Corruption Barometer*³¹ by Transparency International, almost six out of 10 people say that corruption levels have increased in their country over the past three years. This perception is prevalent among 73% of respondents in the EU 27 and 57% of those surveyed in the Western Balkans and Turkey. Worldwide, one in four people claim to have paid a bribe during the last year, and 18% of the interviewees in the Western Balkans and Turkey – compared to only 7% in 2006 – consider that the incidence of bribery has risen domestically. Similarly, the *2010 Corruption Perceptions Index*³² by Transparency International shows that nearly three quarters of the 178 countries studied – including all the Balkan states – score below the five-point level on a scale from zero (highly corrupt) to 10 (very clean). These findings clearly indicate that corruption is a serious problem throughout the world, as well as in the Balkan region.

Table 2: Corruption figures in the Balkans

	Transparency International, 2010		Freedom House, 2011
	Global Corruption Barometer - % respondents reporting an increase in corruption levels -	Corruption Perceptions Index	Nations in Transit corruption scores
Albania	-	3.3	5.00
Bosnia-Herzegovina	59	3.2	4.50
Croatia	57	4.1	4.25

FYR Macedonia	46	4.1	4.00
Kosovo	73	2.8	5.75
Montenegro	-	3.7	5.00
Serbia	49	3.5	4.25

Source: Global Corruption Barometer, 2011

Transparency International's Corruption Perception Index measures the perceived levels of public sector corruption in more than 170 countries. The 2011 Corruption Perceptions Index shows that the average index score for the Western Balkans was 3.5, on a scale from 10 (highly clean) to 0 (highly corrupt), and they placed 81st among 182 countries surveyed. Regional scores varied from 3.1 in Albania to 4.0 in Montenegro (**Table 2**). These results indicate that corruption remains one of the major weaknesses of the legal environment and must be tackled urgently.

However, the current economic crisis which started in 2008 has led to a shift in focus away from the social problems that faced the EU and its member states in the immediate wake of the enlargements (Zahn, 2013).

The hope of the EU is that, by combining economic and social welfare, the EU will achieve 'stronger, lasting growth and the creation of more and better jobs' (Commission Communication 2005).

Table 3. Corruption Perception Index

	Rank				Rank		
	2004	2009	2011	Other EU	2004	2009	2011
W. Balkans							
Albania	108	95	95	Slovenia	31	27	35
B-H	82	99	91	Poland	67	349	41
Croatia	67	66	37	Slovakia	57	56	59
FYROM	97	71	69	Romania	87	71	75
Montenegro	-	69	66	Bulgaria	54	71	86
Serbia	97	83	86	Greece	49	71	80

Source: Transparency International Corruption Perception Index 2011 (www.transparency.org)

Table 4. World GDP growth and growth prospects, 2007-2013

	2007	2008	2009	2010	2011	2012	2013
World	5.2	3.0	-0.6	5.3	3.9	3.5	3.9
EU-10	6.3	4.2	-3.6	2.2	3.4	2.4	2.2
Western Balkans	7.1	6.4	-1.1	2.2	2.7	0.8	2.1

Source: IMF, World Economic Outlook, October 2010, April 2012 and July 2012, and WIIW July 2012

The consolidation of the economic recovery that began in 2010 resulted in moderate positive growth in all countries of the region. The highest growth rate was recorded in Kosovo (3.9%) and in Albania

(3.3%), followed by Montenegro (2.5%) and Macedonia (1.9%), while Serbia and BiH recorded minimal growth rates. While some recovery seemed evident in the first half of 2011, economic activity weakened in the second half of the year and the first half of 2012. In spite of the weakening of the economic activity in the second part of 2011, all countries of the region registered positive economic growth in 2011, varying from 1.6% in Serbia to 5.0% in Kosovo*. The short-term economic prospects for the Western Balkan region remain weak and vulnerabilities have increased as a result of the euro zone crisis (EBRD Transition Report 2013). Financial sector vulnerabilities are a particular concern, given that the vast majority of the banking system is foreign owned and that most countries rely on funding from abroad. In some countries, these banks also hold significant amounts of local treasury bills (EBRD 2012).

According to the Doing Business 2012 ranking list, Macedonia was the best-ranked country in the region, as it improved its ranking position from 38th in 2011 to 22nd in 2012, mostly due to the successful implementation of extensive regulatory reform in the previous period. In Doing Business 2013 ranking list Macedonia was ranked 23rd, dropping one spot compared to the previous year. Macedonia was followed by Montenegro, which improved its rank from 66th in 2011 to 56th in 2012 and to 51st in 2013 due to intensive reforms in several reform areas (WB Report, 2009-2013). After a period of three years stagnation, Albania

Table 5: World Bank Doing Business Rankings, 2012

Ease of Doing Business	
Economy	Rank
Macedonia	32
Bulgaria	44
Romania	55
Montenegro	71
Turkey	73
Albania	82
Serbia	88
Greece	110

Source: WB Report 2012

Note 2: As data for Kosovo are available only for 2012 and 2013, Kosovo is not included in the Western Balkans average for 2012.

However, the recovery in SEE6 is still tentative. In some countries nonperforming loans, sluggish credit recovery, continued deleveraging, and fiscal consolidation are exerting a drag—and recovery in SEE6 is unlikely to accelerate as long as the Euro zone remains in recession (World Bank, Report No. 78505; 2013).

Against the backdrop of this tentative and fragile recovery, SEE6 countries should, as argued in the last report, intensify their efforts to reform structural areas. Fiscal consolidation efforts should become easier now that the output and revenue outlook is improving. The investment climate needs to be improved substantially, especially in the main areas of weaknesses: construction permits and licenses, barriers to entrepreneurship, and skills and infrastructure (Ibid).

Secondly WB, one of the main worries in this nascent recovery is that SEE6 economies are plagued by high unemployment, especially youth unemployment, and they are not creating jobs fast enough to

absorb new entrants into the labor force. In fact, the jobs situation is worse than the dismal unemployment figures suggest because so many leave the region to work elsewhere. In part, this is the legacy of periods when some SEE6 countries suffered significantly from regional dislocations that delayed reforms.

Table 6: Western Balkans: Real GDP growth and projections, percentage change, 2001-2012

	2001-2003	2004-2006	2007	2008	2009	2010	2011	2012 project
Albania	6.0	5.6	6.0	7.7	3.6	3.3	3.0	0.5
Bosnia-Herzegovina	4.3	5.6	6.8	6.0	-2.8	0.7	1.3	0.0
Macedonia	-0.3	4.1	5.9	4.8	-1.0	1.9	3.1	1.0
Montenegro	1.8	5.7	10.7	7.5	-5.7	2.5	2.4	0.2
Serbia	4.0	7.0	6.9	5.5	-3.5	1.0	1.6	-0.5
Kosovo	n.a	3.3	6.3	6.9	2.9	3.9	5.0	3.8
Western Balkans	3.2	5.6	7.3	6.4	-1.1	2.2	2.7	0.8
EU-10	3.4	5.8	6.3	4.2	-3.6	2.2	3.4	2.4

Source: World Bank

An estimated 33 percent of people in SEE6 live in poverty—and 8 percent live in extreme poverty.

Simple projections for 2011–15 suggest that while in general poverty will decrease slowly in both the EU11 and SEE6 countries, extreme poverty will decline to 5 percent in the SEE6 and to 1 percent in the EU11.

Large-scale privatization, reforms that make it easier to close a business, and governance and enterprise restructuring are positively and significantly correlated with employment growth. In other words, other things being equal, the deeper the reforms in any of these three areas, the more jobs are created. Employment growth is also positively correlated with several governance indicators, including more control of corruption, better quality regulation, more effective government, and higher levels of voice and accountability (World Bank, Richter, 2013).

Secondly WB, one of the main worries in this nascent recovery is that SEE6 economies are plagued by high unemployment, especially youth unemployment, and they are not creating jobs fast enough to absorb new entrants into the labor force. In fact, the jobs situation is worse than the dismal unemployment figures suggest because so many leave the region to work elsewhere. In part, this is the legacy of periods when some SEE6 countries suffered significantly from regional dislocations that delayed reforms. According to WB Raport, (2013), in 2012, unemployment rates in SEE6 remained closer to their peak crisis levels (purple diamonds in Table 6). The average for the region was about 22.8 percent in Q4 2012, more than double the 11.2 percent average for EU11 countries.

Unemployment went down slightly in Albania and Serbia (green bars) and worsened in Montenegro (orange bar) while not changing much in the other countries. As expected, where unemployment rates increased most, activity rates had fallen more.

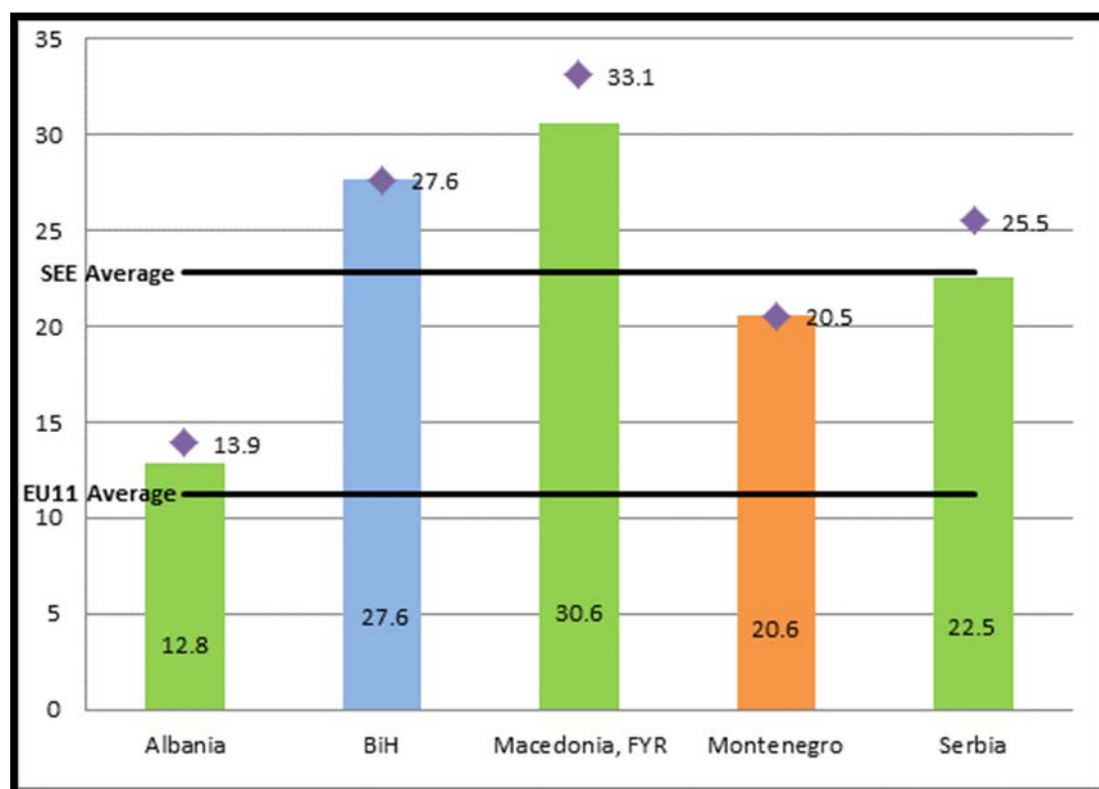


Figure 1: Unemployment Rates, 2012. Source: World Bank.

SEE6 countries may have been just starting to benefit from their push toward reforms and restructuring but had not yet had a chance to reap the benefits of the reforms when the global crisis hit (Ibid).

Table 7: SEE6—Real GDP Growth

	Projected 2012	Actual 2012	Estimated H1 2012	Estimated H2 2012	Estimated 2013	Projected 2014
ALB	0.8	1.6	0.9	2.2	1.8	2.0
BIH	0.0	-0.7	-0.2	-1.1	0.5	2.0
KOS	3.6	2.3	3.6	1.1	3.1	4.3
MKD	0.0	-0.3	-1.1	0.4	1.4	2.5
MNE	0.2	-0.6	-0.9	-0.2	1.2	1.5
SRB	-2.0	-1.7	-1.5	-1.9	2.0	2.7
weighted av.	-0.5	-0.6	-0.5	-0.7	1.7	2.5

Source: World Bank

Internal and international mobility can foster growth and job creation by opening up opportunities to aggregate economic activities and to better match jobs and workers (World Bank 2012b). Internal mobility can also be a force for structural transformation, both in terms of the shift from agriculture to

manufacturing and services, and by fostering links between leading and lagging areas through remittances or local investments. International and national mobility are linked; for example, recent evidence from Albania suggests that international migrants might be providing the resources and encouragement for those left behind to move to more prosperous areas (Sorensen, Engberg, Pedersen, Report for IOM, 2002).

Albania, Bosnia and Herzegovina, and FYR Macedonia are among the top emigration countries in the world, with Albania in the top 10 (World Bank 2011). Migratory flows differ across SEE6 countries. More than half the migrants from Albania and Serbia were low-skilled (against one-third for the region as a whole, OECD 2012), 31 while 29 percent of migrants from FYR Macedonia and 24 percent of those from Bosnia and Herzegovina had tertiary education (World Bank 2011).

Apart from judicial and administrative reforms, a key condition for Albania to obtain an EC recommendation for being granted candidate country status (in response to its EU membership application submitted in 2009) will be the implementation of democratic principles (Żornaczuk, 2013: 1-2).

2. The challenges of the region

Regional reconciliation and good neighborly relations have been identified as a key challenge in the region. The third area underlined in Commission's enlargement strategy was strengthening the economies of aspirant states (European Commission, Enlargement Strategy, 2012-2013). The progress reports reveal that the Western Balkan states' performance in meeting the EU criteria has been uneven. The balance sheet of Croatia, Montenegro, Macedonia, Albania and Kosovo has been overall positive: Croatia which joined the 27- member block in July 2013. Montenegro which has officially started its accession talks in June 2012 in accordance with the Commission's new approach prioritizing the judiciary and fundamental rights and justice, freedom and security issues needs to step up its efforts in establishing a strong track record in the fight against corruption and organized crime. Albania's politicians have managed to reach an agreement to overcome the deadlock in the parliament paving the way for undertaking the key reforms to fulfill most of the 12 priorities (Ibid).

Accordingly WB this, does not mean that the progress towards the EU has been uniform among the regional states. Despite the current debate about the enlargement fatigue and the effects of the sovereign debt crisis coupled with the claims that the EU is losing its power of attraction, the enlargement policy is still a driver for change in the Western Balkans.

3. Albania, the battle for the status

The Commission has acknowledged that Tirana has fulfilled the priorities on ensuring the proper functioning of the parliament, adoption of the laws requiring reinforced majority; has made good progress in meeting the priorities on the reform of public administration and improving the treatment of detainees and has taken steps to fulfill the priorities regarding the law on administrative courts, lifting of immunities of high-level public officials and judges, increase of seizures of criminal assets, adoption of a strategy on property reform and amendments to the criminal code strengthening sanctions for domestic violence. In line with the progress, the Commission recommended granting Albania the status of a candidate country provided that the remaining priorities regarding the judicial and public administration reform as well as the revision of parliamentary rules of procedures are met.

Despite receiving green light to be granted candidate status from the Commission, Tirana needs to step up its efforts in the fight against organized crime and corruption, enhancing the independence and efficiency of judicial institutions and holding of elections in accordance with international standards.

The transition has proven difficulties as successive governments have tried to deal with high unemployment, widespread, corruption and a dilapidated infrastructure (Shtupi, Vasjari, 2013: 20-32). The negotiations for the Stabilisation and Association Agreement with Albania were formally opened

on January 2003, after the Council adopted the directives for negotiation. On 18 February 2008, the Council adopted a new European partnership with Albania. Stabilization and Association Agreement (SAA) with Albania was signed on 12 June 2006 and entered into force on 1 April 2009 ("The Stabilization and Association Agreement" (2006) between EU & Albania). It replaces the Interim Agreement on trade issues, which entered into force in December 2006. Visa facilitation agreement between Albania and the EU came into force in January 2008 and Readmission Agreement in 2006. The principle of democracy is a challenge for these countries, but the parliaments and parliamentary bodies are still characterized by the slow step of reform. General and local elections in the countries of Western Balkans were considered basically free but the participation of voters was generally low because the behavior of many political leaders leaves much to be desired (Ibid). Shtupi explain that the public administration is under reconstruction reform and these countries have difficulties to reinforce their administrative and judicial capacity. In the sector of the justice and home affairs we see a progress in these countries with the reform in their judicial systems a key factor for the rule of law. Organized crime and corruption affect negatively the institutional and the economic progress in these countries

3.1 Albania has made limited progress to meet the Political Criteria.

Regarding the restitution of or compensation for land expropriated during the communist era, the parliament of Albania approved an act of law which was the object of criticism for the past big land owners in Albania, and has not been sufficient to respond to the constitutional requirements. The progress in the Reform of State Institutions is going slowly, argues Shtupi & Vasjari. The implementation of rule of law remains deficient, notably due to weak law enforcement institutions, limited administrative capacity (Report from the Commission 2002: 26). The Fight against organized crime, illegal trafficking and corruption is a priority of Albanian government.

Albanian law guarantees the individual freedoms and the human rights (Report from the Commission 2001: 6).

All these problems, which confront the Albania, must be fulfilled within the political criteria and the implication is that the European Union makes the pressures in the fields that Albania must work much more. We have the pressure of European Union in the reform progress because was insufficient and particularly in areas that are vital for Albanian's future and its successful integration.

The Dutch parliament adopted in 12 December 2013 a decision which obliged the government of Prime Minister Mark Rutte to reject the European Commission proposal to give Albania EU candidate status.

After two rejections in 2010 and 2011, the commission first offered Albania its tentative approval in 2012, but hedged around with conditions. The brief euphoria that Albanians enjoyed, coinciding with a century of nationhood, quickly subsided into resignation.

The commission's 2013 Progress report found that Albania had made good progress on key reforms. In the European Parliament last week, Enlargement Commissioner Štefan Füle told MEPs: "I am impressed by the way the new government is prioritising its efforts in the fight against corruption and organised crime, and I am equally impressed by the results achieved in the months since it has taken office, which confirm the positive trend established earlier.

"Granting candidate status is an important step, not only for encouraging Albania to pursue the far reaching reforms required, but also for the credibility of the EU," he warned. "Albania has delivered and so should we."

But one cannot help wondering whether, given the current hysteria in some member states about the opening of borders to Romanians and Bulgarians in January, some leaders have not decided that they cannot face the domestic outcry that might follow approval of Albania's candidate status, and are willing to sacrifice a small population (an experience Albanians are well used to, throughout history), for the sake of national expediency (Holman: Euobserver, 2013).

Once again, the European Union has not granted to Albania the candidate status to become a member of this organism of the old continent.

The EU Enlargement Commissioner, Stefan Fuele, announced the decision of the 28 EU member countries: "Evident progress and intensive efforts of the new government, but a clear perspective on the status in June 2014".

The refusal came as a result of the fact that at least 5 member countries were against granting Albania the candidate status. Amongst them: Holland, Denmark, Germany, France and Great Britain.

"The Council welcomes further action in the fight against corruption and organized crime and the engagement of the new government to intensify efforts in this domain. The Council hopes to take a decision in relation to the EU candidate status for Albania in June 2014, depending on the approval of the European Council, upon the condition that Albania should continue with the encouraging progress made so far", states the text proposed by the 5 member countries which have the biggest influence in the European Union.

The letter demands to the European Commission to prepare another report on Albania, although the last report made it clear that Albania had fulfilled EU requisites for the status (See at: <http://www.balkan.eu.com>).

Probable membership talks hinge on Albania's work against corruption and organized crime, strengthening the judiciary, reforming the administration and protecting basic freedoms and rights, including those of the Roma community (www.esiweb.org/whitelistproject).

Key priorities for 2014: (EBRD, 2013)

- Fiscal adjustment is needed. The budget deficit more than doubled in the first half of 2013. Measures to stem the rise of public debt, including the restoration of a fiscal anchor, should be implemented next year.
- Privatisation needs to continue. The subdued economic performance has continued into 2013, and GDP grew by 1.7 per cent in the first quarter. This weak growth performance reflects the extent of difficulties in the euro zone, particularly in periphery countries that are Albania's major economic partners. Cross border parent bank deleveraging has been significant.

Inflation has moderated and, thanks in part to the Bank of Albania's (the central bank) successful inflation targeting framework, remains under control. In January 2012 inflation fell below the target range of 2-4 per cent. With concerns mounting over weakening economic growth, the central bank began a series of cuts in the base interest rate this year, with the latest – in July 2013 – bringing down the interest rate to a historical low of 3.5 per cent. Inflation declined to 1.6 per cent year on year in July 2013.

The fiscal deficit rose substantially due mainly to a pre election spending hike. The reported deficit more than doubled in the first half of 2013, rising to 3.4 per cent of the projected 2013 GDP (from 1.6 per cent of GDP in 2012). In 2012 public debt reached the statutory limit of 60 per cent of GDP, and legislation was passed in 2013 to remove this limit to accommodate a further expected rise in public debt. The hike in the deficit will contribute to a further rise in public debt. The International Monetary Fund has urged the government to reinstate a fiscal anchor and thus commit to bringing down public debt to a more sustainable level. In the meantime, the government has introduced a set of expenditure related restrictions to prevent a further rise in the deficit this year.

The outlook for 2013 remains clouded by the economic difficulties in the euro zone. Moreover, the downside risks are high, as macroeconomic imbalances persist and the financial sector continues to be exposed to both domestic and external risks, while the macroeconomic policy buffers have been exhausted. Over the medium term Albania could benefit considerably from a global recovery if it is to be able to make further progress on much needed structural reforms.

Limited progress has been made in improvements to the business environment over the past year. Only a few notable improvements have been made since a big push on reforms was made between 2009 and

2010, when the regulatory requirements for starting a business were reduced considerably (EBRD Transition Report 2013). As a result, Albania continues to rank below most regional peers on the indicators of the quality of its business environment. In the World Bank 2014 Doing Business report, Albania's ranking improved on just one indicator, while remaining constant or declining on all others. Its overall standing relative to other countries declined by eight positions, to ninetieth of 189 countries. The country continues to perform most poorly in dealing with construction permits, paying taxes, getting electricity and registering property. In the latest World Economic Forum Global Competitiveness Index, Albania ranked ninety fifth of 148 countries. The report points to considerable underperformance with regard to property rights and judicial independence. Corruption is another major deterrent for new investment. In the latest Transparency International Corruption Perceptions Index, Albania ranked one hundred and thirteenth of 176 countries, and below all other SEE countries.

Even though the legislative and institutional framework provides a good basis for development of an effective public procurement system in line with EU rules, the legislative framework on public procurement and concessions is not fully in line with the *acquis* (IPA Country Report, 2013). Effort is required with regard to strengthening the institutional framework and clearly defining and delimiting the competencies of all public procurement institutions in order to avoid the overlapping of tasks and to remove the remaining loopholes in the system. No comprehensive system of administrative monitoring and control of the application of public procurement rules and contracts have been introduced so far (EU Analytical report 2010 and Progress report 2011).

The grey economy in Albania considerably harms its development: "Albania has an informal, and unreported, sector that may be as large as 50% of official GDP (Institute For Regional And International Studies, 2010).

Apart from being the longest domestic political crisis in Albania since the fall of communism, it has also been the most harmful to the national interest: the European Commission has warned this crisis and the economic and corruption problems may slow down Albania's integration process

Albania and its political elite have difficult tasks and responsibilities with regard to the EU.

Albania needs to make further progress, in particular regarding the rule of law and the fight against corruption and organized crime. The independence of state institutions, and in particular the judiciary, needs further strengthening (European Commission, Albania 2013 Progress Report).

The Albanian economy made further progress towards becoming a functioning market economy. In order to enable it to cope over the medium term with competitive pressure and market forces within the Union, Albania needs to reform and strengthen its legal system and address weaknesses in infrastructure and human capital.

Accordingly The World Fact Book, throughout 2008 economic growth continued to accelerate, but it slowed down in 2009 due to the impact of the economic crisis resulting in reduced exports, remittances and credit. Monetary policy remained sound and price stability was maintained, while the budget deficit grew mainly due to the large public road works. However, shortcomings in the rule of law, poor level of infrastructure and the large informal economy remain challenges to economic development and the business environment.

Albania needs to reform and strengthen its legal system and address weaknesses in infrastructure and human capital.

European Commission stressed that Albania has made progress in aligning its legislation, policies and capacity with European standards. It now needs to enhance its efforts in the implementation of these laws and policies.

3.2 Albania, between the criteria's and the reality

Albania has not yet acquired the status of candidate country, but has acquired the status of NATO member countries. This can be seen as a clear sign that external interests and events affect a process

that should be internal to the club of countries that gamble and work for unity (Ancona, Patimo, 2010: 1-16).

Albania is obviously one of the most unique cases in Eastern Europe not only for its size and location but also for its legacy in the economic development and many other peculiarities as well. Without denying similarities with other ex- communist countries, Albania has pursued its way of economic transformation toward a market economy (Muco, 1997: 1-83).

Muco argues that the corruption and other new and old mentalities represent a serious barrier that, given the circumstances, has to be removed gradually together with the implementation of institutional and legal system transformation.

Moreover, the Member States are less optimistic in their assessments regarding the progress of reforms in Albania, especially about the fight against corruption, where apart from adoption of laws, political will and concrete results are required. It should be noted that in drafting the annual Progress Reports, the Commission takes into consideration the opinions and concerns of the Member States regarding that country, in order to avoid objections or outright refusal of its recommendation during discussions in the Council.

The EU is faced with the dilemma of pushing forward the integration process with countries in the region, so that these countries do not feel left aside, which in turn will slow down the pace of reforms (European Movement in Albania, 2012:1-4)

In the words of the Commissioner for Enlargement Štefan Füle: "... it is really important that there is no reform fatigue..."

Presenting the annual Enlargement Package, Commissioner Štefan Füle said: 'Enlargement is a process in the making and despite the economic crisis it is a good policy – it constitutes part of the solution. Enlargement continues to be one of the most effective EU policies. By addressing 'fundamentals' first - such as the fight against corruption, sound economic governance, freedom of expression and media, human rights and protection of minorities - it strengthens political and economic stability in the aspiring countries and the EU as a whole.'

In the annual reports, the European Commission recommends granting EU candidate status to Albania and, for the fifth time in a row, the opening of accession negotiations with the former Yugoslav Republic of Macedonia.

According to many analyzes EU governments say strengthening the rule of law and combating organised crime and corruption remain "urgent challenges" for Albania. The EU and Albania concluded a Stabilisation and Association Agreement (SAA), seen as the first step towards membership, in June 2006. The negotiations took three-and-a-half years - three times longer than they took in Croatia's and Macedonia's case. This is because the EU thought Albania was moving too slowly in the fight against corruption and organised crime. The EU also has doubts about Albania's energy sector, which suffers from unstable supplies.

The Gross Domestic Product (GDP) in Albania expanded 1 percent in the second quarter of 2013 over the previous quarter. GDP Growth Rate in Albania is reported by the Institute of Statistics - Albania. From 2005 until 2013, Albania GDP Growth Rate averaged 1.0 Percent reaching an all time high of 6.0 Percent in June of 2005 and a record low of -2.6 Percent in September of 2009 (www.tradingeconomics.com). Instat declares that Albania's most important sector is the services sector (60 percent of GDP) with banking, communications and tourism being the most important. Banking has been a heavy recipient of foreign direct investment and is the strongest sector. Remittances also have a big importance for the economy and account for around 8 percent of GDP. Agriculture dominated by small family owned operations employs almost half of the labour force, but accounts for only 20 percent of GDP. The manufacturing industry is responsible for 20 percent of GDP. (Ibid).

Albania's economy will grow more slowly than planned in 2013 and its public debt will rise further above the country's self-imposed ceiling, according to Finance Ministry forecasts. It forecast the

economy would grow 3.1 percent this year - more slowly than an earlier 4 per cent forecast - and public debt would rise to 63.8 from 62.6 percent. Albania's economic freedom score is 65.2, making its economy the 58th freest in the 2013 Index. Its overall score has increased by 0.1 point, with declines in property rights and labor freedom offset by improvements in business freedom and the management of public finance. Albania is ranked 27th among the 43 countries in the Europe region, and its overall score is above the world average. Albania's economy has benefitted substantially from a decade of increased openness and flexibility and weathered the immediate impact of the global economic crisis relatively well. Over the past two years, however, economic dynamism has slowed (Albania Foreign Trade Export Import Tirana Business ALB. 2013). Expansionary public spending that the government hoped would mitigate some of the pain of necessary adjustments has resulted in budget deficits and rising public debt, now near 60 percent of GDP.

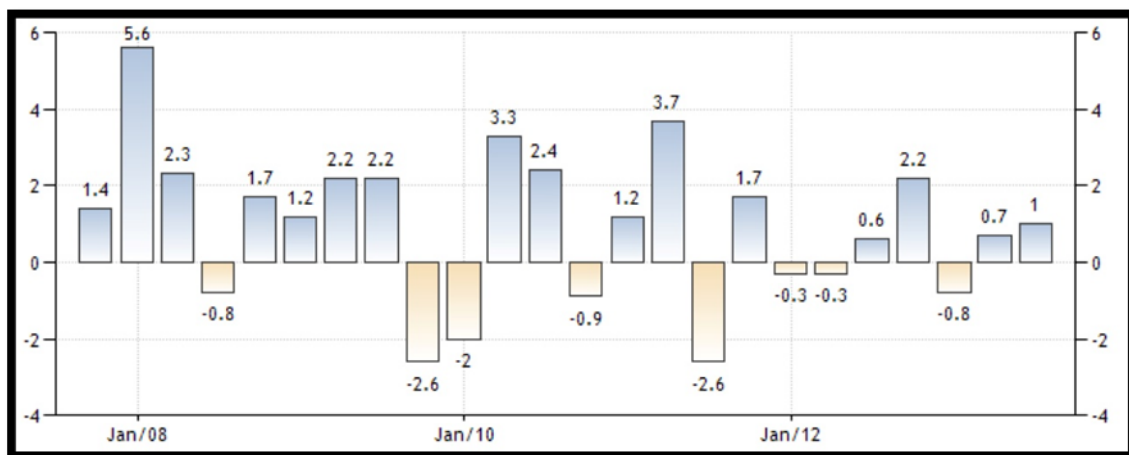


Figure 2: Albania GDP Growth Rate. Source: <http://www.tradingeconomics.com/> Albanian Institute of Statistics (INSTAT)

Although the state continues to control key enterprises, particularly in the energy sector, the economy is mostly in private hands. Beneficial structural reforms have included bank privatization, implementation of competitive flat tax rates, and modernization of the regulatory environment. Deeper institutional reforms to reduce labor market regulations and increase the efficiency of the judiciary, which remains subject to political interference, are critical to further success. Corruption continues to undermine the prospects for long-term economic development (Ibid).

The macroeconomic and fiscal frameworks seem rather optimistic and macroeconomic projections are not supplemented with alternative scenarios in the light of uncertainty. Almost all the relevant data are covered in accordance with the EFP methodology but weaknesses persist, especially with regard to labour market and wage statistics. Links between the macroeconomic scenario and structural reforms are not explicit enough. The framework for structural reforms is not coherent and comprehensive and lacks clear timeframes and budgetary paths for implementation. The capacity for economic policy coordination and implementation remains insufficient (European Commission, Albania 2013 Progress Report, 2013).

In this context, Janusz Bugajski argue that the region can descend into a gray zone where splutters of progress in pursuit of reform are followed by prolonged periods of stagnation or even reversal. Such conditions provide fertile terrain for varieties of political and national radicalism. Although these are unlikely to generate outright war, they can create pockets of insecurity, conflict, and violence that would disqualify several states from EU membership. Such exclusion would in turn prolong and exacerbate local disputes in a vicious spiral of failure and place enormous strain on international actors seeking to mediate or to ensure progress (Bugajski, 2013).

The question that remains for Liljana Siljanovska is: Should the Balkan be place where the credibility of European Union will happen? This question is becoming increasingly evident after the rejection of the EU constitution by France and the Netherlands in the middle of 2005 which is mostly resulted by dissatisfaction of voters of the internal political governing in their countries. And remain still today with the reaction of Netherlands and Brittany about the candidate status of Albania. This conclusion was further created by created mediumistic reality for Euro integrated processes of the aspirant and candidate countries for their membership through one longer period of creation of public opinion, mostly intensive from 2003-2005 (Siljanovska, 2013: 105-111).

What is important for EU is social economic reality of Balkan countries. Their economic development is very low or doesn't exist at all. There is high unemployment, about 40% and the most existing problem is corruption. The law democracy of governmental institutions causes the low confidence of population in achieving their rights in the frame of existing regulations and practicing of national institutions. Parallel with internationalization of criminal networks, the criminalization of politics takes place on the Balkans (Ibid).

4. Conclusions

Analyze of economic situation in the West Balkans countries shows low level of gross domestic product which is result of low level of direct foreign investment and bad management of domestic production capacities accompanied with non standardization of quality, assortment and ranking of Balkans products according rules and standards of international market. All this contributes to unemployment, poverty, large class differences and reduced social mobility. The democratization of political governing with establishing of multi parties and pluralism of interests, functioning of parliamentary democracy and forming and activity of political parties, citizen associations and introduction of functioning rules of legal country, are new values in period of transition of political surrounding of West Balkans Countries. They are based on universal principles for democratic rights and freedoms, right of free expression of citizens, democratic forms of political decision and governing of law in system institutions. As a result of that, those countries like, Albania, Macedonia, Serbia, Kosovo, Monte Negro and Bosnia and Herzegovina face with insufficiently implemented forms, means and modalities of practicing the proclaimed European values in development of political system of deciding and governing with institutions in implementation of legislative, court and executive power. Conflicts of value systems in these Balkans countries appear because of non-complimentary between the new democratic-liberal and traditional centralized values. In development of social-political relations in the Balkans countries the conflict of value systems is expressed through issue of nondemocratic forms of governing of the law, politicization of all objects of social life, bribery, corruption, protection of personal and party interests instead the interests of the citizens, that is, the voters, through distrust towards institutions of the systems, issue of conflict situations, violence and insecurity of the citizens. Economic, political and cultural dubious in social processes and changes of West-Balkan countries in forming the post communist values in transition period, have been reflected on the social sphere.

Analysis shows that the transition process depends on reform background, starting positions, the circumstances in which the transition takes place and the willingness of the nation to face inevitable problems imposed by the elements of market economy (Škuflić, 2010).

Albania needs to continue the implementation of reforms, the approach adopted by the EU for the country should continue along the same lines as with other countries in the region: constant dialogue on the reforms regarding 12 key priorities of the Commission's Opinion (Brussels European Council - EU Presidency Conclusions. UN Forum. 2006).

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