

## BOOK REVIEWS

**Inotai, A.**

***The European Union and Southeastern Europe – Troubled Waters Ahead?***  
*Brussels–Bern etc.: Verlag P. I. E. Peter Lang, 2007, 414 pp.*

András Inotai, the Director of the Institute for World Economy of the Hungarian Academy of Sciences for over 15 years, has been a prolific writer and a seasoned observer of EU affairs. His output on the subject started in the mid-70s and has been continuous ever since. While he is by no means a single topic author, with his analyses covering such broad issue areas as foreign direct investment, competitiveness, international trade, foreign policy and not least economic policy, the organising principle has always been European integration in the broadest possible sense. Inotai is also among the rare authors who do not (need to) revise their previous convictions in every five–six years or so. He has been a staunch advocate of what is today termed as Europeanisation in the political dimension, and securing global competitiveness through reforms and adjustment, at the economic level.

His most recent monograph, published as no. 7 of the College of Europe series of the publisher, is devoted to one of the most challenging topics of contemporary European affairs. The EU has concluded stabilisation agreements with the Balkan countries and offered them in 2003, though in rather vague terms, membership perspective in the long run. This would perhaps be a venture of state building and integration at the same stroke. Meanwhile, the decades long association with Turkey – starting with a free trade agreement to be followed later by a customs union agreement – culminated in the launching of negotiations for full membership in 2005. In the meantime major political forces, especially in France, Austria and Germany have also initiated a counter offensive, emphasising the limits to enlargeability.

From this angle it would be difficult to find an issue which would qualify as more topical and controversial, both for common foreign and security policy and economic arrangements, than the one chosen by the author. The unresolved issue of the international status of Kosovo, the ramifications of moderate Islamists governing Turkey, and the obvious stagnation of the Dayton process in Bosnia-Herzegovina all may vouch warranty that a policy oriented academic analysis, especially emphasising its focus on the future (pp. 15–16) is more than welcome. The author sustains his tradition to present broad empirical-statistical analyses of the processes, which are being complemented by the assessment of institutional reforms in the Balkan countries. He relies on a number of background country studies as well as official documents, whereas discussion of competing and often controversial theoretical propositions represented in the academic literature, IR and economics alike, are only touched upon.

Chapter one is devoted to institutional relations between EU and southeast Europe/SEE, with special emphasis on financial assistance (pp. 38–45). Chapter two deals with macroeconomic performance in the 1990–2006 period in a comparative perspective. It shows that per capita GDP levels in SEE in 2005 were still 3 per cent below those of 1989 (p. 51), while several other countries, from Poland to Estonia accomplished gains over 40 per cent in the same period. Unemployment rates “stabilised” between 15 and 44 per cent (p. 56), and so did the rather high share of the irregular economy as a percentage of GDP, estimated between 35 and 39 per cent (p. 57). External imbalances are equally worrisome in all cases except Albania and Croatia (p. 60). Constraints on sustainable development include not only the ones well known from general transition theories, but more particularly by the domestic political conditioning of appropriate economic policies (pp. 84–85).

Chapter three is devoted to some selected issues of EU-Balkans relationship. It includes a deep analysis of trade flows and a separate subchapter on intra-regional trade (pp. 110–127). This is followed by the anatomy of foreign direct investments, noting that the stock of inflows stood only at about a quarter of the respective figure for the Visegrád countries (p. 129). This has to do not only with political uncertainty and lower levels of per capita income, but also with the generally less favourable investment climate, as perceived by the international investment agencies (p. 146 *passim*). The author also analyses central European investments to the region, with the Czech Republic and Hungary long having overtaken Slovenia (p. 153). I found the structural analysis of labour markets particularly impressive, highlighting the needs for combined deregulation and educational efforts to cope with this most pressing problem of the SEE region (especially 5–17). Given the rather high – to 33 percent – share of agriculture in SEE GDP the author makes a special effort on analysing this sector. The author rightly draws attention

(p. 198) to the scattered ownership, low productivity and overemployment, as weak structural features that neither free trade with EU nor the CAP will be able to tackle. The author also emphasises the particular role played by international transfers for the economies in the region, accounting for 4–22 per cent (!) of local GDP (p. 214). The concluding part (pp. 240–258) is devoted to weak SEE states with distorted institutions being at the root of the problem. It is certainly a valid point however, the argument of the author would be better served by the discussion of these issues in a separate chapter, focusing on their influence on FDI, finances and employment.

Chapter four is on the role of international actors in the region, particularly global players as the USA/NATO, Russia and the multinationals, followed by regional players and international organizations, as OSCE and EBRD. Policy transfer is shown to have varying impacts, and the adjustment capacity of individual countries being lastingly dissimilar.

Chapter five addresses the contested issue if and how specific EU conditionality has been effective in southeast Europe. The EU here has high stakes, both per se (in its backyard) and in terms of being able to present itself as an honest broker for the rest of the world. Thus lack of transparency and double standards may undermine its role in both planes, notes Inotai (p. 299). The final part (pp. 306–321) on shaping local perceptions on the EU seems for this reviewer as a digression from the overall line of argument.

Chapter six presents an Agenda for the future and recommendations, not avoiding such hot potatoes as the independence of Montenegro and Kosovo, or the way “the Serbian factor” – as termed by Inotai – needs to be incorporated in any policy line. He discusses at length such particularities as future EU visa policies on western Balkan countries. The author rightly emphasises (pp. 376–377) that the inevitability of lasting EU engagement in southeast Europe is one of the most palpable indications of a need of a substantial and efficient common foreign and security policy within the EU. Assistance should focus on improving the backward physical infrastructure.

The concluding seventh chapter outlines a more pro-active, nuanced and committed EU strategy towards the western Balkans. The author sounds sceptical (pp. 386–387) on the potential success of imported/imposed institutions; in his view these may become part of the problem, rather the solution. Disengagement, by contrast, or just looking away, may be deceptive, as problems and resultant spillovers are likely to continue in this worst case scenario.

Overall, this is an important book. While the pattern is somewhat uneven and the number of pages devoted to individual issues does not always match their macroeconomic or overall security significance, the author has concluded a worthy and important effort of shedding new light on previously poorly understood

issues. His pro-active stance will perhaps be disputed by some decision-makers, however, the responsibility of intellectuals is not exactly to serve immediate demands of the market. Thus the ensuing debates may contribute to a better understanding and also to better policy formulation in this crisis ridden part of the European continent.

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