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## **NEO-LIBERAL RESTRUCTURING AND THE EU INTEGRATION OF THE WESTERN BALKANS**

### Abstract

The main rhetoric of the European Union for the Western Balkans developed around the idea that if the Western Balkans implement the reforms recommended by the EU, they will develop economically, build a healthy democracy based on a functional rule of law system. In case of the failure of the reforms to achieve these objectives, which indeed is often the case, the answer is founded in the (liberal) modernization theory which argues that the reasons for the failure must be found on the domestic problems and the wrong implementation of the reforms whose beneficiary properties are taken for granted. This paper argues that despite the fact that the Western Balkans faces many domestic socio-economic problems, structural causes and mechanisms/processes, which emerge from the operation of global economic system rest at the center of this failure. Based on the insights of the neo-Gramscian perspective, it analyzes the EU integration strategies towards the Western Balkans as part of the neo-liberal restructuring project. The complex and dynamic relations based on consent and coercion during this process and the role of the European Commission as the main instrument of this strategy will constitute the focus of this paper.

**Key words:** Neo-liberal restructuring; Western Balkans; Albania; European Union integration policies.

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## INTRODUCTION

The focus of academic studies on the Western Balkans has been on the violent ethnic conflicts, economic and political instability, the lack of the rule of law, troubled transition to democracy, and authoritarian statehood. The Western Balkans are defined as a “troubled region” which despite the international community’s and particularly the EU support for its development couldn’t yet complete its transition process. The researchers often compare it with the Central and Eastern European Countries because of their common communist past and in the context of the European integration policies, and achieve to common conclusion by defining the region’s domestic factors as “guilty” for the situation of the region.

To begin with, it is important to highlight that the concept of transition which has become a buzzword to denote the socio-economic and political transformation of post-socialist countries, cannot be defined as just a shift from a planned economy to a free market democracy, rather it is a complex process of redefinition and restructuring of state society relationship (Shields, 2012: 17-18), which led to the emergence of a new configuration of social power relations. The Western Balkan countries joined globalization after the collapse of Communism as other CEE countries. The countries in the region entered into an economic and political transition process at different speeds and with different degrees of enthusiasm. It were the transnational actors which “contributed” through consent and coercion policies on the transforming/neo-liberal restructuring of the region. Beside the international financial institutions such as the IMF and the World Bank, another major “contributor” on the neo-liberal restructuring of the Western Balkans is the EU as a structure and the Commission as an actor. As Hermann puts it, despite the fact that “neoliberalism is an international agenda, the implementation of neoliberal policies is, nevertheless, dependent on local struggles and compromises” (2007: 6). Therefore, a complete analysis of the transition and integration (restructuring/transformation) of the Western Balkans, must include both domestic and external actors and factors. Yet it is impossible to touch upon all these factors in this paper. Thus, the examination will be focused on the EU strategy towards the Western Balkans in the context of neo-liberal restructuring. Thus, based on the insights of the neo-Gramscian perspective, the aim of this paper is to bring the issue in a wider context, analyzing the impacts of global structural changes and the European Union (EU) integration policies as part of neo-liberal restructuring agenda in the Western Balkans.

In the first part of this paper it is analyzed the revival of European integration process in the second half of the 1980 in the context of global structural changes showing that the EU cannot be considered apart from neoliberal restructuring/

globalization. In the second part, are elaborated the European integration strategies towards the Western Balkans as part of the neoliberal agenda. Here it is underlined the fact that despite the EU discourse on the implementation of reforms on democracy, human rights and the rule of law as pre conditions for full membership, in practice the Commission initiatives are strongly focused and restricted to the neoliberal restructuring of the Western Balkans while leaving no concrete space for full membership. In the conclusion section are briefly summarized the impacts of top-down neoliberal restructuring via the EU strategies in the Western Balkans.

### THE EUROPEAN INTEGRATION AS PART OF NEO-LIBERAL RESTRUCTURING PROJECT

Many Europeans as well as the bulk of them who aspire to be part of the EU, considerate it as an exceptional organization of the global system. Often the assumed exceptional character of the EU is based on the social rights and equality policies that European states offer to their citizens compared with their American and Asian counterparts (Hermann, 2007:1). However, the EU cannot be considered apart and immune from the globalization process. As everywhere else, structural changes in the global economic system reshaped also the socio-economic relations of the EU, which led to the emergence of new social power configurations (Bieler and Morton, 2001: 5). Therefore, Stephen Gill argues that taking into consideration the social structural and political arrangements during the 1960s, 1970s, and 1980s is crucial for understanding the European integration policies/process (1992: 159), since the neo-liberal restructuring became the underlying driving force of its revival.

According to the neo-Gransian perspective, globalization is the “transnationalisation of production and finance at the material level and the shift from Keynesianism to neo-liberalism at the ideological level” (Cox, 1993: 259-60; Bieler and Morton, 2001: 5). While on the global level, the main driving force was assumed to be the free market, unrestricted capital and financial mobility (Hermann, 2007:2), on the national level, the shift from Keynesianism to neoliberalism was based on low inflation and stability prices, and on the abandonment of the full employment (Cox, 1993: 259-60, 266-7). Indeed these new arrangements caused many serious problems for many countries, particularly for the undeveloped ones. The international financial institutions, such as the IMF and the WB furthered this process through their carrot and stick policies, thus making the granting of credits conditional on meeting the neo-liberal restructuring packets such as budgetary restrictions and privatization of public companies, enterprises and services, and application of low taxes for private sector etc (Hermann, 2007:4).

Shortly, neo-liberalism become an agenda for restructuring the capitalist economy and the social system (ibid:2). Neo-liberalism imposes a new top down socio-economic order, through consent and coercion mechanisms. That makes governments more responsible for private enterprises or market forces and less responsible or responsive to welfare issues. The security of private sectors remains one of the main objectives of governments (Gill, 2001:47). In this context the rule of law and democracy are required (for developing countries) as long as they serve to neo-liberal restructuring policies. Accordingly, while some developed countries embraced neo-liberal policies for competing with the global market, the rest accepted it in order to get aids/grants from the international financial organizations since their survival depended directly to this foreign financial assistance.

The revival of European integration process in the 1980s developed also within the context of global structural changes triggered by the neoliberal response to the structural crisis of over accumulation that emerged in 1970s. The policies delivered by the EU and the re-launch of European integration – through the Internal Market (1985) and the signing of the Single European Act (1986)–by no means departs from the neoliberal mainstream. This re-launching coincided with the foundation of the European Round Table of Industrialists (ERT), an organization that represents the Europe’s biggest transnational industrial corporations (Apeldon, 2001: 48, 54). The increase of globally oriented capital in the EU, supported by the neo-liberal transnational historical bloc also forced the restructuring of the capital consistent with global capital (Gill, 2001: 75). The ERT lobbied strongly for the integration of the common market (Hermann, 2007: 8).

Gill defines the Internal Market project as a turning point in the European integration process towards neoliberalism (2003: 63). Even though, the Internal Market primarily was introduced as the creation of a big home market in front of global market, it served to the globalization of the EU itself (Apeldon, 2001: 79). Indeed it is an important project for the neo-liberal restructuring of the EU, focused on free market by the deregulation and liberalization of national economies (ibid). Thus, European integration shifted from a “socio-economic and industrial space to...an advanced free trade zone within a free trading world” (ibid).

The Maastricht Agreements and Economic and Monetary Union (EMU) also constitute important developments to be discussed in the terms of neo-liberal restructuring discourse (Gill, 2001: 50). As Apeldon puts it “the socio-economic content of Maastricht can in fact be interpreted as reflecting the transnational configuration of social and political forces within the European political economy at the beginning of the 1990s” (2001: 81). The formation of a transnational capitalist class played an important role in this new configuration of the social power relations. It succeed in incorporating and manifesting its interest as the interests of all and therefore in

establishing its hegemony. Contrarily, trade unions remained fragmented and as a result failed to protect their previous gains and efforts. The restructuring of the state-civil society relations such as the privatization of public services like pensions, health and education and the implementation of monetary and fiscal policies in order to increase the credibility for private enterprises shifted the EU towards the neo-liberal economic system (Gill, 2001: 49). In a nutshell, social democracies were subordinated to the interest of globalizing capital. Consequently, most of social reforms included in the Maastricht treaty failed to be materialized because of big capital's efforts.

In regard to this, the EMU cannot be considered only as an economic project but as an attempt to institutionalize the neo-liberal norms in the region and reconcile regional integration with globalizing forces (Gill, 2001: 52). This was a requirement for the Internal Market (Apeldon, 2001: 80). EMU furthered the neo-liberal economic process by establishing an independent European Central Bank (ECB) with a monetary policy based on low inflation and price stability. Its role was to force states to apply fiscal policies in convergence with neoliberal criteria. Even though the fulfillment of the Single European Market and establishment of the ECB looks as just an economic integration in appearance, it is in fact a process of configuration of the new powers in Europe (Holman, 2010).

As it is shown in this paper, the main issues of the reforms in the EU are focused on enhancing the implementation of neoliberal policies such as free trade, monetary and fiscal austerity policies, and the erosion of employment security. In some aspects, some states in the union have gone further by applying more radical neoliberal policies compared to the runners of neo-liberalism, the US and the UK. All these reforms eroded the social model of European welfare-states. (Hermann, 2007: 23).

In this respect, the EU strategy towards the Western Balkans must be analyzed primarily within this socio-economic structural context, considering the dynamics and complexity of the process of neo-liberal globalization. Otherwise the analysis risks remaining incomplete. Thus, the ideational/cultural factors which are so often utilized to explain the problems facing many developing countries as is the case of Albania, must be placed into this larger structure or process of neo-liberal transformation of the Western Balkans. To this purpose, having argued that the EU is an integral part of neo-liberal process, it will be scrutinized the EU integration policy and its impact towards the Western Balkans.

## THE EU STRATEGY TOWARDS THE WESTERN BALKANS

During the early 1990s the EU strategy towards the Western Balkans was based on financial assistance programmes such as PHARE, the main objective of which

was the establishment of stability through democratic institutions, the rule of law, the return of refugees and protection of human rights etc. (Bartlett, 2008: 197). It was only after the Bosnian war that the EU adopted the “Regional Approach”, for all the Western Balkan countries that did not have any association agreements with it. The Regional Approach included a comprehensive framework for unilateral trade preferences, financial assistance and regional cooperation based on principle of conditionality (General Affairs, 1997). The European Commission defines the level of financial assistance that the EU will provide to the respective country, according to the progress that it has done on meeting the required conditions. On the other hand, the starting of bilateral negotiations or association agreements were committed to many other strict and detailed conditions on providing economic reforms. Thus, in addition to the general conditions mentioned above, were required also macroeconomic policies for stabilization of economic environment, liberalization of price and trade, reforms in the rule of law, privatization of public or states enterprises, and reforms in the banking sector. The countries which meet these conditions would be able to benefit from trade preferences, financial assistance and progressing on contractual bilateral relations with the EU (Bartlett, 2008: 198).

Indeed the conditionality was not an exception for the Western Balkans countries, since the EU strategy towards the CEE countries was based on conditionality as well (Türkes and Gökgöz, 2006: 675). The problem here is the so-called “negative conditionality” (Anastasakis and Bechev, 2003: 7), which is meant to offer no promise for a future membership to the EU, and in the case of Serbia even outright sanction. Therefore, Turkeş and Gökgöz define the Regional Approach as:

“The manner in which conditionality applied in the case of the Western Balkans clarified the contours of a distinctly different mode of relations that the EU would maintain with the region: there was no prospect for rapid membership but the countries meeting the conditions were to be rewarded with trade concessions, financial assistance and economic cooperation on the part of the EU. It emphasized the borders of fragmentation in the region, pushing the Western Balkans down to a lower rank in the accession partnership process.” (2006: 676)

The Kosovo war may be considered as a turning point of the EU policies towards the Western Balkans. It demonstrated that the Commission as an actor and the EU as a structural factor have been insufficient for the stabilization of the region. Therefore, the EU envisaged a new strategy for the Western Balkans, so-called the Stabilization and Association Process (SAP). SAP would serve as an important contribution of the EU to the multilateral Stability Pact for Southeastern Europe (Hombach, 1999) by taking a leading role in the stabilization of the region, and

also presenting a new strategy of the Commission in the Western Balkans (Kramer, 2000). Thereby, SAP would become the cornerstone of the EU strategies in the Western Balkans, as the major policy framework for domestic and foreign policies. According to the Commission's suggestions SAP is focused on six key target areas such as:

“Development of existing economic and trade relations with and within the region; development and partial redirection of existing economic and financial assistance; increased assistance for democratization, civil society, education and institution-building; co-operation in the area of justice and home affairs; development of political dialogue, including at regional level; development of Stabilization and Association Agreements [SAA]” (European Commission, 1999).

In a similar vein with previous strategies, the SAP instruments were based also on conditionality. Therefore, according to the Commission's progress reports, the countries which have made progress regarding the meeting of the SAP conditions, can pass to another level by signing a SAA with the EU. The SAA's main framework focuses on:

“Offering the prospect of full integration with EU structures; Establishing a functioning framework for a continuous political dialogue; Supporting the consolidation of a democratic regime and a state of law; Furthering economic reforms and the development of market structures; Establishing the administrative and economic pre-requisites for the later conclusion of a bilateral free trade agreement; Laying the foundations for extensive co-operation in justice and home affairs; Establishing broad co-operation on all issues that would contribute to reaching these goals” (European Commission, 1999).

In this context, the main financial instrument introduced to the region was the so-called Community Assistance for Association, Development and Stabilization (CARDS). Later, it would be replaced by the new Instrument for Pre-accession Assistance (IPA), which aimed bringing institutional reforms into line with the EU standards.

A bigger picture suggests that the SAP and the SAA itself does not offer a really new and inventive EU policy for the region. They do not differ much in kind from other well-known European Agreements concluded between the EU and the CEE countries since early 1990s. Indeed, the novelty remains on the fact that for the first time, the SAA is “offering the prospect of full integration with EU structures” to the Western Balkans. In other words, it opened a process of gradual integration into

the EU structures based on the Amsterdam Treaty and the Copenhagen Criteria, for the countries that meet the required conditions. Since then, the EU has also advanced trade relations with all the Western Balkan countries via autonomous trade measures and the early implementation of the SAA trade provisions. All the countries have signed the respective SAAs. In addition, while Bosnia-Herzegovina and Kosovo are potential candidates, Macedonia, Serbia, Montenegro and Albania are officially candidates for accession to the EU.

As it is noticed above, the Balkan countries are involved at different stages in the process of integration (Türkeş and Gökgöz, 2006: 659). But, the fact that Commission has not produced yet any concrete plan or strategy for the full membership of the region or any particular country in the EU, indicates that its recommendations and strategies serve primarily to the purpose of stability in the region in order to avoid that problems of the region expand into the union and second to the neoliberal restructuring of the region rather than the process of full membership. As Mustafa Türkiyeş and Göksü state, the EU strategy towards the Western Balkans does not include neither exclusion nor a full integration in the short period (ibid). Indeed the EU integration process is seen as a tool for neoliberal restructuring of the Western Balkans. The hegemonic/neoliberal project of the EU in the region, is a complex and dynamic process between the Commission and respective governments which includes both consent and coercion (Shield, 2014: 17-18). The asymmetrical power that the EU holds in this process, have led to a top-down process on the restructuring of the socio-economic relations with the Western Balkans. The consideration of the EU as a financial source for economic prosperity by the Western Balkans states' elites strengthened the Commission's hand on neoliberal restructuring of the region.

## CONCLUSION

The Western Balkans cannot be considered apart from the neo-liberal globalization. Neo-liberal policies, as the main force of globalization, have been at the heart of the region's transition as well as. Therefore, all the transition programs assisted by the international financial institution enhanced the establishment of a market-based economy, based on neo-liberal restructuring such as stabilization, deregulation, liberalization and privatization. After 1997 onwards the EU via Regional Approach, SAP and SAA strategies would play an even more important role in the neo-liberal restructuring of the Western Balkans. Here is underlined the fact that despite the EU discourse on the implantation of reforms on democracy, human rights and the rule of law as pre conditions for full membership, in practice



the Commission initiatives are strongly focused and restricted to the neo-liberal restructuring of the Western Balkans while leaving no concrete space for full membership. As a result the main elements of the Commission strategies such as the neo-liberal restructuring, rule of law and democracy have not developed proportionally, leading to the reproduction of a kind of authoritarian state. And the social consequences of the top-down neo-liberal restructuring of the Western Balkan countries are high unemployment, an ever increasing gap between the rich and the poor, reduction of public social services, a high support for big private enterprises even when it has grave consequences for society in general, and high public loans etc. By the same token, the high level of emigration, the organized crime, and the rise of radical religious organization's influence in the region is also encouraged by the increasing poverty and the failure of state instances to develop a solution.

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