

THE ROLE OF THE STATE IN NOMINAL CONVERGENCE WITH THE EU

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1. INTRODUCTION

If all the seven countries of South-eastern Europe¹ were to join the EU at the same time, they would increase the EU population by 15 per cent while their contribution to the EU GDP would be only one percent. Although the GDP figures are probably underestimated because of the large share of the shadow economy in the GDP of the SEE countries, (up to 50 % in FRY²), the income gap still remains huge. Not surprisingly, the EU is seen as a promised land, and joining the EU as a shortcut to paradise. But is it really that simple? Is the integration process, with the fully-fledged membership as an end goal, a means of bringing economic prosperity to the SEE countries? And if so, what is the role of the State in that process?

The answers to these questions are not straightforward. The premise of this paper is that the European integration process is in its essence complementary to the transition process, and that adopting and implementing European norms and policies into the regulatory framework of a country is aimed to support the changes from a command to a market economy. In addition, the Governments of the SEE countries can use the integration process as an incentive for introducing some necessary, but harsh and unpopular measures that would otherwise not be socially welcome. Nonetheless, if a country decides to take the road towards the EU, it has to be made clear that Brussels is not a menu from which one can choose to take something and refuse to take something else. The process of European integration demands significant and wide-ranging changes in the political, economic and legal systems of the aspiring countries and these changes bear costs. At every stage of the integration process, a country must gradually align its policies to those of the EU. As the end goal, full membership in the EU demands meeting the criteria adopted at the European Council meeting in Copenhagen in 1993. These criteria are better known by the name of Copenhagen or accession criteria and define political, economic and legal conditions that a country must fulfil in order to join the Union.

The reality is that, although benefits of the integration process are certain to come, they will do so in the longer run, while the costs that societies of the SEE countries will have to bear are immediate (e.g. due to trade liberalisation, uncompetitive actors in the market are almost sure to go out of business). In

¹ For the purposes of this paper, the South-eastern European region is defined as consisting of Albania, Bosnia and Herzegovina (BiH), Bulgaria, Croatia, Former Yugoslav Republic of Macedonia (FYROM), Romania and Federal Republic of Yugoslavia (FRY).

² The share of the shadow economy in Bulgaria, Croatia and FYROM accounted for 35-47 % of the GDP in the period from 1994 to 1995. See: Shadow Economies: Size, Causes and Consequences, Journal of Economic Literature, March 2000. For figure on FRY see: Economic Monthly Review, January 2000.

addition, the institutionalisation and the pace of the integration process might put constraints on the domestic economic policy. Some demands of the EU may be inconsistent with the real situation in a country and may require changes for which a country is not ready at that point in time (e.g. demands for fast liberalisation of trade in steel may be disastrous for a country where a large share of work force is employed in the steel industry).

Even though aware of the significant costs involved in the process of European integration, the aspiring countries stay firm in their determination to join the EU. For them, it signifies achieving the real convergence to the political and economic state of the affairs prevailing in the EU, or said in a simpler way – living a better, richer life. This suggests, in short, having strong democracies, rule of law and functioning market economies. But, achieving the real convergence demands meeting the conditions for the nominal convergence first. In this case, nominal convergence relates to creating the administrative, regulatory and institutional framework necessary for creating a stable environment for achieving the conditions for the integration into the EU structures. The role of the State in this process is very important and is, actually, a *conditio sine qua non*. Its task is to create an institutional framework capable of ensuring the smoothness of the integration process by creating the efficient administrative structures for supporting and running the process. IN addition, it needs to develop the structures for implementing and enforcing the required regulatory and institutional changes resulting from the integration process. If, and only if, the State ensures the fulfilment of nominal conditions, it could be expected that markets and the society will do their work and that the gap between the EU and the aspiring countries will shrink.

This paper discusses the process of European integration in the SEE countries and its importance and implications for their economies. Special emphasis is put on the role of the State in this process and the assessment of its efficiency in running the integration process. The paper is structured as follows. The first part discusses what the countries must do in order to join the EU, i.e., which are the conditions for the full membership in the EU, and how far have the countries of the SEE region come in satisfying these conditions. The second part briefly explains the state of European integration for each of the SEE countries. The third part explains the importance of the State in the process of European integration, while the fourth part deals with the government structures that have been created in order to enable the integration process in each of the SEE countries. The fifth part assesses the efficiency of these structures.

2. CONDITIONS FOR THE MEMBERSHIP IN THE EU

The European integration process is a very institutionalised process and the sequencing of steps toward the full membership is clearly defined by practice. As it will be demonstrated, countries that wish to join the Union must go through stages of integration and at each stage they must align their political, economic and regulatory framework more and more to that of the EU. Although the countries of the SEE region are at different levels of European integration, their end goal is the same - satisfying the conditions for the full membership in the EU. These conditions were defined at the European Council meeting in Copenhagen in 1993 and were further confirmed at the Luxembourg European Council in December 1997. They are usually referred to as the Copenhagen criteria and they require of a candidate country³:

1. To achieve the stability of institutions guaranteeing democracy, the rule of law, human rights, and respect for and protection of minorities;
2. To have a functioning market economy as well as the capacity to cope with competitive pressures and market forces within the Union and
3. To be able to take on the obligations of membership, including adherence to the aims of political, economic and monetary union.

The first Copenhagen criterion stipulates that a country wanting to join the Union must have a functioning democracy and obey the rule of law. It should also respect the fundamental human rights, freedom of expression and association and the independence of media. These freedoms must be ensured not just in principle but also in daily life. This means that the aspiring countries have to ensure the operability and stability of various governmental and non-governmental institutions that enable public authorities, such as judiciary, police and local government, to function effectively and efficiently.

The second criterion refers to economic conditions for the full membership in the EU. The existence of a functioning market economy requires meeting a number of conditions which include liberalisation of prices and trade, developing a functioning legal system, sustaining macroeconomic stability, having a sufficiently developed financial sector to channel savings towards investment and having a broad consensus on economic policy. A country's ability to withstand the competitive pressures and market forces at play within the Union depends mainly on sufficient degree of macroeconomic stability so that economic agents can make decisions in a predictable and stable climate, as well as on the

³ There are four Copenhagen criteria, but only three relate to the applicant countries. The fourth criterion refers to the conditions that need to be satisfied on the side of the EU and stipulates that accession would depend on the capacity of the Union to take on new members while maintaining the momentum of European integration.

existence of a sufficient amount of human and physical capital, including infrastructure (energy, transport and telecommunications) and education and research. It should be noted that all these factors could contribute to enhancing the competitive edge of a country only if the complementary regulatory framework is developed in form of well-functioning trade and competition policy, regulation of state aids etc.

The third criterion is the most explicitly defined because it requires of a candidate country to fulfil a very exact task – to adopt and implement the whole of the *acquis communautaire* upon accession. Partial adoption of the *acquis* it thought to create more problems than solutions and was therefore ruled out as a possibility by the Council. *Acquis communautaire* is a term that refers to the entire body of legislation that has been accumulated since the establishment of the European Coal and Steel Community in April 1951 until today. From the Treaty of Maastricht, the *acquis* also includes the legislation covering the Common Foreign and Security Policy (CFSP) and Justice and Home Affairs (JHA), as well as the objectives of the political, economic and monetary union⁴. Presently, the *acquis* comprise 80 – 100 thousand pages and is constantly changing and growing. Being able to take on the obligations of membership does not mean only the transposition of the *acquis* into the national law, but also its implementation and enforcement. This requires setting up new administrative structures, modernizing existing administrations, proper training of public servants, reform of the judiciary systems and training in Community law of the judiciary officials.

The countries of the SEE region satisfy the Copenhagen criteria to various degrees, according to a country and a criterion. In general, in the last year the region as a whole moved closer to meeting the political criterion, at least nominally. The “carrot” that Brussels offered as a reward for these changes was starting the integration process with Croatia, Albania as well as with FRY. Concerning the third criterion, the ability to assume the obligations of membership, the progress in meeting the requirements differs much more from country to country because transposing and implementing the *acquis communautaire* is mainly dependant on the stage of the negotiation process at which the country is. As a result, Bulgaria and Romania have aligned their legislative framework with the one in the EU to a much greater degree than the rest of the SEE countries.

It is the third criterion that is going to pose the biggest problem for the aspiring countries. All the countries are coping with the political and legal criteria more or less successfully, but even the most

⁴ As regards to adherence to the aims of the political, economic and monetary union, aspiring countries will also have to adopt the *acquis* of the second stage of EMU, even though they will be unable to join the euro immediately upon accession. This implies central bank independence, coordination of economic policies, and adherence to the relevant provisions of the Stability and Growth Pact. New Member States must forego central bank financing of public sector deficits, and complete the liberalisation of capital movements. Finally, they must participate in the exchange rate mechanism and avoid exchange rate fluctuations.

advanced candidate countries, according to the Commission's reports, have so far not managed to achieve the capacity to cope with the competitive pressures from and market forces within the Union⁵. This is not surprising because satisfying this criterion would mean that a country has completed its transition from command to market economy. In this regard, the SEE countries have even harder task than other aspiring countries since their level of economic development is significantly lower. For the purposes of rough comparison⁶ between the EU, candidate countries and the SEE countries, table 1 and graph 1 gives the figures on GDP per capita in each SEE country in absolute numbers and as the percentage of the EU average.

Table 1. GDP per capita in SEE countries, 1999 and 2000

	EURO*		EU-15 = 100	
	1999	2000	1999	2000
Albania	1050	1200	5	5
BiH	1100	1280	5	6
Bulgaria	1400	1600	7	7
Croatia	4220	4540	21	20
FYROM	1600	1760	8	8
FRY	1830	1401	9	6
Romania	1500	1800	8	7
CEEC8	4325	4825	21	21
EU-3	11990	12760	59	57
EU-15	20450	22520	100	100

* All values not expressed in EURO were converted to EURO by using the average nominal exchange rate.

CEEC-8 ten CEE candidate countries minus Bulgaria and Romania

EU-3 Three least developed EU Member States, Greece, Portugal and Spain

Source: EIU, Eurostat, WIIW, IFS

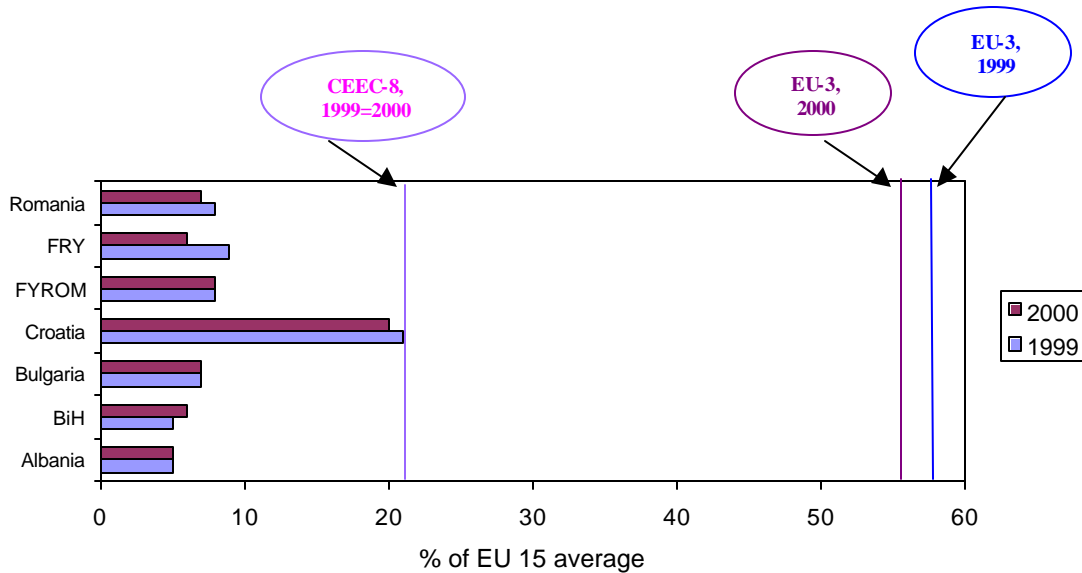
In 2000, per capita GDP in the region spans a wide range from €1200 in Albania to €4540 in Croatia, which achieved income level close to the average of the eight CEEC. Unfortunately, the rest of the countries are much closer to the Albanian figure. Their GDP per capita varies from €1280 to €1800. From the year 1999 to 2000, the countries have either made modest progress in catching-up with the EU average (BiH) or no progress at all. Actually, the income gap widened for all remaining countries in the region. These developments are more illustratively shown in the graph below. Although the EU-3 average GDP per capita diverged from the EU-15 average by 2 percent from 1999 to 2000, the SEE

⁵ See Commission Progress reports for the candidate countries.

⁶ Since the purpose of this paper is not to compare economic performances of the SEE countries to the EU in detail, GDP per capita figures are used in order to show most plastically the difference in economic

countries showed the same tendency and were therefore not able to converge to the level of income in the poorest EU member states. The biggest fall in GDP was present in FRY, which joined BiH and Albania as worst performing countries.

Graph 2. GDP per capita in SEE countries compared to average GDP per capita in CEEC-8 and EU-3 for 1999 and 2000



Source: EIU, Eurostat, WIIW, IMF

The major factor underlying the poor economic performance in the SEE countries is the lack of, or very slow, progress in transition toward the market economy. Recent and present conflicts, regional instability, poor democratic traditions and weak governance as well as weak institutions have all combined to constrain economic and political developments in those countries. The promise of the EU membership can be seen as part of the solution to these problems for two reasons. Firstly, it provides the hope that "things will be better in the future" and that the economic prosperity and political stability will be closer to that prevailing in the EU. Secondly, and more important, the institutionalisation of the integration process and defined conditions of entry into the EU improve the chances of that really happening.

development. SEE countries are also worse performing than other CEEC countries in regard to all transition indicators (see: EBRD Transition Report 1999 and 2000).

3. PROCESS OF EUROPEAN INTEGRATION IN THE SEE COUNTRIES

Concerning the institutionalisation of the relations with the EU, the SEE region is highly heterogeneous, but can be broadly divided into two groups of countries. The first group consists of the two countries that belong to the so-called Helsinki group, Bulgaria and Romania. They are much more advanced from the rest of the SEE as regards to the level of institutionalisation of their relations with the EU. They have already signed the Europe Agreements, applied for the full membership and have started the negotiation process for the full membership in the EU in 2000. The second group comprises the countries covered by the Stabilisation and Association Process (SAP) and includes the remaining five countries of the SEE region – Albania, BIH, Croatia, FYROM and FRY. These countries are sometimes referred to as the Western Balkans, as well. The means of integration for these countries are Stabilisation and Association Agreements (SAA), so far signed by FYROM and initialled by Croatia⁷.

Even though the SEE countries are presently at different stages of the integration process, it could be foreseen that the differences between them will disappear in the next few years. Namely, the predictions are that Croatia and possibly FYROM will catch up with Bulgaria and Romania in 3 to 4 years. This will depend on the level of compliance with the provisions of the Agreements signed between the EU and the countries in question and the speed of adoption and implementation of the *acquis communautaire*, but also on the political will of Brussels. For example, albeit it is said that a country cannot start negotiations on the SAA unless it fulfils both economic and political conditions as set by the SAP conditionality, the case of FRY shows that the SAP process is driven more by political than by economic motives. Decision to start the negotiating process on the SAA with FRY could be considered as support the democratic changes in the country and a reward for removing Milošević from power and extraditing him to the International Criminal Tribunal for the former Yugoslavia.

As noted, the five SEE countries are pursuing a slightly different path to the EU membership than Romania and Bulgaria. Political and economic dialogue between them and the EU was first conducted in the framework of the Regional Approach of 1997, which sought to underpin the implementation of the Dayton/Paris and Erdut agreements by establishing political and economic conditionality for the development of bilateral relations⁸. Following the Regional Approach, the more comprehensive and flexible framework for integration of Western Balkans was envisaged in the form of the SAP. This decision was based on the recognition that greater economic and political stability in the region could only be based on wide-ranging reforms in the countries concerned and establishment of normal mutual

⁷ SAA between Croatia and the EU will be signed in October 2001.

relations between them. The main driving force for these changes was thought to be the credible prospect of membership in the EU. Therefore, at the Feira European Council, the SAP countries were recognised as “potential candidates” for the full membership in the EU and the main instrument of their integration was noted to be the SAA⁹.

To the countries in the SEE region, the SAA offers a clear prospect of integration into the EU structures for the first time. The SAA is similar, although not identical to Association and Europe Agreements signed with present candidate countries. The main difference between those agreements is the regional dimension included in the SAA and the emphasis on the stabilisation part of the process. This is highly understandable in light of the recent regional conflicts. The signatories of the SAA are contractually obligated to establish the network of close contractual relationships (conventions on regional co-operation) and to create a network of bilateral free trade agreements (as part of those conventions) with other SAA signatories and candidate countries. Some countries are more ready to enter into these agreements than others, but none are voicing their disagreements too loud because the Union has taken a very firm stand on aspects of SAA having to do with regional cooperation during the negotiations.

Besides the regional component, the SAA regulates the relations between the EU and the SEE countries in a similar way as in the Europe Agreements. Both agreements contain provisions on the free movements of goods, services, capital and workers, establishment, legal harmonisation, co-operation in JHA and other fields (from statistics to agriculture) and financial co-operation. But, the core purpose of the integration process is the promotion of trade flows between the signatories by the means of asymmetric trade liberalisation. This means that the EU is to eliminate trade barriers at the faster pace than the SEE countries. In the light of importance of the EU as the biggest trading partner of the region¹⁰, these provisions bear great significance for the SEE countries. On one hand, the free access to the EU market should promote foreign investment, develop export capacities, increase competitiveness of domestic producers and contribute to the overall economic and political stability in the region. On the other, the exposure to the trade flows from the EU may harm domestic producers, especially in agriculture. The remedy for this danger is the asymmetric liberalisation and the transition period that each country negotiated for itself. Since the SAAs are to a certain extent tailor-made, the transitions periods vary according to the each particular country’s needs and possibilities of to fulfil the provisions of the Agreement (see table 2).

⁸ The conditions included respect for democratic principles, human rights, the rule of law, protection of minorities, market economy reforms and regional co-operation.

⁹ See: Council Conclusions from Santa Maria de Feira, 20. June 2000.

¹⁰ The EU is the most important trading partner of the region. In 1999, exports to the EU accounted for 34 to 90 percent of total exports in the respective SEE country, while imports from the EU accounted for 37 to 77 percent (source: WIIW statistics, 2000).

By signing the SAA, the Western Balkans take only their first step toward the associate status. The conditions for the associate status include fulfilling all the obligations stipulated by the SAA by the end of the transition period. The transition period starts running from the date of entering into force of the Agreement. After signature, it takes two to three years (see Table 2) for the Agreement to come into force because this is the time needed for ratification in the Council of the EU, the parliaments of all Member States and the country involved. However, because they are under Community competences and therefore not subject to ratification by Member States' Parliaments, trade and trade-related provisions, including the harmonisation of internal market legislation, enter into force more rapidly by conclusion of the Interim Agreement. In the case of FYROM, the Interim Agreement entered into force already on 1 July 2001, while Croatia will start implementing the trade related parts of the SAA on 1 January 2002.

Table 1 shows the state of integration into the EU for ten CEEC and the five SAP countries. It also demonstrates the dynamics of the process, i.e. sequencing of main events and their duration.

Table 1. The process of European integration for CEEC and SAP countries

Country	EA signed	EA came into force	Transitional period	Official application for EU Membership	Accession talks started on	Number of chapters closed
Bulgaria	March 1993	Feb. 1995	10 years	Dec. 1995	Feb. 2000	11 (as of 27 July 2001)
Czech Republic	Oct. 1993	Feb. 1995	10 years	Jan. 1996	March 1998	19 (as of 12 June 2001)
Estonia	June 1995	Feb. 1998	not specified	Nov. 1995	March 1998	19 (as of 12 June 2001)
Hungary	Dec. 1991	Feb. 1994	10 years	March 1994	March 1998	22 (as of 12 June 2001)
Latvia	June 1995	Feb. 1998	at the latest on 31 Dec. 1999.	Oct. 1995	Feb. 2000	16 (as of 27 July 2001)
Lithuania	June 1995	Feb. 1998	at the latest on 31 Dec. 1999.	Dec. 1995	Feb. 2000	18 (as of 27 July 2001)
Poland	Dec. 1991	Feb. 1994	10 years	April 1994	March 1998	17 (as of 27 July 2001)
Romania	Feb. 1993	Feb. 1995	10 years	June 1995	Feb. 2000	8 (as of 27 July 2001)
Slovakia	Oct. 1993	Feb. 1995	10 years	June 1995	Feb. 2000	19 (as of 27 July 2001)
Slovenia	June 1996	Feb. 1999	6 years	June 1996	March 1998	21 (as of 27 July 2001)
country	SAA signed	SAA came into force	Transitional period	Official application for EU Membership	Accession talks started on	Number of chapters closed (as of Sept. 2001)
Albania	expected by June 2002	n/a	n/a	n/a	n/a	-
BIH	n/a	n/a	n/a	n/a	n/a	-
Croatia	October 2001	expected in 2004	6 years	planned by the middle of 2003	n/a	-
FYROM	April 2001	expected in 2003	10 years	n/a	n/a	-
FRY	n/a	n/a	n/a	n/a	n/a	-

Source: Euroactive, Europa site

Compared to other candidate countries, all SEE countries, including Bulgaria and especially Romania, are far away from the EU membership. The speed of EU integration is, *ceteris paribus*¹¹, not only a function of time but of the level of development and progress of each of the countries in question. A good example is Slovenia, which, although it has signed the EA last, managed to catch up with other candidate countries very quickly. So far, Slovenia has concluded already 20 out of 30 negotiating chapters¹², including environment, which is one of the hardest chapters to negotiate. On the other hand, Romania and Bulgaria show the opposite tendency. Even though they signed the EA already in 1993, they were not able to engage in the first wave of negotiations that started in March 1998, but had to wait until February 2000. Compared to other candidate countries, they are the worst performing with only 11 (Bulgaria) and 8 (Romania) negotiating chapters closed as of July 2001. In addition, it has to be mentioned that the principle of sequencing of the negotiations is that the less difficult chapters are opened and negotiated first, while the most difficult chapters are left for the end. Therefore, the pace of closing the chapters is faster at the beginning than towards the end of negotiations, which means that for those two countries the harder part of the negotiations is still ahead. It has to be noted though, that, in the last couple of years, Bulgaria has been progressing at a much faster pace than Romania according to the Commission's reports.

Since the political (conflicts in the ex-Yugoslavia) and economic (weak economic and institutional structures) conditions prevented SAP countries from joining the process of integration together with the present candidate countries, they are now at the stage of the CEEC's "early years". In relation to the institutionalisation of relations with the EU, the most advanced countries in the region are FYROM, which has signed the SAA in April 2001, and Croatia, which is expected to sign it by the end of October this year. The rest of the SAP countries have not yet started the negotiations on the SAA. As regards Albania, the feasibility study on opening up of negotiations on the SAA, produced by the Commission in 1997, was negative and stated that Albania would not be able to carry out duties that are going to come out of the SAA. Nevertheless, since 1999 there have been three meetings of EU-Albanian High Level Steering Committee, on the basis of which the Commission proposed to the Council to open negotiations on the SAA with Albania. The start of negotiation process (presentation of the draft negotiations directives for the negotiations of the SAA) is expected in December 2001 and Albanians are hoping to sign the SAA by the middle of 2002.

¹¹ *Ceteris paribus*, in this case refers to the unchanged political situation in a country. As explained above, the enlargement of the EU is, in author's opinion, more a function of politics than of economics. If there is no need to reward or punish a country, then the speed of the integration process largely depends on its own progress.

¹² Each negotiating chapter covers the *acquis communautaire* in a certain field. There are 31 chapters, but only 30 are negotiable in practice (one chapter refers to institutions of the EU which have to be accepted in full and without any transitional periods).

Although, as noted, FRY does not completely fulfil the criteria set by the SAP, the Council still decided to hold the first EU-FRY Consultative Task Force meeting in July this year, which marked the beginning of the process of negotiation on the SAA. This is not surprising in the light of reasoning that credible perspective of the EU membership will act as a catalyst for political and economic reforms. Regarding BiH, the situation is slightly more advanced. The EU-BiH Consultative Task Force is already in operation since 1998 and the Road Map, a document which defines 18 conditions that BiH needs to fulfil in order for Commission to start writing the Feasibility Study, was published in 2000. Among the 18 conditions, the top priorities that BiH needs to concentrate the most include i.a. the Election Law, the Civil Service Law, implementation of the Property Laws and conditions for sustainable returns¹³. At the Zagreb Summit in November 2000, which underlined the commitment of the SAP countries to the integration process, BiH was called to fulfil the EU Road Map by the middle of 2001.

4. THE ROLE OF THE STATE

Integration into the EU is a complex, difficult and time consuming process that takes years to finish. It is also a work in constant progress and the difference has to be made between the obligations that arise from the associate status and the full membership. For the associative status, a country needs to fulfil only the provisions of the SAA/EA, while for the full membership a country needs to adopt and implement whole of the *acquis communautaire* together with satisfying other two Copenhagen criteria in full. During the process of European integration, the dividing line between these two processes gradually disappears because implementing the provisions of the SAA/EA becomes interrelated with preparing for the full membership. As noted, the EA/SAA is only a portion of obligations that need to be fulfilled. Knowing the conditions for the associate status and the full membership identifies what needs to be done. Following that, a question arises about who is going to do it and how. Although, the task of satisfying the integration criteria falls to the whole country: the State, the markets and the society, the role of the State in this process is special and essential. There are three reasons for this.

First, since the European integration process is strictly an intergovernmental process, the State is the only actor that can negotiate with the EU. This means that the European Commission, as the representative of the EU, negotiates with the Government representatives of the aspiring countries. It never negotiates formally with other actors in the society, like trade unions, business organisations or NGO's. Therefore, all the internal issues that need to be resolved in the course of the negotiations should be solved within a country, between the Government and the third parties, before the Government takes a stand towards the Commission. In this respect, the nature of the process stipulates

¹³ See: Council Conclusions February 2001

that only the State and nobody else can be the partner of the EU when it comes to the integration process. In order to determine its national negotiating position, the Government plays the key role in building the national consensus that must exist in a country in order for economic and social actors to accept the changes that follow the integration process and act accordingly.

Secondly, the State is the only body that can initiate, conduct and ensure the process of nominal convergence towards the EU. In this context, the nominal convergence refers to setting up new administrative, regulatory and institutional structures, or changing the old ones, in order to satisfy the criteria set by the EU and to enable markets and the society to build on that ground and achieve the real convergence. It means that the Government, as an executive part of the State, must see what needs be done, must find a way to convince (and in many cases force) the State administration to do, must control what has been done and must communicate to the Commission the progress that has been made. Through the whole process of integration, the State needs to set up structures for fulfilling the obligations arising from the Agreements, develop structures for handling EU technical assistance, translate the *acquis*, conduct the legal harmonisation process and inform and educate the public about the EU related matters. The Government is the only body that can introduce new laws and change the old ones, and set up the structures for monitoring and supervising the implementation of those laws.

The third reason why the State is important in the integration processes is that it is responsible for creating conditions for the macroeconomic and political stability. It is important to mention that without stable macroeconomic and political environment there is little hope of approaching and integrating into the EU structures, irrespective of the speed and quality of running the integration process.

Since the State plays the vital role in the integration process, it is essential for success that it equips itself with sufficient high quality resources. These resources are human, financial and institutional.

For running the integration process efficiently, it is of primary importance to have well educated, competent and motivated staff. The number of people employed in the integration supporting structures matters much less than having well-organised, highly capable personnel. This has been demonstrated in a number of countries, where the internal co-ordination of the process has been entrusted to a small number of employees, but who irrelevantly of that, successfully run the integration process¹⁴. Besides being high quality people, there are certain, special skills that those involved in the European integration need to have as well. They include good knowledge of the EU related issues and proficiency in the English language and ideally in one or two other Community languages. These two

¹⁴ For example see: Estonia and Latvia.

conditions might not seem so hard to fulfil on paper, but in practice it is very hard to find people with these skills. This is because the training in the EU affairs, which is a prerequisite of good knowledge of the EU, has not been systematically exercised in most of the aspiring countries, and especially in the SEE countries.

Successful preparation for integration into the European Union also requires the availability of financial resources. Many parts of the integration process will only absorb minimal levels of budgetary finance. Other areas however will require co-financing from the state budget, which if not properly programmed can lead to major budgetary problems and a disruption of the preparation for accession. It is important to consider the role of national budgetary funds (the major part of any financing) together with foreign financial assistance, the largest part of which is likely to be transfers from the European Union. It is frequently difficult to clearly distinguish spending on accession related issues from normal budgetary expenditure, but where possible, the explicit incorporation in the budget of financial resources related to accession preparation is desirable.

The third important element for running the integration process smoothly is having the adequate administrative and institutional structures within the State in order to efficiently apply both the human and financial resources to the task of European integration. The key function in the administration is that of co-ordinating all activities related to this objective. The following chapters concentrate on the analysis of the structures co-ordinating the integration process in the countries of the SEE region.

5. STRUCTURES SUPPORTING THE INTEGRATION PROCESS

Since the SEE countries are at different levels of the integration process with the EU, it is interesting to see which structures they have set up and how those structures function in each of the country. It might be possible to foresee the developments of the supporting structures in the countries on the lower level of integration into the EU such as BIH and FRY, on the basis of structural development in the countries on the higher level of integration, like Bulgaria or Romania.

On the basis of data gathered in the candidate countries, it can be observed that there are similarities in governmental structures that deal with the process of EU integration. As a rule, administering internal and external co-ordination of the integration process are separated. The main support role in the internal co-ordination is played by the body (office or committee) directly related to the highest government levels, i.e. to the prime or vice minister. The main tasks of this body are monitoring the process of integration, preparation of strategic documents, harmonization of legislation, co-ordination of EU technical help, education and informing of the public, and translation of the acquis.

Office/Committee for European Integration does not necessarily have to perform all these function; they can as well be distributed to other government bodies, such as ministry of justice (approximation of laws) and ministry of finance (co-ordination of technical help). Internal co-ordination is further developed by departments for EU integration in the line ministries, which proved to be the key string in the institutional infrastructure. External co-ordination of the integration process, i.e. co-ordination with the EU, member states and candidate countries, is handled in all candidate countries, without exception, by a special department in the ministry for foreign affairs (MFA). As far as the structures for negotiations are concerned, the negotiating team is placed in the MFA as well. The head of the negotiating team is almost always a non-party member and an expert. These characteristics are a reassurance that this person will run the negotiations independently of the change of the government.

Table 3. gives an overview of the structures that have been set up in order to run and facilitate the process of European integration in each SEE country¹⁵.

Table 3. Supporting mechanisms for the integration process

	Main decision making body	External co-ordination	Internal co-ordination	Legal harmonisation	EI units in line ministries	Plans for change
Albania	Interministerial Committee	MFA	MFA	Ministry of Justice	no, just contact persons	<ul style="list-style-type: none"> merging the dept. at MFA and M. of Justice ↑ number of staff
BiH	Council of Ministers	MFA	MEI	MEI	no	no
Bulgaria	Council on EI	MFA	MFA	Ministry of Justice	yes	n/a
Croatia	The Government	MFA	MEI	MEI	no, just contact persons	doubling the number of employees in MEI
FYROM	Committee for Euro-Atl. Int.	MFA	Government office	Government office	yes	n/a
FRY	Interministerial Committee	MFA	M. for Foreign Ec. Relations	n/a	yes, where not contact persons were appointed	n/a
Romania	Interministerial Committee	Government office	Government office	Government office	n/a, probably	n/a

MFA Ministry for foreign affairs
 MEI Ministry for European integration
 EI European integration

¹⁵ Where it was not possible to gather data directly from public officials, Public Management Profiles (from 1999) by SIGMA was used for information. This refers to Romania and Bulgaria for which there were no recent data accessible.

ALBANIA

The main decision-making body in charge of the integration process is the Interministerial Committee for European and Euroatlantic Integration created by the decision of the Council of Ministers in December 1998. The main functions of the Committee are drafting and monitoring the implementation of the Strategy for European and Euro-Atlantic Integration¹⁶ and co-operation with European and Euro-Atlantic structures and institutions. The Committee is composed of the two representatives of each line ministry and one representative from other relevant institutions. Day-to-day internal and external co-ordination is carried out by the Department for Euro-Atlantic Co-operation at the MFA, which has around 45 employees. The tasks of the Department include compiling the Integration strategy and monitoring its technical implementation. The approximation of national legislation to the *acquis* and its translation are conducted by the Directorate for the Approximation of Legislation within the Ministry of Justice which presently employs 10 people. There are no immediate plans for augmenting the number of staff in either unit, but after the elections last month, there are some speculations that the bodies responsible for internal co-ordination could change their structure. Most probably, the mechanism could become more similar to the Croatian model, which means that the two bodies (Directorate for the Approximation of Legislation and the Department within the MFA) could merge into one - the Ministry for European Integration. Other suggestions include merging into the state secretariat or becoming a part of the MFA. In any case, if the structure changes, the number of staff would comprise all employees of the two bodies and would even increase.

As regards to the line ministries, there are two kinds of networks created – political and legal. Following from the structure presented above, the line ministry officers in charge of the political issues related to the EU integration are co-operating with the Department at the MFA, while the legal network consists of line ministry officials and the members of the Directorate at the Ministry of Justice. Both Departments have a say in choosing a liaison person in the ministries.

BOSNIA AND HERZEGOVINA

The situation in BiH is very different from other countries mostly because of the internal structure of power. BiH has two levels of government: federal and entity level, and the European integration issues are dealt with at the level of central government (federal level). The body responsible for drawing general guidelines for the Integration process is the Council of Ministers, as opposed to special Interministerial Committees in other SEE countries. External co-ordination of the integration process is entrusted to the MFA, while the internal co-ordination has been assigned to the Ministry for European Integration established in June 2000. The Ministry is in charge of co-ordination of the legal

¹⁶ See: http://www.mfa.gov.al/euro_atla.htm

harmonization process and translation of the acquis, as well. It employs around 60 people and there are no plans on hiring more people during the next year.

There are no European integration units in the line ministries. Instead, communication between MEI and other government bodies and structures at the entity level is informal. Working groups on harmonization of legislation in certain field of the acquis (mostly Internal Market) are formed on ad hoc basis.

BULGARIA

In Bulgaria, the Council of Ministers is the highest decision-making body for the issues of European integration. The special co-ordinating structure in the realm of integration process is the Council on EI whose decisions are advisory to the Minister for foreign affairs and not binding on the ministries and other government institutions, as opposed to the decisions made by the Council of Ministers. The Council on EI is chaired by the Prime Minister and administratively supported by the Directorate for EI at the MFA on the one side, and the Directorate for EI and Relations with the International Financial Institutions at the Council of Ministers on the other side. The tasks of the Directorate at the MFA include both external and internal co-ordination of the integration process. Internal co-ordination activities include conducting and co-ordinating the overall activities with regard to the association of the Republic of Bulgaria with the EU and cover designing and implementing the National Strategy for Accession to the EU, managing the structures set up under the Bulgarian Association Committee, participating in all working groups and managing the EU technical assistance. Internal co-ordination is further strengthened by European integration units set up in line ministries.

The co-ordinating mechanism of the integration process includes the Co-ordination Council for Preparing the Republic of Bulgaria for EU Accession, which acts as a preparatory body for the Council on EI. Since this body includes the heads of integration departments in line ministries, it serves as a discussion forum for EU related issues between different parts of the government, as well. If the issues cannot be resolved at this level, they are referred to the Council on EI.

Another link in the integration process is a system of working groups set up by the Council on EI on the proposal of the Directorate for EI at the MFA. The Directorate has, as mentioned, its representatives in every working group. Currently, there are 30 working groups, each covering one of the chapters of the acquis. The tasks of the working groups include drafting the laws related to the

approximation of national legislation to the *acquis* and participating in the screening process¹⁷ co-ordinated by the Ministry of Justice and European Legal Integration.

The management and co-ordination of the law approximation is handled by the European Integration Department at the Ministry of Justice and European Legal Integration. The tasks of the Department are developing and monitoring the National Program of the Adoption of the *Acquis*, as well. To insure the co-operation and co-ordination between the Directorate and the MFA, the representatives of the two bodies work closely together.

The delegation for negotiations on the Accession Agreement with the EU consists of the head of the delegation and core delegation team, which comprises members of the most important line ministries and the two directorates in charge of the integration issues. As of June 2000, the Council of Ministers nominated the Deputy Minister of foreign affairs to the position of the chief negotiator.

CROATIA

In Croatia, the situation is slightly different as regards to the main decision-making body than in other SEE countries. Namely, there is no specially formed body whose functions are to give general guidelines on the integration process. This function is performed by the Government itself. Government's decisions are supported by the suggestions and opinions of the Co-ordination for the Negotiations of the SAA. This is an interministerial body that meets on a weekly basis and discusses the main courses of the integration policy. Co-ordination has also the power to ask the line ministries to perform tasks related to the integration activities. Since the negotiations of the SAA finished and the Agreement is expected to be signed in a matter of days, the name of the Co-ordination will soon change, probably into the Co-ordination for the negotiations for full membership. Co-operation with the EU institutions and Member States is, like in the previous countries, handled by the Directorate for EU at the MFA. The administrative support and internal co-ordination are tasks of the Ministry for European Integration, which evolved from the Office for European Integration at the Government, established in 1998. After the coalition party won the elections in early 2000, the Office was transformed into the Ministry in order to provide a ministerial seat for a coalition partner. After the resignation of the Minister for EI in summer 2001, the new Minister became the chief negotiator for the SAA negotiations, a non-party member.

The work plan for the next year envisages the increase from about 80 people presently employed to 170. This huge increase is planned largely due to a big number of translators to be hired. So far, the

¹⁷ Screening is extremely demanding and time consuming process that refers to checking the level of compatibility of domestic legislation with the EU legislation.

Ministry has dealt with preparation of strategic documents, harmonisation of national legislation with the acquis, co-ordination of technical assistance and informing the public. Translation unit was also a part of the Ministry, but it consisted of only one person. With the integration process gaining momentum since the opening of negotiations on the SAA at the end of 2000, it was realized that the translation of the acquis should be approached in a more structured way.

The negotiating team is situated at the Ministry for European integrations but is independent of it. Its head is a non-party member and his team is composed of the members of various ministries. Under the negotiating team there are nine working groups that were established for SAA negotiation (SAA is divided into 9 titles) and are now non-operational since the negotiations have finished.

Regarding line ministry EU departments, the situation in Croatia is still at the starting point. Responsible persons for dealing with issues in relation to the EI (senior level officers) have been appointed only recently and there are no special integration units created. Usually, units that are dealing with external relations are also in charge of European integration.

FYROM

The main decision-making body on the issues of EI is the Committee for Euro-Atlantic Integration, which was established in the Government as a special interministerial committee in December 1997. The Committee is chaired by the President of the government and has two working committees: the Working Committee for EI and the Working Committee for the Collective Defence Systems. A separate department for the EU has been established in the MFA in order to improve the communication between the FYROM government and the EU institutions and member states.

The permanent secretariat and administrative support to the Working Committee for EI is the Sector for EI within the government of FYROM created in February 1999. The main function of the Sector are co-ordination of the process of harmonisation of legislation, institution-building, co-ordination of EU technical assistance and information and publicity. The Sector for EI is also in charge of monitoring the timely and efficient implementation of the SAA based on the reports from the European integration units that have been formed in all line ministries.

The approximation of national legislation to the EU law is being managed by the Working Committee for European Integration, but the main co-ordinator is the Sector for European Integration within the government of FYROM.

ROMANIA

The most important decision-making body in the process of Romania's integration into the EU is the Interministerial Committee for European Integration established in 1995. It is presided by the Prime Minister and its main task is providing basic guidelines for the integration process. The internal and external co-ordination of the integration process is being managed by the Department for European Integration within the Office of the Government established in 1993, headed by the Minister-Delegate for European Integration and directly subordinated to the Prime Minister. The Department is also in charge of managing the approximation of domestic legislation to the *acquis*. The approximation process is being aided by sectoral teams in charge of the preparation and pursuit of legislative approximation.

FRY

Since there is no overall formal regulatory framework for the process of FRY's integration into the EU, when the Commission recently asked the FRY Government to prepare for the SAA negotiations, the co-ordination mechanism for SAP had to be set up at an ad hoc base.

Similar to BiH, FRY has also two levels of Government: federal and republic, and correspondingly, the issues of European integration are being handled at the federal level. As in most of other countries, an Inteministerial Working Group has been set up to formulate the EU integration strategy. This Working Group comprises of the representatives from the federal, Serbian and Montenegrin Governments and is headed by the Assistant Minister at the Federal Ministry for Foreign Economic Relations. This means that main internal co-ordination functions lie with this ministry. The relations with the EU institutions are being handled by the Department at the Sector for European Integration and Multilateral Co-operation in the MFA, which will be responsible for the negotiations on the SAA as well.

Internal co-ordination is being supported by the creation of the EU integration units in line ministries at both the federal and republic level. Where such units have not been established, liaison persons have been appointed. However, the sole existence of these units does not guarantee the effective co-operation between the line ministries and the integration departments at the Federal MFA and Federal Ministry for Foreign Economic Relations. The majority of line ministry officials are not aware of their responsibilities and/or are not educated enough to deal with the EU related matters.

6. ASSESSMENT OF THE STRUCTURES SUPPORTING THE INTEGRATION PROCESS

In general, the co-ordination mechanisms in the SEE countries are similar in their structure as shown in table 3. As in candidate countries, the major decision making body on the European integration issues is an interministerial committee, chaired by a senior government officer (prime minister or vice minister). The external dimension of the process is, by rule, in the hands of the MFA while the internal co-ordination is entrusted to special committees or offices linked to the vice or prime minister. Only BiH and Croatia have ministries for European integration, but FRY and Albania are seriously considering following the model. In the author's opinion that would be a mistake because of the difficulties in co-ordination that arise from such a model. Negotiating teams, if existing, are mostly situated in the MFA, with Croatia as an exception. One of the most significant weaknesses in the structures for supporting the integration process in the SEE countries are the networks of line ministries EU departments which are barely existing or non-existing at all. Where there are no such departments, co-ordinators for the process of EI have been appointed, but they are usually of the rank of assistant minister and serve only as contact persons.

Where existent, EU line ministry departments mostly evolved from external relations departments. Although this is the most logical development, it should be borne in mind that the integration process demands special skills, starting from language skills to good knowledge of European policies and law. The lack of these skills is a serious problem, especially if we consider the fact that not many students in SEE countries could learn about the EU in universities, let alone specialize in that field. This problem has been dealt with in different ways in different countries. The decision-making government officials realised that educating young people is essential to the efficient integration into the EU structures. Therefore, some countries offered to pay scholarships for various European universities specialising in the EU related matters (e.g. Croatia) or made arrangements with the European Commission to send young public servants to the short, three months long stage in Brussels (e.g. FYROM). Unfortunately, when these people return to their home countries, they do not stay long employed in civil service because of the problem common to all public administrations in all countries - low wages, non-existing reward programs and scarce opportunities for promotion.

Beside the problem of insufficient knowledge of the EU related matters, there is another serious and important problem in the process of European integration. The problem of communication and co-ordination. Based on the experiences from other countries, the best solution for organizing the internal co-ordination mechanism is to create a body (office or committee) directly linked to the Office of the Prime Minister. This conclusion arises from the sole nature of the co-ordination process and the concept of vertical responsibility. Namely, if a body needs to co-ordinate other bodies, it needs to have

a higher rank in the government. Therefore, the committee or office in the Government is likely to give best results. Having a Ministry for European Integration is usually a compromise made in the coalition government, where all the parties must have at least one minister. In that case, a fancy wrap around it is the justification that having a Ministry gives the importance to the Integration process.

Apart from the insufficient and ineffective structures and scarce human capital, there is also lack of financial and technical resources in public administrations. Although the budgets of co-ordinating bodies, offices or ministries for EI, are sufficient and even luxurious compared to other government bodies¹⁸, there is a shortage of technical support in other government bodies (e.g. some ministries are not even connected to internet) and lack of financial resources needed to carry out indispensable analyses and translations. Usually, the co-ordinating body is financially and technically well equipped and has a sufficient number of EU experts. Problems with human, technical and financial resources mostly arise in other line ministries where the integration process is something new and unknown.

¹⁸ These bodies are very small in size compared to other government bodies (e.g. ministries) and they usually enjoy the priority in budgetary planning because the process of European integration is proclaimed to be one of the foreign policies' top priorities of all the aspiring countries.

7. CONCLUSION

The major factor underlying the poor economic performance in the countries of the SEE region is the lack of, or very slow, progress in transition toward the market economy. Recent and present conflicts, regional instability, poor democratic traditions and weak governance and institutions have all combined to constrain economic and political developments in those countries. The solutions to these problems are not easily found, but one important ingredient of success that can be recognised with certainty is the promise of EU membership, which acted as a catalyst for economic and political changes in previous enlargements as well. The beneficial effects of EU membership have been amply demonstrated in the cases of prior enlargements, and especially in cases of the so-called cohesion countries, Ireland, Spain, Greece and Portugal.

Joining the EU is not easy. The conditions that the EU sets before the aspiring countries are very demanding. Even the conditions for the associate status require fundamental changes in a country's economic, political and regulatory framework. For the full membership, the changes are even more comprehensive. Although the majority of these changes are a part of the transition process itself, it does not mean that they will happen by themselves. In addition, the pace of these changes is highly determined by the provisions of the Agreements signed with the EU and therefore requires clearly defined timetables. Thus, it is very important to set up structures that can handle the demands of this process in an efficient and cost-effective manner. This is where the role of the State is indispensable.

The role of the State in the process of European integration is vital because of three reasons. Firstly, it plays the role of the negotiating partner with the EU. Secondly, it sets the conditions for nominal convergence with the EU by creating the institutional and regulatory frameworks necessary for achieving the goals of the European integration (whether they refer to conditions of the associate or full membership status). Finally, it ensures the conditions for macroeconomic and political stability, which are conditions necessary for joining the Union.

For achieving the objectives of the European integration, it is important for the State to have access to adequate human and financial resources and to organise these resources in an efficient way. Since the SEE countries are at various levels of integration, the structures for co-ordinating mechanisms for the integration process also vary from country to country. The institutional frameworks are more developed in Romania and Bulgaria since they have already started the negotiations for the full membership and have advanced in the process of the implementation of the *acquis*. Nevertheless, all the countries face similar problems. The highest on the agenda is the problem of co-operation between the different government bodies. Additionally, there is a lack of experience of civil servants in

integration related issues, shortage of personnel with the necessary knowledge and not enough financial and technical resources to carry out indispensable, complementary activities such as, for example, translation of the *acquis*.

As a conclusion, it can be said that the role of the State in the nominal convergence with the EU is central, but the abilities of the public administrations and governments of the SEE countries do not seem to live up to the task. In the future, there should be special attention paid to building up the administrative structures in those countries. Only then will the State be able to fulfil the nominal conditions for integration into the EU structures, and only when the nominal convergence has been achieved, the real convergence can follow.