

**Enlarging concepts before the  
enlargement:  
The European Union in Albania**

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## ***Introduction***

As a post communist country, even if the last to enter 'transition', Albania experienced the restructuring and adjustment policies adapted to its situation. In spite of the governmental changes or the political wing in power, the EU has intervened with the same rigour. The objectives set were as clear and simple as their achievement happened to be difficult. More than fifteen years after the process began and at the antechamber of the European Union integration, the question arises as to why is Albania lagged behind in the integration process. The analysts' approach till now has been to highlight the political instability, corruption and other institutional obstacles, common to all developing countries. The Albanian point of view is opposite to recognizing insurmountable obstacles, as Albanians claim to make all the requested efforts but without them seeming to be sufficient. The consequent reciprocal misunderstanding resides, in my opinion, at the origin of the difficulty of successful collaboration between Albania and the European Union structures. My point is to demonstrate the limitations of unilateral policies and the importance of assimilating the particular characteristics of every country's social networks into development policies. In fact for the social composition of a society to change it takes centuries. Therefore to try to cope in order to improve exchanges at all levels between the development objectives and their application by local populations would be a more demanding approach.

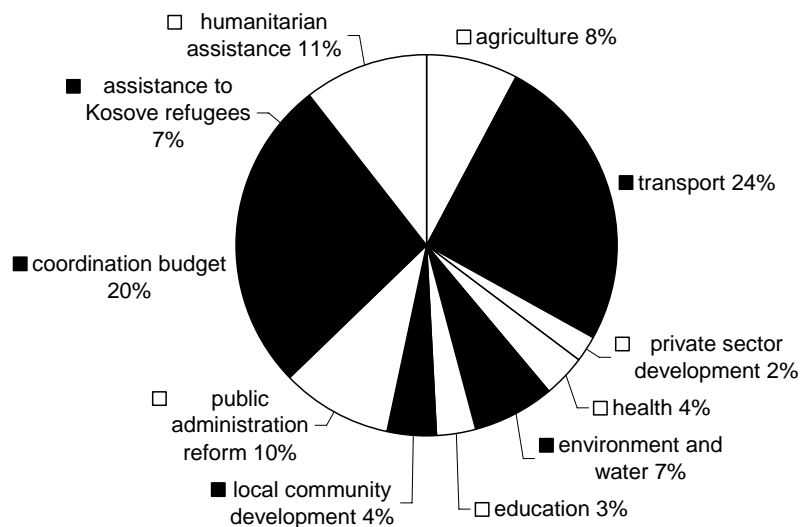
## ***Conditionality and financial aid***

### ***EU involvement***

The European Union was present in Albania very shortly after the collapse of communism. Since 1991, Albania has benefited from a total Community assistance of €1,020 million of which €80 million are loans from the European Investment Bank.

From 1991 to 2000, the Assistance program for Central Europe (PHARE) focused on the main public areas in need for reforms: the judicial system, the customs, the education system (TEMPUS), infrastructure and public service. During this period the Albanian economy was very much impacted by the collapse of the pyramidal schemes in 1996 and the Kosova war in 1999.

### ***PHARE program in Albania (1991-2000)***



Source: Economic Reconstruction and Development in South East Europe<sup>1</sup>

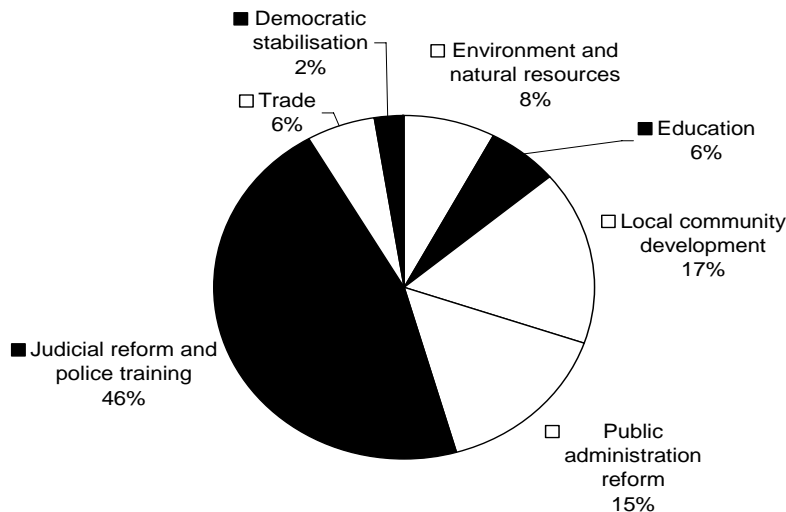
The proportion of the financial aid corresponding to these events, humanitarian assistance, assistance to Kosova refugees, does not appear in the next program. It

<sup>1</sup> [http://www.seerecon.org/albania/documents/albania\\_phare\\_1991-99.pdf](http://www.seerecon.org/albania/documents/albania_phare_1991-99.pdf)

means the aid is contextualised and will take different directions with the CARDS program.

Starting in 2001, the Community assistance for Reconstruction, Development and Stabilisation Program (CARDS) was preceded in 1999 by the feasibility study of the Stability Pact, clearing the path to the European integration for Albania. In that perspective, the CARDS program was focusing on fight against fraud and corruption, particularly in the judicial system and its reform, as well as the enhancement of civil society and local community development.

*CARDS program in Albania (2001-2006)*



Source:(EC, 2001)

The recent program converges towards the prospect of integration with the signature of the Stabilisation and Association Agreements the 12<sup>th</sup> of June of this year, after three years of negotiations. The final objective is to enhance regional cooperation, to achieve trade liberalization and attract investors taking advantage of the low labour costs and favourable tax rates.

***Required criteria and Albania's progress to date***

*'Each country's progress towards European integration, taking account of the evolution of the acquis, depends on its efforts to comply with the Copenhagen criteria*

*and the conditionality of the Stabilisation and Association process. Moreover, in this process, regional cooperation and good neighbourly relations will remain essential elements of EU policy.’ (EU, 2005)*

The Copenhagen criteria<sup>2</sup> are expressed in quite general but suppose numerous step by step objectives mirrored in the EU programs implemented in Albania.

### **Political sphere**

Concerning the political situation, the country should ensure the ‘stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities’. In this regard, the EU reports show that Albania has legally guaranteed the human rights, the electoral code is more democratic and corruption is fought with increased engagement. The 2001 and 2003 elections, for example, challenged the electoral code and were useful in determining the changes to bring for the next elections. Several years later, when the Democratic Party won, the electoral code was qualified as satisfactory in terms of transparency and respect of the rules of democracy (EU, 2005). The same good will is noticeable in the war against corruption. Sali Berisha’s government achieved to collect, in five months of office, the equivalent of one year customs collected by its predecessor. A National Anti-Drug Strategy was created as well as special unities for fighting terrorism.

The major critics in the political area concern the adverse political climate, i.e. tensions between main political parties (EC, 2002). Inherited from the communist regime, the difficulty in converging towards pluralism illustrates the need for democratic education. New political parties were created, with their objective being explicitly to join the EU and implement pluralism but without success.

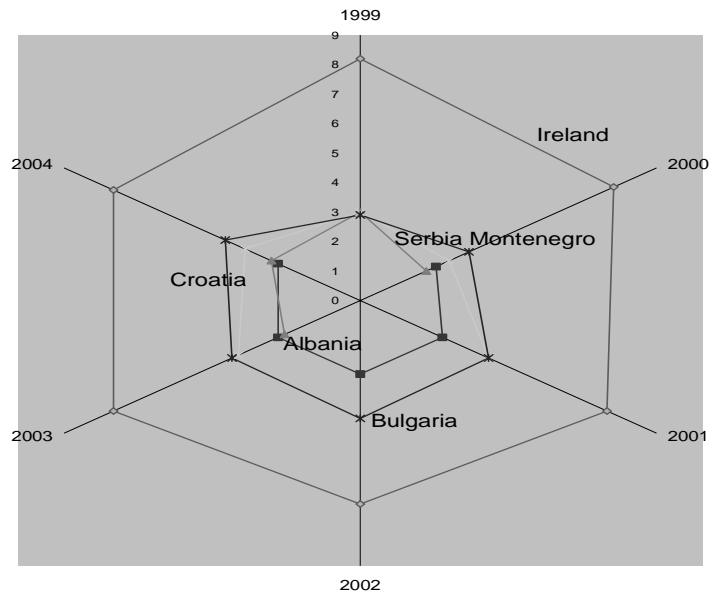
The weak implementation of criminal justice and judicial independence mirrors similar preoccupation to eradicating the ghosts of communism. Corruption and the lack of transparency are the main factors explaining the absence of judicial independence. Ensuring the proper training of judges and prosecutors is not sufficient when the low wages are compared to the amounts offered by corrupters, it make it

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<sup>2</sup> [http://ec.europa.eu/comm/enlargement/towards\\_EU\\_membership/criteria\\_en.htm](http://ec.europa.eu/comm/enlargement/towards_EU_membership/criteria_en.htm)

difficult to resist. In a ranking of a corruption index that Transparency International sets up every year, Albania has the highest level of corruption amongst the Balkan countries. In the graph below, Ireland is taken as an example of the level of corruption the rest of the European countries have.

*Transparency International Corruption Perception Index*



Source: (International Transparency, 2004)

The performance of the Albanian economy during the years of democracy will be analyzed in the following section.

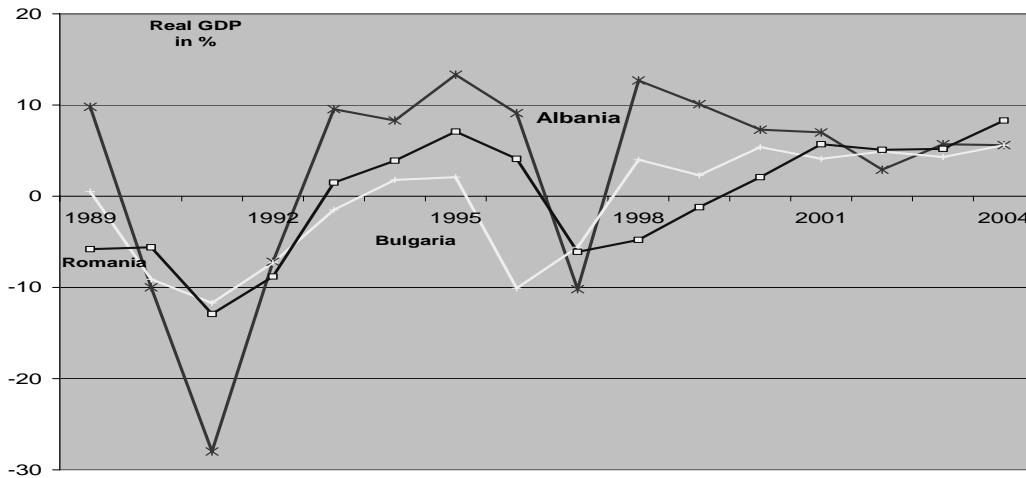
**Economic growth**

Implementing a functioning market economy, as the economic criterion, bears at the end the idea of economic development. Behind the political discourse, Albania has actually moved over several steps in terms of government restructuring as well as economic reforms. We will see below whether these steps match with the requested criteria of the EU or they are just a first step forward recognising the necessity of deeper changes is what.

What could be considered as achievements have actually more of a symbolic meaning, so to say, in regard to the mere fact that Albania is still the poorest country in Europe. Having said that, the country has tripled its GDP per capita from USD701 in 1997 to USD2,400 in 2004. The stabilization of the public debt is also noticeable as it went

form 44.5% of the GDP in 1994 to 21.9% in 2004 (IMF, 2006). One of the main requirements of the liberal policies has been fully achieved with more than 80% of the economic activity being privatized.

To a larger extent, the Albanian economy has been out performing its neighbouring countries in terms of the fluctuations it experienced since 1989. The graph below shows the real GDP growth for Albania, Bulgaria and Romania purposely chosen here as the countries being one step ahead in the European integration process. The convergence of the rates these last years confirms the stabilisation of the economic growth in the region.



Source: Vienna Institute for International Economic Studies<sup>3</sup>

It has to be reminded, however that Albania was the scene of a regional as well as a civil war in 1996, the latter following the fall of the pyramidal schemes where the Albanian population lost most of their savings in corrupted private financial firms. The boom in the economic growth was actually sustained by sandy foundations, one of which was the pyramidal financial schemes. Not any of the experts in the country during the period did notice it (D. J. Bezemer, 2001). It was the first time the Albanians realised the limitations of the accuracy of the criteria evaluating a country's development that were used by the EU. The disappointment took violent proportions as justice was not satisfactory: the money just disappeared and nobody could be blamed except the government. One of the reasons of the emergence of this

<sup>3</sup> <http://www.wiiw.ac.at/balkan/data.html>

phenomenon might have been government implication, as it is sustained in some comments. But a more realistic assumption is the one acknowledging the lack of understanding of the financial operations by the local population. In a country where the Central Bank coexisted with a more developed network of tontines or other forms of local networks, there is room for considering the still existing influence of the social network.

The major problems in contemporary Albania relates to the deficient infrastructure in spite public investments. The economic emigration and the 'brain drain' phenomenon are the real threat to the future of the country as a whole. One way of estimating the extent of the Albanian emigration is the level of remittances, which has tripled since 1993, being the highest amongst all East European countries (Irir Gedeshi, 2002). The actual government is undertaking various projects aiming at attracting the Albanian postgraduates and professionals out of the country. There are no data available on the efficiency of the projects yet.

The weak bank system is another major issue when considering business development. Closely related to the poor administrative institutions generating a highly uncertain economic and political environment, the bank system can only cope by increasing the interest rates. The credit is out of reach for most of the small businesses, which represent an important proportion of the economic activity.

### **European standards**

Amongst all the criteria, converging towards European standards is the most general one. It is explained as being the 'capacity to cope with competitive pressure and market forces within the Union' (EU, 2005). In that regard, Albania has already achieved free movement of goods and a reform of the revenue collection. The signature of the South East Europe Energy Community Treaty<sup>4</sup> accounts as a positive element as well. Nevertheless, there is still no implementation of environmental legislation and tax fraud is still important. The main claim from the EU experts is the low awareness of the adoption of European standards among economic operators. This

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<sup>4</sup> See the website of the European Commission delegation in Albania  
[http://www.delalb.cec.eu.int/en/eu\\_and\\_albania/cooperation.htm](http://www.delalb.cec.eu.int/en/eu_and_albania/cooperation.htm)

is to be related to the insufficient involvement in reforming programs from Albanians. We will see the importance of the discursive politics further in this paper.

With the signature of the Stabilization and Association Agreements, this year, Albania commits to proceed to the gradual alignment to EU legislation and the gradual establishment of a free trade area with the EU. Co-operating with the EU on issues such as justice, visa, border control, illegal immigration, money laundering, transport, energy etc. is also included in the country's intentions as a prerogative for the Stabilization and Association Process (Council of the European Union, 2006). Those are the major steps to conduct in direct relation to the EU. The other section of the EU integration is regional integration. The SAA suppose the conclusion of bilateral agreements with its neighbours in the region on, for example, trade and free movement of workers, services and capital.

### **Summary**

The pattern of the European Union intervention appears to be clearer in the Stabilization and Association Process. The Stabilization and Association Agreements reflect the threefold EU objectives. To bring Albania, and other countries of the region closer to the standards which apply in the EU; to focus attention on respect for key democratic principles (human and minority rights, stable democratic institutions, etc.); and, try to implement the core elements which are at the heart of the EU single market (competition, liberalization etc.).

Behind the fulfilment of these criteria, a political debate occurs between the EU and Albania in trying to justify their positions. To what extent they do achieve to go beyond the SAP and agree on which direction to take is the focus of the next section.

### ***The 'stick and carrot' discursive strategy***

#### ***The EU discourse***

Behind some concrete requirements, the political strategy of the EU officials has been at once explicit enough in order for people to understand what they were needed to do and vague enough to prevent a high level of exigencies from the Balkan countries.

Patience is the leitmotiv. It took more than 40 years to Western European countries to build the European market and it might take more time for countries with such an unstable environment. In a recent speech in front of the Assemblée Nationale in Paris, Olli Rehn, the EC member in charge of the enlargement process said no other country besides Bulgaria, Romania and Croatia were to join before 'the end of the decade' (Olli Rehn, 2006).

What is requested from Albanians is to embrace the idea of integrating the EU in a more involving way. In 2001 already, things were made clear: *'This CSP[Country Strategy Paper] assumes that there will be an increasing commitment to reform the EU integration process, including a willingness to develop the institutions of the State and to make available the necessary human and material resources to key agencies and services.'*(EC, 2001).

The demand here concerns not only the idea of believing in the EU as a positive outcome but understanding the everyday changes people have to make in order to satisfy the criteria the EU programs embody. It would mean assimilating this idea and being responsible for the pace of the changes. An example of this is probably to achieve a stronger cross-party consensus to focus on European agenda.

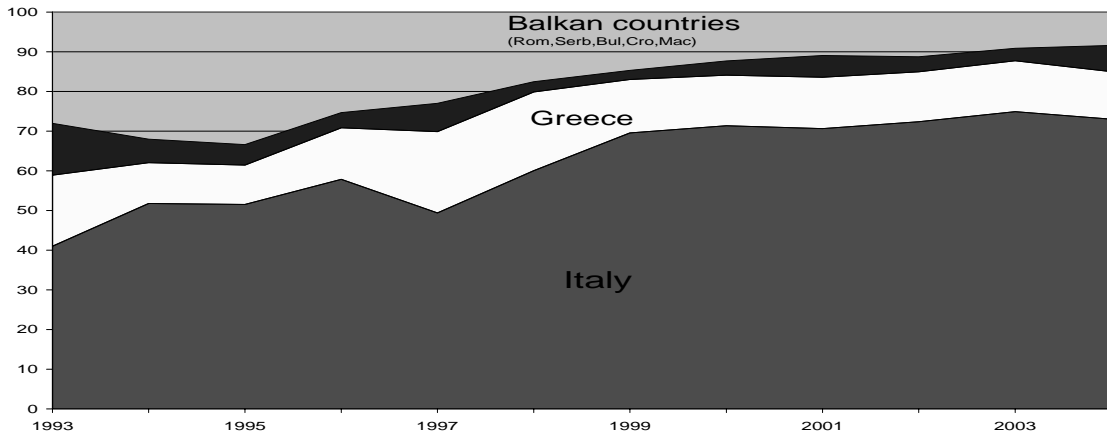
### ***The indigenous perception***

The main idea of the preparation of the integration process is regional cooperation within the Balkan states, which actually seems complicated to put into practice given the recent events in the region. From a strict economic point of view, there is little evidence of an existing trade network within the Balkan area. Concerning Albania, the major trading partners have been Italy and Greece, as can be observed from the Bank of Albania statistics (BoA, 2001, 2002, 2003, 2004a, 2005, 2004b).

The country imports equipment and exports textile products. With this foreign trade structure that also characterises other Balkan countries, there are little complementarities within the region. Albania is actually the least regionally integrated country (EC, 2003). The political disturbances make the regional integration process even longer. It would be more logical, if the EU integration is based on existing

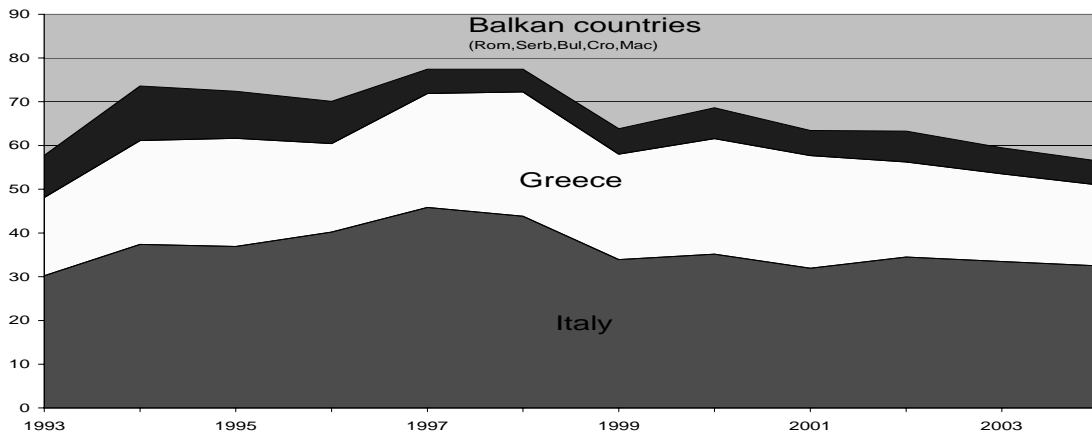
foreign trade, to fasten the process for Albania. But the regional integration has actually political foundations remembering the first French-German economic partnership at the origin of the EU.

*Albanian trading partners in percentage of the total exports (1993-2004)*



Source: Bank of Albania

*Albanian trading partners in percentage of the total imports (1993-2004)*



Source: Bank of Albania

In relation to the European Commission position, there is a need for clarification on the status and the deadlines. Albanians and other Balkan populations, have the impression that there are always some criteria yet to be fulfilled in spite of their efforts. The election code is changed continuously and unilaterally set. In 2003 the EC qualified as satisfactory the electoral code: *'progress in the implementation of the international community's recommendations to improve Albania's electoral procedures'* (EC, 2003). It had to be changed for the 2005 parliamentary elections:

*'despite an improved electoral code, the October 2003 local elections displayed serious deficiencies'* (EU, 2005). This 'stick and carrot' discourse strategy does not add to the credibility of the Stabilization and Association process. The EU should reaffirm membership prospects to enhance SAP's image. One example may be citizens' mobility and relaxing the visa regime. The latter is actually the first advantage of the common market.

The internal EU crisis increases the debates about the symbolic meaning of the EU. People are afraid about the criteria getting harder to achieve as well as the budget going down compared to what other countries were allocated. In that perspective, the newly integrated countries are seen as 'second zone' citizen.

### **Summary**

The Copenhagen criteria give a concise idea of the requirements towards socio economic development through regional integration. They are threefold. Concerning the political sphere, the country should give proof of the stability of its institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. The second point is the existence of a functioning market economy. And finally the country should converge towards European standards seen as the capacity to cope with the competitive pressure and market forces within the Union.

In front of the European Commission, the Albanians do not seem to understand the procedure as it underlies, in their eyes, unlimited prospects for change. A better understanding of the population needs would suppose a conceptual work within the European camp. As Albert Doja argues, *'contrary to the local traditional structures of social organization, the actions of international intervention are missing clear, comprehensible and unambiguous demarcation between status and attributions of each actor. All this is inevitably reflected then on the effectiveness of the whole undertaking'* (Albert Doja, 2002).

### ***Behind the concepts***

The bottom line of adapting the EU policies is not solely to adjust to local circumstances. It supposes re-conceptualising the development process as a complex operation. The first step would be recognising the need for such an act before starting to think about the various possibilities of intercultural dialogue. An interdisciplinary approach will be presented as an example of an accomplishable task, yet remaining to be done.

### ***Realistic definitions***

The local populations have been seen as specific only about certain aspects. It is very common to encounter recognition for the existence of ethnic minorities within certain institutions on the basis of, at least, their cultural specificities. Thus the need for further consideration of the consequences of the ethnic background, as a social and cultural concept, on development becomes essential.

Take for example SME development, the key to economic growth following the EU economic policies. They focus on streamlining business taxation, rationalising business regulation and licensing, combating corruption and arbitrary application of laws and business regulations, improving access to finance and so forth. One way of considering the impacts of the social structure on the growth of economic activity would be to intertwining economic and anthropological approaches. Experts agree on the need for efficient organizations and institution building. It is also the case for facilitating SME's coalition and collaboration within the business sphere. In this perspective, the foundation of business relationships is trust which has become a very scarce value, particularly in post-communist Albania. Given the extremism of the communist regime and the prevalence of unstable administrative environment, generating trust can only be achieved through social networks. To enable local partnerships as well as to apply development policies, the recognition of the traditional social relationships as the remaining regulatory canvas is indispensable.

Interpersonal connections are a significant formal and informal resource for businesses. Social networks defined as channels of access to resources that inhere in

someone's social relations, are similar to human capital investments. Social networks are channels through which entrepreneurs get access to the necessary resources for business start-up, growth, and success. Social capital is defined as an attribute created in the interaction between people, which increases the strength and value of personal qualities such as intelligence and work experience, and represents a resource for collective as well as individual action (J S Coleman, 1988). Social capital is manifested in norms and networks that enable people to act collectively (M. Woolcock, 1998).

To adapt reforms in such a way as to leave time to the social organization to evolve following its own path is not negative as soon as it agrees with the principles of the EU development policies. Such initiatives can actually bring substantial improvement to business environment. If no effort is done to smooth the process, Schimmelfennig's idea might become true. He stated that *'If individual organizations were perceived to subordinate conditionality to other political, strategic, or economic considerations, the target state might either hope to receive the benefits without fulfilling the conditions or conclude that it will not receive the rewards at any rate'* (Frank Schimmelfennig and Ulrich Sedelmeier, 2005).

### ***Future research***

The politically correct discourse preferring efficiency oriented economic theories gives an impression of wanting to be more than actually being. The main characteristics of the EU macroeconomic policies represent the neo classical approach. From the economic point of view, they try to converge towards perfect competition, a market economy animated by atomistic agents etc. Added to liberalization and low level of government intervention, they represent the pillars of the 'Washington consensus'. Reformers might change the conceptual framework in which they see their policies and concentrate on networks or interest groups, just as in standard democracies. The agri-business sector in Albania for example can be called an interest group. In including farmers, businessmen and distributors, it enriches the mere concept

of sector or branch and it enlarges the study of networks influence on SME development.

According to the institutional approach, economic activity is embedded in various endogenous social entities. The basic social institution organizing economic life in developing countries is family. To consider family network and organization's influence on business management is a first step towards the fostering of economic activity and growth (Marguerite Dupree, 1998, Linda A. Renzulli et al., 2000). Very often a misunderstanding of the basic social organization of the country has led to inappropriately oriented policies.

The implications of taking into account the social structure for future policy design would firstly be implementing and enhancing business cooperation without the ghosts of communist collectivisation as a background. Secondly to generate economic growth increasing firm's size is necessary as it would allow capital accumulation (W. W. Rostow, 1960).

It supposes though opening the partnership possibilities and therefore increasing social coordination and organization awareness. Because of many years of mistrust and biased view of cooperation, there is an exacerbation of self-interest illustrated in the chaotic social and economic relationships (Daniel Vaughan-Whitehead, 1999). In terms of academic research, such a project would bring new insights to the neo-classical economic theory.

### **Summary**

Hoping that, as time goes on, the European Union strengthens its political and economic structures, Albania will be soon part of it. Joining the European Union came up as an objective for public policies as well as strong individual image of Albanians who see themselves as culturally and historically Europeans. We tried to illustrate the gap between the mainstream development models and the Albanian reality. But to adopt a realistic point of view requires a change in the conceptual directions that depart from the usual ones.

## ***Conclusion***

The choice of Albania as a case study is explained by an advantageous environment in terms of analysing conditions. The most important is the lack of regulation enhancing the natural behaviour of operators. In addition, the fact that Albania has known a harsh dictatorship resulted in the eagerness to adopt the principles of the market economy as quick as possible. It is illustrated in the exacerbation of private interests and ownership and a rejection of all collective production organization. The main orientation of the various macroeconomic policies since the collapse of the communist regime has had a strong liberal content. It is the case for the national public policies but also for the EU intervening in the country.

With the Albanian lagged development, these policies are challenged and the debate for further research is opened. If we consider that individual behaviour is moulded by the social environment, the consequent question is to what extent are the social and cultural influences are taken into account by mainstream development policies advocated by the EU. From the theoretical point of view the challenge takes larger proportions. Social structure has always been out of bounds for economic theory. For the sake of scientific legitimacy, sociology and economics have been taking different paths in choosing to study the same human phenomena but from different perspectives. When considering economic development voices were raised against one-dimensional policies as the best way for investigating such a complex issue. Following the same research for a more pragmatic approach, an original axis is to integrate social realm in the analysis of the main factor of local economic development: small and medium enterprises growth.

The interdisciplinary approach allows taking into account various factors at the origin of human complex phenomena as it is the purpose of social sciences and applied sciences to serve the overall goal of better wellness for the people they study.

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