

# Measurement of the Integration Maturity – Additional Suggestions for the Enlargement Practice of the EU

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The European integration is one of the most determining socio-economic process of the past decades. The contemporary economic-financial crisis revealed a great deal of controversies. Can we treat the question of development only as economic growth? Is there a common European identity? What kind of connection is between institutional development and EU-enlargement? The countries of the so-called Western-Balkans are close to the EU-membership, but there is a great deal of problems with the identity of these countries. The applied enlargement framework of the EU has a plenty of features, which cut the so called deep layers of a nation state. The changes in these deep layers – according to the results of the new institutional economics – come only after decades off. Is the applied framework reactive enough to these layers? After the presentment of the measurement opportunities and indicators of the institutional development, we focus on the data which are at service by the international qualifier organisations. These evaluation tools can serve as additional instruments is the measurement of integration processes.

## *Introduction*

The countries of the Western Balkans are facing the process of an (old-new) institutional building process. The area was for centuries meeting point of civilizations and religious fields. The so-called socio-economic institution-building process gets a prominent role in these cases – then events of the last decade at least, show that. This construction is a response to an external influence, which will be constituted by the help of external financial and intellectual support. The aim of the parties is not only the transition aligning to a market economy. One needs to establish the political and market institutions to guarantee the enforcement of the Western type of development model. Although the traditional European way of development is questionable in several aspects (Szigeti, Farkas & Borzán, 2013) in our study this issue was not addressed.

In the first section of this paper we briefly describe how the Western Balkans came into contact with the EU. We draw the attention on the importance of documents and of the events that shape the life of the region for 15 years.

The following section explains the conditions under which a state shall comply with the integration process. This section provides an overview of the Stabilization and Association Process in more detail, focusing on economic issues. It is an EU policy agenda, which is the framework for bilateral relations. The process can lead to the EU accession of the Western Balkan countries.

In the next section, we take through the data lines, which make it easier for measure. We do not forget that all aggregated data contain normative elements. This

fact raises sensitive issues. Now we are not dealing with the solution of these issues. However, gaps and inconsistencies are detected. At the end of writing the synthesizing summary is to read.

### *Beginnings of the institutionalized connection-building between the Western Balkans and the European Union*

In November 1995, the USA put an initiative that was born in Dayton – the Dayton peace agreement – what took an end to the Balkan wars of the last decade in the 20th century (Duffy – Lindstrom, 2002). In this document, the Federal Republic of Yugoslavia recognized the independence of Bosnia-Herzegovina, Croatia and Slovenia. The agreement – supported by the EU countries and the United States together – tried to stabilize the region from outside. Then, in November 1996, the South-East-European Cooperation Initiative (SECI) was established. The initiative set out as main goals infrastructure improvements, support for small and medium-sized businesses, as well as the promoting of inflow of foreign capital (Losoncz, 2006). The transboundary and intraregional cooperation within the region were considered as the main promoter of peace and stabilization. To encourage cooperation within the region was later also important. It closely aligned with the EU's regional approach concept; this approach included the premise that the region's integration velocity could not be quicker as the intra-regional integration processes.

However, the Kosovo crisis broke the process. Therefore, it has been developed the South East Europe Stability Pact (SPSE), which was adopted in the 10th of June 1999 in Cologne. In the program – envisaged by the Pact – in addition to European countries outside the European economic powers, international organizations and financial institutions also participated. A prominent role played in the document the following ideas: the acceptance of democratic values, respect for human rights, economic convergence, and regional cooperation. The original function of the Stability Pact for South Eastern Europe was to accommodate the whole Western Balkan policy of the European Union. However, its factual role was smaller. The gradual fulfillment of this mission was handed down to the Stabilisation and Association Process (SAP).

By the late 1990s, it became apparent, that the Western Balkans threatens the EU with a monumental degree of war, migration, criminal, economical and world political risks, that only the prospect of EU membership may establish peace and cooperation in the region. In this trend played a great role the fact, that – according to a large number of signals – the interests of the United States weakened in the settlement of the question, while the world politically passive Russia become more active (Pintér, 2011). This recognition led to the creation the Stabilisation and Association Process (SAP). This concept was adopted by the EU member states in Cologne, in June 1999, on the summit of the European Council.

This was followed by the Helsinki summit of the European Council in 1999 in December, when the notion or political expression of the Western Balkans was born. Hereinafter referred to as the eastern part of the Balkan Peninsula, where Bulgaria and Romania is located; were treated separately, thus clearing the way for antecedent EU accession of the two countries.

The integration processes were confirmed from this point, by the resolutions adopted at the European Council summits. From the Cologne European Council meeting – with eyes on the expansion of the Western Balkans – should be three key

summits highlighted. They are in chronological order: the Feira, Zagreb and Thessaloniki summits. In the support of the region is from these years the EU the dominant performer (Losoncz, 2009). In the earlier agreements involved other political superpowers (namely and predominantly the United States of America and Russia), has not given a role in creating stability in the country group. In the European Council summits that followed, the scope of the participating countries narrowed to the European Union Member States, and the WEB<sup>1</sup>-countries.

From an overview in a nutshell can be seen, that the crisis management in the Balkans occurred from outside and from above. In accordance with the decision of the great powers, the social and economic integration of the region was the only way to ensure the peace. This way of the integration has got multiple facets, and disposals:

- Harmonization of the legal system.
- Opening of the submarkets.
- Taking out of the protectionist measures.
- Some degree of tax harmonization.
- Infrastructure improvements of serious amounts.
- Some degree of harmonization of social systems, conventions.
- Large-scale structural reforms in the interest of the future burden sharing in the community.

The above mentioned measures are not considered popular. However, not only these objections are to mention. The new institutional economics holds that the social controls, humanly devised constraints, namely the institutions determine the economic performance. One cannot wait in short-term (10-20 years) additional major economic power, if the social system is not so minded (Acemoglu – Johnson – Robinson, 2004). Exactly because of this statement we subsequently examine the additional opportunities of integration management. All of them before; the presentation of the framework used today is necessary. The commencement of the second section presents the framework, thereafter we give possibilities to supplement.

### *The framework of the Stabilisation and Association Process*

In the framework of the Stabilisation and Association Process, the EU wants to make connections with the WEB-countries with conclusion of Stabilisation and Association Agreements (SAA). These agreements can be interpreted as an “entrance hall” of the EU-membership. The SAA encourages the maintained trade with WEB-countries by the help of autonomous trade policy measures, including the provision of trade policy preferences (Cremona, 2003). The EU provides financial assistance to the Western Balkans through the programs of CARDS (Community Assistance for Reconstruction, Development and Stabilization) and the successor of IPA (Instrument for Pre-Accession Assistance).

The process is based on the gradual creation of a free trade, and the compliance to EU legislation and standards. Central element of the agreement is the basis for the establishment of a single market, and enforcement of the principles of democracy in the Western Balkans. The latest expansion phase is valued on the basis of each

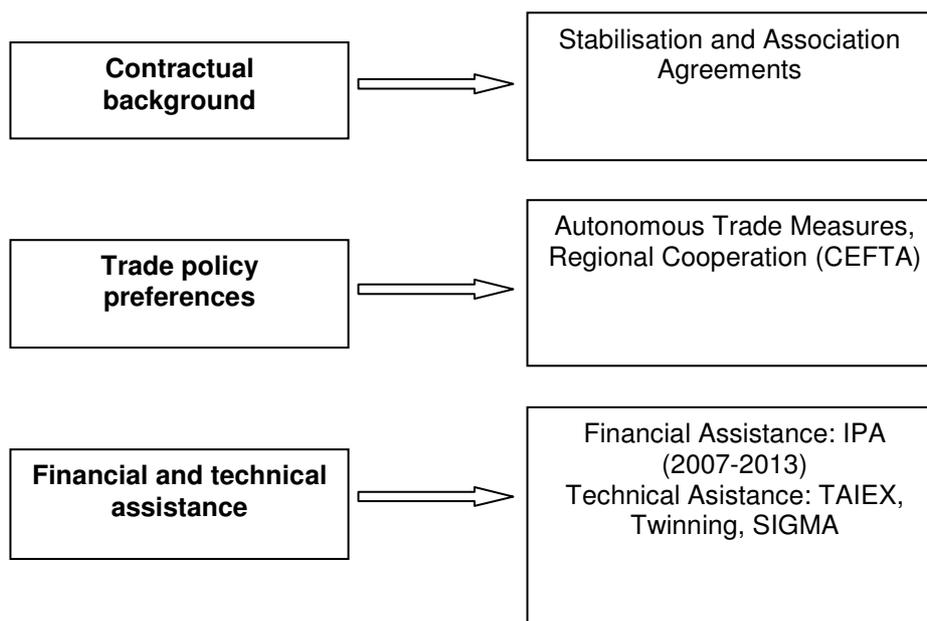
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<sup>1</sup> Western Balkans.

countries performance separately (Juncos, 2005). Nevertheless, each country has to face the same formal requirements to become member of the EU. However, it is acceptable to the individual countries to meet the conditions by own set stages and rates.

Changes and the level of development taking place in Stabilisation and Association Process is summarized annually in the progress reports. The structure of the Stabilisation and Association Process is summarized in the following picture.

The Three-pillar Structure of the Stabilisation and Association Process



Source: own edition of the author, based on the official website of the European Commission

Having reviewed the institutional links between the WEB-countries and the EU, let us see what the theoretical additions to this framework are. We will demonstrate what kinds of effects are produced by such kinds of serious transitions of the social structure of a nation. To reach this goal, the new institutional economics provides us assistance. Institutional links like historical and cultural heritage, social structure, the level of economic and social development, as well as other relevant parameters differ significantly between European countries (Bogdanov, 2007).

As Douglass Cecil North and Robert Paul Thomas in their study from 1973 argue (North – Thomas, 1973:2), “*the factors we have listed (innovation, economies of scale, education, capital accumulation etc.) are not causes of growth; they are growth*”. That means that the prescription of the modern civilization growth is the consequence of the social arrangements and rules of these nations (USA and Great Britain etc.) of the West. The collective noun of these arrangements and rules is according to North’s terminology the institution. The definition of institutions reads as follows (North, 1990:3): “*Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction.*” The fact that the Acemoglu, Johnson, Robinson, author triple in their cited study from 2004 have highlighted this relationship facilitated our work. In our understanding the EU performs also an institution-building process controlled from outside, during the

expansions. This process is called: export of common values. This vision of development affects the common identity of nations causing complications in the unstable relations of the Balkan countries (Graan, 2010).

Another important ground pillar of the new institutional school is the theory of Oliver Eaton Williamson, the framework of social analysis. This analytical framework has four levels (Williamson, 2000). The first level is the level of embeddedness. It is called so, because such kinds of categories are defined here where the changes of social institutions are very slow. The habits, norms, traditions belong here, but also the geographical determination plays an important role at this level. This last factor can develop significant differences in the nation's public institutions. Most economists consider this level for granted; because changes can be carried out only in a period of 100-1000 years.

The second level is of the basic institutional environment. Here, the political institutions, the political system forms, economic institutions, legal institutions have a prominent role. The protection of property rights are considered essential also by the early institutionalists. It is important to pay attention to the financial system, the migration, to the characteristics of trade and foreign direct investment. The institution building should mainly focus on this level. Establishment of an appropriate level of development in these institutions could cover a period of several decades.

The third level is the level of management structures (in the original study, this level is called as the institutions of governance). The contracts, reliable business practices, market operation, the organization system of the companies are included in this group. The transactional cost theory, created by Coase and further developed by Williamson is the scientific explanation of these concepts. Here is easier to achieve quick results, as the management structures in the literature can be changed in 1-10 years. This level is also linked to the enlargement policy, as the reinforcement of contractual relations is included in the harmonization requirements. The tightening of the competition legislation also belongs here (Kapás & Komáromi, 2004).

On the fourth level, the resource allocation decisions play a major role (originally resource allocation an employment). Here the standard neoclassical economic methods can be used. This model is applied very often to the above standing levels. This is not necessarily an error, because interactive relations are to discover between the levels. It should be noted however, that the structures remaining longer, have stronger effects on the structures with a shorter operating time range.

## *Measurement possibilities for integration maturity and Integration Processes*

In order to be able to change the notion and practice about the integration, we have to take into account the application tools which are available. The economic and social development of the countries is hard to describe, international organizations try to create indicators to reach this goal. Institutional development and maturity of the integration can be approximated through indicators. In this section, we try to acquaint the reader with the most important available databases. Among these there are specifically economic, political and holistic indicators. The approximation of the social institutions is the most important aspect for us.

The integration of different nations is based on the intensity of commerce, according to the classic integration theories. The beginnings of the integration measurement are also connected to this approximation. Development of international

integration is related to globalization (Losoncz, 2009). Thinking in quantitative categories, the integration of trade and of the factors of production are the most dominant elements. As a general index appears the ratio of exports and imports to the GDP. The correlating of the regional trade to the total trade is a preferred indicator of the regional integration. The flows of the labor and capital are also to measure as the main factors of production. The transnationalization of companies and their networking processes are also approximate indicators of the integration (Palánkai, 2010).

However, the factors classically measured are only able to evince changes in the third and fourth levels of the above mentioned framework. For the measurement of the other categories are maybe more useful the indicators of democracy researches. A comprehensive study of 2012 (Ágh, 2012) provides insight into the indicator structures on the performances and qualities of political regimes. These indicators can be called rather normative or speculative, but try to express the tendencies of the deep layers (level 3 and 4) of the favored framework.

The journal Economist publishes every year the so-called Democracy Index report, in which they try to create an overall picture on democracy. The index is based on 60 indicators grouped in five different categories: electoral process and pluralism, civil liberties, functioning of government, political participation, and political culture.

One of the main activities of the organization called Freedom House is to investigate the adoption of democratic value in each countries of transition. The Democracy Score is a typical device to measure specifically the transitional democracies. The value of the states of the Western Balkans are also computed and published annually. In its calculations the evolution of the main components can be taken into account, they are: the operation of the electoral system; the development of civil society; the independent media; performance of government (central and local levels); the existence of the rule of law, independence of the judiciary; corruption. The following table includes the indicator values to the period of 2002-2011 on the countries in question.

The trend of the Democracy Score in the period of 2002 and 2011 – the countries of the Western Balkans

<i>Country</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>
Albania	4,11	4,17	4,13	4,04	3,79	3,82	3,82	3,82	3,93	4,04
Bosnia and Herzegovina	4,88	4,83	4,54	4,18	4,07	4,04	4,11	4,18	4,25	4,32
Kosovo	n/a	n/a	5,5	6,32	5,36	5,36	5,21	5,21	5,07	5,18
Montenegro	n/a	n/a	3,83	3,79	3,89	3,93	3,79	3,79	3,79	3,82
Serbia	n/a	n/a	3,83	3,75	3,71	3,68	3,79	3,79	3,71	3,64

*Source: the official website of the Freedom House*

Several other institutions are there to measure democratic progress. The European Endowment for Democracy serves for the enforcement of the European democracy model. The Arena, the Centre for European Studies, the International Institute for Democracy and the German Bertelsmann Stiftung also form plenty of indicators, and investigate the matter (Ágh, 2012). These can form as the basis of institutional development studies, excellent examples are the works of Persson and Tabellini from 2006 and 2007.

## Conclusion

The EU enlargement impetus has been broken years ago. The literature of political sciences has identified the enlargement fatigue, as well as the accession fatigue. The former is characterizes the union; the latter the Balkan countries. Nevertheless, the European Union has appeal of the South-East European people. Therefore it is important to actualize the framework of enlargement. One possible way of this is to become more sensitive to the institutional development stage of independent nation-states. The EU enlargement impetus has been broken years ago. The literature of political sciences has identified the enlargement fatigue, as well as the accession fatigue. The former is characterizes the union; the latter the Balkan countries. Nevertheless, the European Union has appeal of the South-East European people. Therefore it is important to actualize the framework of enlargement. One possible way of this is to become more sensitive to the institutional development stage of independent nation-states.

Crossing the civilization boundaries the adaptation to the changed conditions is required. The European Union has a vital interest in the stability of the region. Essential element of the EU's interest is the political system demonstration effect. The inclusion of the Western Balkans into the EU could provide answers to criticisms, according to which the European Union has reached or approached the geographical limits of the absorption capacity.

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ECONOMIST, Intelligence Unit: <http://www.eiu.com/>

EUROPEAN COMMISSION, enlargement issues: <http://ec.europa.eu/enlargement/>

FREEDOM HOUSE: <http://www.freedomhouse.org/>