

EU Conditionality, State Sovereignty and the Compliance Patterns of Balkan States

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Abstract

While a significant number of studies explore the process of institutional and policy changes in Central and Eastern Europe in the context of the EU's conditional offer of membership, there is no systemic examination of the EU's impact on the statehood structures of the protectorates and semi-protectorates from the Western Balkans. This paper is an attempt to address this gap in the literature by offering an explanation of how the statehood of a would-be EU member affects the policy and politics of conditionality at EU level and the politics of compliance at domestic level. I propose that in semi-sovereign countries, the EU conditionality can incur higher compliance costs as it can intervene in the sovereignty of an aspiring candidate suggesting a redefinition of internal (Bosnia and Herzegovina) or external (Serbia and Montenegro) statehood structures. The security nature of such interventions has an effect on the EU foreign policy behaviour involving two agents of conditionality - the European Commission and the Council – and creating risks for inconsistency in EU policy execution. Domestic politics hold the key to compliance with sovereignty-sensitive conditions as the political space tends to be very fragmented and political opposition to EU conditions may arise.

Introduction

As the 'old' EU watched the 'new' members from Eastern Europe accede in May 2004 after a successful transformation of their politics and economies in the course of fifteen years, the question that focused the minds of policy-makers and academics alike was whether this widely acknowledged success could be replicated in the Balkans too. Bulgaria and Romania had already proven the skeptics wrong by showing that they can shape up under the vigilant eye of the European Commission even though they needed more time to reach a satisfactory level of domestic governance. The big question mark, however, remained around the fate of the Western Balkans where undoubtedly the problems were graver and where the EU was facing challenges unknown to it from the East European enlargement.

The Balkan peculiarity is rooted in its reputation for ethnic intolerance frequently escalating to bloody violence and redrawing of state borders. In the course of the 1990s, the Balkans have often reminded the international community of their existence in a way consistent with their external image. The violent dissolution of former Yugoslavia left behind not only enormous human tragedy but also very weak states either in terms of capacity to solve domestic problems or in terms of recognized status for external representation or both.

The European Union's (EU) response to the historical events of the last decade of the 20th century has been to extend the prospect of EU membership to ten countries from Eastern Europe in 1993 and to five countries from the Western Balkans in 2000. The EU's offer was made conditional on each country's achieving European standards of democratic and economic governance and for the Western Balkans on consolidation of statehood of the fragile state structures in the region following the Yugoslav wars of secession in the 1990s. The EU conditionality came in the form of strict conditions the aspiring candidates had to comply with in order to be admitted as full EU members. Through the proposed incentives for political and economic reform, the EU sought to entice compliance and dissuade non-compliance, yet it was up to the countries to take up the offer or not.

Is the enlargement formula suited to address state weaknesses as well as governance shortcomings? Can the pre-accession conditionality machine be adapted to deal with the statehood issues persisting on the Western Balkan agenda? Is the pull of Europe strong enough to persuade war-time enemies to put behind the past and embrace each other for a common future in the European Union? Would the Western Balkan countries, ten years after embarking on pre-accession preparations, look at least like Bulgaria and Romania in 2005, if not like Hungary and the Czech Republic?

If we compare the countries from South East Europe, there is one characteristic on which they show remarkable diversity and this is their sovereignty. Like countries emerging from communist regimes, they all faced similar problems of restructuring the socialist-era institutions and economies in the early 1990s although the former Yugoslav republics had better starting positions due to their communist-time openness towards the

West and familiarity with capitalist economic practices. The violent break-up of the Yugoslav Federation in the 1990s, however, was a time when sovereignty was heavily contested in the Western part of the Balkans by ethnic groups that claimed the right to self-determination and took arms to fight for independence. When the wars ended with the capitulation of Milosevic in 1999, not without external intervention, there were five officially recognized states at the place of former Yugoslavia and a few unresolved statehood issues such as the status of Kosovo and the Montenegrin question. There also remained many challenges to the weak statehood of even recognized states like Bosnia and Herzegovina and Macedonia both of which had to accept different degrees of external supervision of their domestic institutions and policies.

Does sovereignty affect the conditionality-compliance dynamic? Is there a difference in the EU conditionality vis-à-vis fully sovereign and quasi-sovereign states? Who is accountable for compliance decisions in countries that are not fully sovereign? What is the impact of the EU on the statehood structures of protectorates and semi-protectorates? Are compliance patterns identical in countries with differently constituted sovereignty, despite the commonly observed orientation toward compliance across the region?

I argue that sovereignty matters for the conditionality-compliance relationship. The statehood of a would-be EU member affects the policy and politics of conditionality at EU level and the politics of compliance at domestic level. I propose that in semi-sovereign countries, the EU conditionality can be more intrusive as it can intervene in the sovereignty of an aspiring candidate suggesting a redefinition of internal and/or external statehood structures. The security nature of such interventions has an effect on the EU foreign policy behavior involving two agents of conditionality - the European Commission and the Council - and creating risks for inconsistency in EU policy execution. Domestic politics hold the key to compliance with sovereignty-sensitive conditions as the political space tends to be very fragmented and political opposition to EU conditions can arise. In countries where sovereignty is not contested, the EU conditionality prioritizes democratic and economic reforms, the politics of conditionality hides less dangers for incoherence as the EU is inclined to speak with one voice and to deliver a consistent message and the politics of compliance at domestic level are more consensual rendering the compliance trend easier to sustain over time.

The paper is organized in the following way. The first section defines the sovereignty variable while the second one answers in greater detail why looking at sovereignty is important for understanding Balkan compliance. Section offers an explanation of Balkan compliance whereas section four advances a model for distinguishing the compliance patterns of Balkan states helpful to understand the motivation of political elites to comply with EU conditions. The final sections examine comparatively the politics of EU conditionality and the politics of compliance in Bosnia and Herzegovina, Serbia and Montenegro and Bulgaria.

Defining the Sovereignty Variation among Balkan States

The Balkan countries vary in terms of their degree of sovereignty understood in the traditional way and linked to the origins of the modern state and the emergence of the contemporary international system after the signing of the Treaty of Westphalia in 1648. The critical principle for grasping the difference between them as regards their international standing is the distinction between internal and external sovereignty. Internal sovereignty signifies a capacity for self-governance independent of external actors. It is the self-rule of a community on matters of domestic nature without interference of other states or external powers. This definition is similar to Stephan Krasner's concept of Westphalian sovereignty.¹ External sovereignty means a recognized capacity to engage with other actors in the international system on equal terms. It is an external acknowledgement of the authority of a state sealed by the official recognition of a country by the others in the international system. This description is analogous to Krasner's concept of international legal sovereignty.²

The countries from the region are widely spread along these two dimensions of sovereignty. Some of the states in the region come close to being characterized as sovereign, both internally and externally (Albania, Bulgaria, Croatia, Romania). Other entities in the region function as international protectorates and in this sense endure severe encroachments on both their internal and external sovereignty (Kosovo). There is a third category which can be described as semi-sovereign countries. They have either their external sovereignty undermined (Serbia and Montenegro until their “velvet divorce” in May 2006) or their internal sovereignty compromised (Bosnia and Herzegovina, Macedonia). The degree of sovereignty depreciation varies in the different cases.

		Internal Sovereignty	
		Yes	No
External Sovereignty	Yes	Albania Croatia Bulgaria Romania	Bosnia and Herzegovina
	No	Serbia and Montenegro (until May 2006)	Kosovo

Figure 1.1: Internal and External Sovereignty: Cross-Case Variation

¹ Stephen Krasner, *Sovereignty: Organized Hypocrisy* (Princeton: Princeton University Press, 1999), 20-25.

² *Ibid.*, 14-20.

Although some scholars have treated sovereignty as a relational concept and have conceived of it in terms of gradations along both dimensions,³ for the purposes of this study, states will be treated as sovereign or non-sovereign based on the following two criteria: 1) the presence or absence of external actors in a country's domestic authority structures; and 2) the recognition or not of a country's international legal status, including the existence or not of formal procedures to re-visit that status by stakeholders within or outside the state. The first criterion will be applied to determine whether the principle of non-interference in the internal sovereignty of a country has been respected or not. The second one will be used to determine the consolidation or lack of it of a country's external sovereignty.

Why Sovereignty Matters!

The time difference in the extension of the EU pre-accession instruments notwithstanding, the EU conditionality model in its incentive and disincentive part is identical for all Balkan countries. Is there a difference in the conditionality-compliance relationship in states with varying degrees of sovereignty?

I argue that the sovereignty of a prospective EU member matters for the policy and politics of conditionality at EU level and the politics of compliance at domestic level (see figure 1.2). At EU level, it affects the specific conditions the EU sets against the promise of membership. The sovereignty-linked EU demands, while a reaction to the realities on the ground, constitute an additional layer of conditionality distinct from the Copenhagen criteria requiring high democratic and economic standards. The political nature of the intrusion in the statehood structure of a potential candidate influences, in turn, the EU foreign policy behavior. The necessity to introduce a second agent of conditionality - the Council - to boost the political mandate of the principle agent - the European Commission - has an effect on the EU internal institutional politics and can lead to coordination failure between the two agents with repercussions for the credibility of the EU policy.

At domestic level, the statehood status of a future member affects the domestic political process. In domestically non-sovereign countries, the presence of external actors in the domestic authority structures undermines the robustness of the local political bargaining and has an impact on the way local actors define their interests in the politically constrained space. In domestically sovereign countries, the compliance decisions are a product of domestic political negotiations and executive decisions of the parties in power. The existence of sovereignty-linked EU conditions, however, renders the domestic political community very divisive in the semi-sovereign countries and in some cases brings about serious opposition to EU demands. The political fragmentation, in turn, affects the sustainability of compliance decisions and carries the risk of non-implementation and even reversal of some reforms with the change of the incumbents in power. In contrast, in the absence of sovereignty conditions, the domestic political

³ For a debate on this point, see Robert O. Keohane, "Ironies of Sovereignty: The European Union and the United States," *Journal of Common Market Studies* 40, no. 4 (2002): 743-765.

process is more consensual and the continuity of policy with the rotation of political parties in government is more easily achievable.

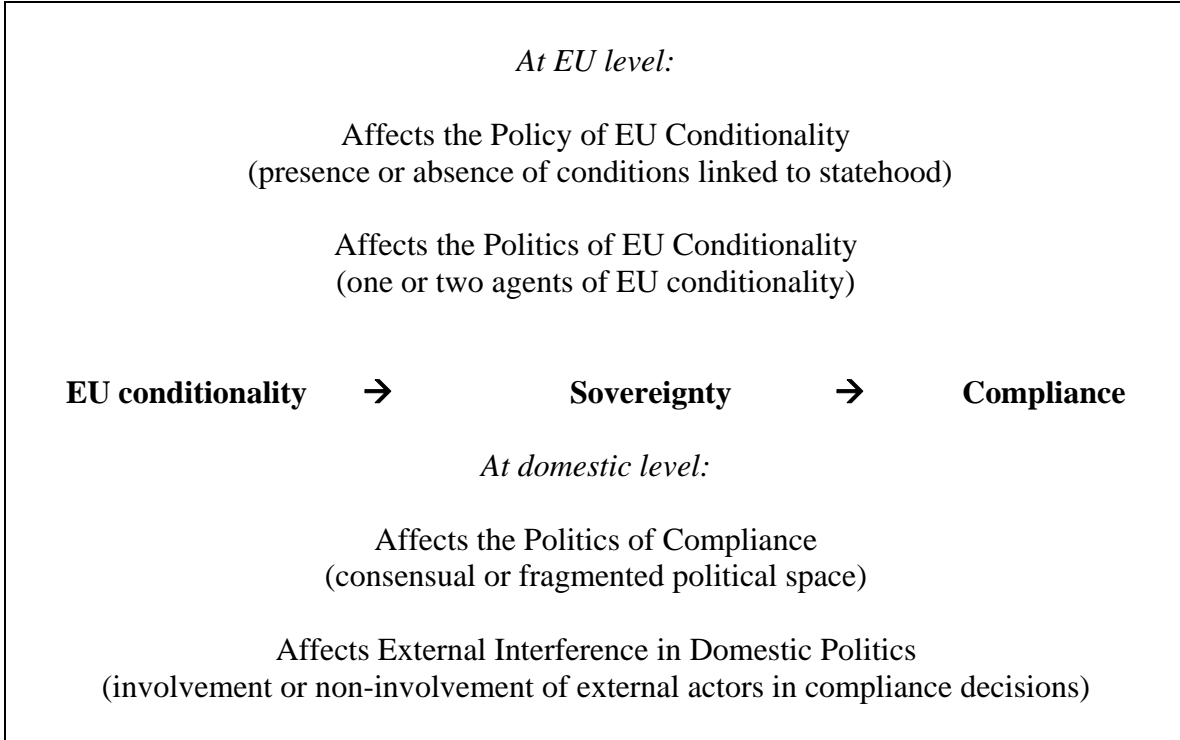


Figure 1.2: The Impact of Sovereignty on the Conditionality-Compliance Relationship

Politics at EU level and politics at domestic level interact and change the conditionality-compliance dynamic. To understand the compliance decisions of Balkan elites, one has to examine the “logic of this two-level game.”⁴ More than 15 years ago Robert Putnam suggested a conceptual model for studying what he called “the entanglements of domestic and international politics.”⁵ Looking at international bargaining and its outcomes, he argues that domestic political leaders are players at two tables – the international and the domestic – and are thus doubly constrained by both what is negotiable internationally and what is acceptable domestically.⁶

The “two-level game” metaphor can be applied with modifications to the conditionality-compliance relationship under discussion here. The major difference consists in the nature of the linkage between the international and the domestic levels. In

⁴ Robert D. Putnam, “Diplomacy and Domestic Politics: The Logic of Two-Level Games,” *International Organization* 42, no. 3 (1988): 427-460.

⁵ *Ibid.*, p. 427.

⁶ *Ibid.*, p. 434.

Putnam's argument, the political actors interact as equals on the international arena and attempt to 'hammer' compromises which they later try to 'sell' to their domestic constituencies. In the EU conditionality – Balkan compliance case, the EU is an actor on its own, although an actor with multiple voices, and its authority to set conditions puts it in an hierarchical relationship vis-à-vis the domestic actors in a candidate country. This fact, however, does not preclude the possibility for reciprocal influences between the domestic and the European levels. What is more important is the presence of a distinct European-level actor with no straightforward constituency but with a separate institutional set which opens the space for 'bureaucratic politics' at EU level. The EU does not always act as a unitary actor and its various institutional structures may disagree with each other on the EU policy line or may take policy position driven by their narrow bureaucratic interests rather than genuine concerns about the substance of EU policy.

As domestic players are concerned about winning domestic support for their international undertakings, so is the EU apprehensive about achieving its foreign policy objectives, not only for the sake of its member states' interests but also for the sake of its own reputation and political weight as an international actor. The way the EU policy line is perceived in the target country and elsewhere in the world is a significant consideration at the EU side of the game.

Furthermore, EU representatives have been visibly present in the public space of prospective members through various means such as interviews and article contributions in local media, speeches in local parliaments, regular meetings with the executive branch and even the political opposition which has put a face to the institutional character of the EU and personified its external actions. As countries and nations are represented abroad by their elected political leaders, so does the EU speak externally through the voices of its High Representative for the CFSP, the External Relations Commissioner or the Enlargement Commissioner as the case dictates. The current institutional division of the EU's external relations portfolio is very instructive about the potential disagreements and divergences between the different institutional players in the EU context which can have an adverse effect on the coherence of the EU voice and the consistency of the messages conveyed. Undoubtedly, when bureaucratic politics in the EU are antagonistic, the credibility of the EU line and its positive reception by local actors in third countries are sure to be damaged.

Explaining Balkan Compliance: Bring Politics Back In

The Europeanization literature has by now become the dominant paradigm for explaining the transformation of Central and Eastern European countries in the run-up to their admission as full members of the EU. The edited volume by Schimmelfennig and Sedelmeier⁷ lays out the main explanatory models of rule adoption by candidate states as a response to EU pre-accession conditionality, giving full consideration to both rationalist incentive-driven perspectives and constructivist norm-driven approaches. What is

⁷ Frank Schimmelfennig and Ulrich Sedelmeier (eds.), *The Europeanization of Central and Eastern Europe* (Ithaca and London: Cornell University Press, 2005).

missing in the overall framework, however, is a closer examination of the actors at both the EU level and the domestic level and how their interplay affects the compliance patterns of would-be members. The omission of inter-institutional politics at EU level leaves out not only essential aspects of EU's foreign policy behavior but more importantly the effect this behavior could have on domestic reactions to EU's pre-accession conditions and ultimately on compliance. By not incorporating domestic politics into its conceptual framework, the Europeanization literature fails to take into account the variation in domestic actors' responses to similar sets of external incentives and/or normative stimuli. In short, the EU is not a unitary actor in its external relations which the Europeanization literature assumes and differences in domestic political ideologies do matter for understanding and explaining the compliance patterns of EU aspiring candidates.

I propose that it is worth examining the conditionality-compliance dynamic in principal-agent terms and to employ the principal-agent framework to understand the politics of conditionality at the EU level and the politics of compliance at domestic level. At EU level, the member states, acting as principals, have delegated certain foreign policy responsibilities to both the High Representative for CFSP and the Commission, acting as agents, and as such have created the possibility for classical principal-agent problems. As the theory suggests, aligning the interests of the principals with those of the agents is not automatic and incentives exist for the agents to shirk in the absence of appropriate monitoring mechanisms of their behaviour.⁸ Furthermore, disagreements between the EU member states and their EU agents, if and when they occur, affect profoundly the way in which EU acts externally vis-à-vis third parties. Similarly, at domestic level, the public at large in its capacity of a principal has entrusted the government as its agent with authority to act in the interests of the whole community although the performance of the latter may at times be motivated by narrow political or private concerns. Thus, some agents will comply genuinely with EU conditions whereas others would fake compliance.

Balkan compliance with EU conditionality is the result of the interplay of EU-level and domestic-level political factors. It is EU pressure to adopt specific institutional structures, policies and practices qualifying a country for EU membership that drives Balkan governments to fulfill EU requirements. While pursuing EU integration is a matter of state choice and external authorities cannot be charged with imposing the EU membership objective on either sovereign countries or entities with compromised sovereignty, it is conditioning EU membership on the passage of political and economic reforms that pushes the Balkan governments to comply with concrete economic and political demands.

The EU membership brings economic and political benefits in the long run but incurs compliance costs in the short run. The EU political and economic conditions vary for the different countries and the level of intrusion in the domestic institutional setting and policy mix differs too. EU conditionality is sovereignty-eroding when it requires

⁸ For a good synthesis of the principal-agent problem, see Francis Fukuyama, *State-building: Governance and World Order in the Twenty-First Century* (London: Profile Books, 2004).

redefinition of political and economic relations within states and when it asks for reforms that are not automatically implied by the broad formulation of the Copenhagen accession criteria. These specific conditions affect different dimensions of formal sovereignty and in certain cases touch on the core of what constitutes a state and how political authority is organized within it. Not only are the costs of compliance higher in such quasi-sovereign cases but also their domestic political community is divided on the question of compliance.

The EU sovereignty-linked demands do not enjoy the same degree of legitimacy as the normative appeal of the EU requirements for democracy, market economy and rule of law. When the EU demands are perceived as universally applicable rules and principles which it firmly stands behind in its external relations in general, then the EU institutional machinery will have less difficulty socializing the political class of target countries. The more the EU conditions are seen as an expression of the EU's self-interest, the easier it will be to make a legitimate case against compliance with them in the domestic political context of a would-be member and the harder it will be to convince the political elites in the virtue of EU-compliant domestic changes.

Domestic politics, therefore, hold the key to providing an answer to the question of compliance. Yet, domestic factors alone are not sufficient to account for compliant behavior. Balkan political elites are compelled to react to conditions set in Brussels and this external dimension does play a role in domestic politics. No matter what the driving forces behind the decisions of key government officials, rational or normative, the links between the domestic and the European levels of politics are too obvious to ignore.

Modelling the Compliance Patterns of Balkan States

There are two important tests when trying to disentangle the motives driving Balkan governments' compliance. The first one has to do with the distinction between *compliance through imposition* and *compliance through voluntary action*.⁹ While the former is the result of direct intervention by an external actor, the latter is the outcome of a change in the political opportunity structure as a consequence of EU-offered incentives. This is where the difference between domestically sovereign and domestically non-sovereign countries comes into play. In countries of uncompromised internal sovereignty, the effects of EU conditionality are filtered through the domestic political process and political actors themselves make the decision to comply and choose the measures with which to comply. In countries of constrained internal sovereignty, both direct imposition and domestic political choices can account for compliant responses. To distinguish between the two coercive mechanisms of inducing change in domestically non-sovereign countries, one has to trace the process that lead to a compliance decision in each specific

⁹ See G. John Ikenberry and Charles A. Kupchan, "Socialization and Hegemonic Power," *International Organization* 44, no. 3 (1990): 283-315. Ikenberry and Kupchan make a distinction between "external inducement" and "internal reconstruction" to indicate the differences in the causal mechanism of norm change.

occasion when an institutional or policy change was introduced and verify whether the intervention toolkit of the external actor was directly involved or not.

The second critical test has to do with the distinction between *interest-based* and *norm-based compliance*. In other words, the question is whether actors comply because they see a material or social compensation for the change in domestic policy or structure or whether they comply because they are convinced that ‘this is the right thing to do’ in the jargon of constructivists. To distinguish between interest-based and norm-based compliance is often difficult since both conditionality and socialization are at work at the same time in the EU pre-accession process and might complement rather than contradict each other.

To measure the effects of conditionality on compliance, one has to examine closely whether arguments based on cost-benefit calculations predominate the thinking of political actors in government and what exactly the balance is in their consideration of gains and losses. To measure the effects of socialization, I propose to look at the degree of legitimacy accorded by domestic actors to EU demands. As explained earlier in the chapter, the receptivity of EU-promoted ideas and standards depends on how political elites in future EU members view the “appropriateness” of EU demands. If there is political opposition to EU conditions and open questioning of the righteousness of EU requirements, then the degree of legitimacy of EU conditionality can be considered low. If no political formation allows itself to challenge the EU demands and publicly campaign against them, then one can assume that there is no case against the “appropriateness” of EU conditions, hence, their legitimacy is high.

Figure 1.3 (see below) presents a simple model which can guide the identification of motives behind compliant decisions of political actors. Two clarifications are due before explaining the model. First, it is based on the assumption that compliance is an elite-driven process. It is the rational calculations and/or normative considerations of political leaders in power that matter most for the compliance pattern with EU pre-accession requirements of candidate countries. Preferences and normative orientations of societies at large are taken into account only to the extent that those are present in the elites’ thinking and argumentation. Second, it presupposes that some degree of compliance, although it may not be full compliance, is the option preferred by domestic actors rather than total non-compliance. Based on the empirical record, it is fair to say that countries in the EU neighborhood have been fighting to get a membership perspective although aware of the costly transformation process that they would have to undergo in order to qualify for full members. The EU has also insisted on the voluntary nature of the accession process and no country has blatantly refused to work towards fulfilling the criteria. There is also no precedent when a country has lost the membership perspective once it has been given a pre-accession roadmap.

		Legitimacy	
		high	low
Cost/benefit Analysis	benefits > costs	genuine compliance	conditionality- driven compliance
	costs > benefits	socialization-driven compliance	fake compliance

Figure 1.3: Conditionality and Socialization: What relationship?

When conditionality and socialization are mutually exclusive, the difference between their effects is easy to recognize. If political actors comply when there is a compelling case that it is against their interests (costs>benefits) but the perceived degree of legitimacy of EU demands is very high, then socialization can be said to be a sufficient mechanism to change actors' beliefs and even definition of interests. In this case, socialization efforts are successful and belief change occurs prior to policy and institutional change.¹⁰ The changes resulting from *socialization-driven compliance* are sustainable over time and further reinforced by supplementary reform measures.

Likewise, if domestic actors identify their interests with the EU-demanded reforms (benefits>costs) but do not find the normative power of EU arguments persuasive (legitimacy is low), then their response can be defined as *conditionality-driven compliance*. The changes introduced through manipulation of material incentives may not be sustainable beyond the delivery of the anticipated benefits and may even be reversed in time.¹¹ From the point of view of the EU, admitting in its ranks a member who does not endorse the values of the community is very costly in the long run. As Frank Schimmelfenning has argued, such an outcome would increase “the heterogeneity of the membership, the potential for serious intra-organizational conflict, and the costs of decision-making.”¹² If domestic elites are not receptive to EU normative influences or if the EU conditions are not an expression of universal norms, then the compliance response can be regarded as based solely on rational choice.

Undoubtedly, the methodologically trickiest situation is when conditionality and socialization complement each other and their combined effects produce compliance.

¹⁰ Ibid., 290.

¹¹ Ibid.

¹² Frank Schimmelfenning, “The Community Trap: Liberal Norms, Rhetorical Action, and the Eastern Enlargement of the EU,” *International Organization* 55, no. 1 (2001): 60-61.

When the expected future benefits are sufficient to compensate short-term compliance costs and the perceived degree of legitimacy of EU conditionality is high, the outcome can be characterized as *genuine compliance*. Political leaders initiate and carry out a thorough transformation of domestic structures in order to bring them up to European standards with the firm intention of sustaining the initiated reform momentum. They are also open to socialization by their European peers into the European way of governing. In these instances, conditionality and socialization reinforce each other. Although triggered by a rational calculation of cost-benefit analysis, this type of compliance gradually becomes driven by confidence in the righteousness of such state behavior.

Finally, when full compliance has a very high short-term price which the anticipated long-term pay-off is unable to offset and the degree of legitimacy of EU conditions is low, political actors simulate compliance to avoid the even higher costs of blatant confrontation, total refusal to comply and denial of a membership prospect. *Fake compliance* is cheaper than non-compliance because the costs of non-compliance are higher than the costs of simulating EU-compliant change in the short run while seeking ways of reversing that change and maximizing profits in the long run. Socialization activities under these circumstances are not sufficient to convince actors in the “appropriateness” of EU-demanded institutional and policy changes. And because the EU conditions do not command the respect of a critical majority of domestic political leaders, those leaders openly challenge the EU policy line and do not accept the EU’s arguments as sufficiently authoritative.

In practical terms, the difference between genuine and fake compliance can be registered by looking at implementation. If domestic actors pass legislation compliant with EU-demands but legal enforcement does not follow up and problems of technical nature are not obvious, the ensuing conclusion is that there is no political will to do the reforms requested. Hence, the actors do not believe in the appropriateness of these domestic changes. Similarly, if political leaders in power set up institutions in response to EU conditionality but these institutions remain empty shells and exist more on paper than in reality, one should doubt the genuine nature of compliance and should look for strategic reasons to explain what appears as a compliant outcome. There is a temporal dimension in distinguishing between the two types of compliance. In the short run, it is almost impossible to ascertain the actors’ motivation behind certain EU-compliant changes. By taking a longer-term perspective and tracing the follow-up activities of compliant decisions, one is better positioned to maintain with some degree of certainty whether decision-making elites are genuinely complying or just playing the compliance game.

Another indicator of measuring irreversibility of reforms in conformity with EU demands is domestic consensus across the political spectrum on transforming the country and preparing it for integration into the European structures. Short of consensus, it is also important to take note of where the political opposition to EU conditions comes from. If the origin is in the least reform-minded political formations, advocating nationalist ideologies, their receptivity of EU-promoted ideas and norms is very low as a starting point. If they change course towards a more compliant behavior, the logic of

conditionality can better account for the observed shift in their positions and actions. The EU value system cannot be internalized instantaneously but the manipulation of incentives and disincentives can create a new political climate in the short run where actors can start seeing more gains from inclusion in the EU framework than losses from compliance with EU conditions in the pre-accession period. The initiated reform process has the chance of staying on track and deepening over time as domestic opposition to the institutional and policy changes undertaken in response to EU conditions becomes marginal.

However, if the Western orientated pro-reform political groups object to specific EU conditions, then the possibility for domestic consensus on a durable pro-compliance policy is minimal. The pro-reformers are the natural constituency for the EU's socialization activities and are the ones open to normative influences from the EU. If they consider compliance with certain EU condition illegitimate and against their interests and if domestic legislative and institutional changes are introduced, those are carefully calculated moves of rational leaders trying to minimize the long-term costs for the country while clearly seeking a reversal of what they see as unfavorable conditions for progressing on the accession path.

In any case, examining carefully the domestic political context is important for identifying the ways in which political actors, in power and opposition, define the gains and losses from compliance and the ways in which they view the legitimacy of EU demands. The specific constellation of interests and normative attitudes is context-specific and can vary from one country to another, from one political party to another. It is therefore important to analyze closely domestic politics in each case and the way the EU factor plays into the domestic political game in order to understand and explain the conditionality-compliance pattern.

Comparing the Conditionality-Compliance Nexus in Bosnia and Herzegovina, Serbia and Montenegro and Bulgaria

The incentive of EU membership is the cornerstone of the EU policy vis-à-vis the Balkans and the EU's enlargement process for Eastern Europe and the Stabilization and Association Process for the Western Balkans are comparable. The main difference in the EU approach vis-à-vis the two groups of countries has to do with the conditions under which the EU has promised to deliver the 'reward' of membership. I have proposed that sovereignty is the critical intervening variable which determines the varied EU impact on changes in the domestic structures and policies of Balkan countries. In the Western Balkans, the EU's objective of 'state-building' has prompted the formulation of conditions that intervene in the statehood of some EU potential candidates against the promise of EU integration.

The three countries from the comparative set chosen to represent the sovereignty variation have been asked to respond to different conditions. The EU demands vis-à-vis Bosnia and Herzegovina (BiH) and Serbia and Montenegro (SCG) affect the state of their

sovereignty. The conditions vis-à-vis Bulgaria (BG) target the improvement of the state of democracy and rule of law and have no direct impact on the sovereignty of the country. In the two semi-sovereign cases, the EU conditionality requires particular constitutional changes that do not have the goal of democracy as main motivation and first priority. State-building is the EU's primary concern in BiH and SCG and improvement of democratic practice comes as a secondary although equally important objective. And although one can argue that the EU's emphasis on functioning state structures in the Western Balkans is simply a reaction to the realities on the ground, what is critical for the discussion here is that the deeper penetration in the statehood of the Western Balkan countries increases their costs of compliance with EU demands.

The EU conditionality vis-à-vis Bosnia and Herzegovina and Serbia and Montenegro links the EU membership perspective with the preservation of one common state in each of the cases. The EU has made it clear to both of them that only as one state can Bosnia and Herzegovina and Serbia and Montenegro aspire to become members of the EU one day. While the EU's common-state conditionality did not succeed in preventing the split-up of the State Union of Serbia and Montenegro in May 2006, it dominated the relationship between the EU on the one hand and the two republics on the other hand between 2001-2006. Regardless of the common philosophy underpinning the EU common state conditionality, its institutional implications are different in the two cases.

In the case of BiH, the EU common state conditionality is directly affecting the country's domestic sovereignty by demanding a change in the internal balance of power between the central government and the two constituent entities - the Republika Srpska (RS) and the Bosno-Croat Federation - and by affecting the relationship between the external authority structure in the country - the Office of the High Representative - and the domestic authority structures - the political institutions of BiH.

In the case of SCG, the EU common state conditionality tried to constrain the external sovereignty of the republic of Serbia and the republic of Montenegro by asking them to preserve a common state with a single international legal status. The EU conditions do not have a direct effect on the internal relationship between the two republics and the way political authority is structured within the common state. The EU conditionality has no direct consequences on the domestic sovereignty of Serbia and Montenegro.

The EU conditionality vis-à-vis Bulgaria has no sovereignty implications in the sense of direct interference in the country's external or internal sovereignty. It requires respect for democratic principles when it comes to the way in which the institutional system of the country is set up and rule of law when it comes to the functioning of the institutions. It also demands certain standards with regard to the policies of minority protection and human rights. The EU conditions do call for profound changes affecting the institutional capacity and policy practices but the EU conditionality does not substitute the sovereign decision of the country concerning the design of its internal political system and the external representation of its authority.

The EU has therefore applied different level of pressure on domestic actors in the three contexts. The EU conditionality vis-à-vis BiH and SCG is more demanding compared to the Copenhagen criteria the EU devised to stimulate reform in CEE countries. In the Western Balkans, the EU policy of political conditionality has clear security objectives and its primary goal is preserving the integrity of the fragile states and/or preventing their disintegration altogether. Because the EU concrete demands substitute sovereign decisions of Balkan societies about the kind of states they live in and the way political authority is organized within them, the costs of compliance with EU conditionality are higher. Although the incentive offered by the EU has been the same – membership in the EU – SCG and BiH have had to undergo more radical institutional and policy adaptations for the same reward. This conclusion is largely in line with the incentive-based model advanced by the Europeanization literature.

Where the Europeanization literature is not entirely accurate is to suggest that the rate of compliance can be expected to be higher when the EU conditions are more “determinate.”¹³ This paper argues that this relationship may not always be linear and in order to define whether the precision of EU condition enhances or hinders compliance, one has to look at 1) domestic politics and 2) politics at EU level. The precision of EU demands affects the compliance responses with EU conditionality in two important ways. First, the more broadly-framed the EU conditions, the greater the freedom of the governments to choose the specific measures with which to respond to them and vice-versa. In essence, the more vaguely defined the EU demands, the broader the domestic bargaining space. This can both create opportunities and pose difficulties for domestic political actors depending on the specific circumstances. If the EU intervenes with very concrete conditions, domestic politics shifts from the necessity to find a compromise agreeable to major stakeholders to the need to compel/convince the groups opposing the specific set of EU-required reforms to support the proposed changes. If the EU identifies vaguely the area where it would like to see more reform, domestic politics can either get stuck with finding an acceptable solution to major parties or produce an outcome that enjoys domestic legitimacy and carries the stamp of local ownership which can be sustained over time rather than reversed.

Second, the precision of EU demands influences politics on the EU side of the conditionality-compliance dynamic too. The more imprecise the EU conditions are, the greater the EU’s freedom in certifying compliance. Vagueness creates bargaining space and allows the EU both to oblige the candidates to do more in order to be considered compliant and to certify compliance when the candidates have done less than expected or in comparison with their peers. The EU can be driven by political and/or security considerations when deciding to admit a country to the next stage of the pre-accession process, if it wants to avoid a situation where a country backslides; if it deems necessary to reward a government for a difficult decision thus making it easier for it to sell the reforms to its population; if it wants to play up a country as a demonstration case thus encouraging others to catch up and do more reforms, etc. The more broadly defined the

¹³ See Frank Schimmelfennig and Ulrich Sedelmeier, “Governance by Conditionality: EU Rule Transfer to the Candidate Countries of Central and Eastern Europe,” *Journal of European Public Policy* 11, no. 4 (2004): 672.

conditions are, the greater the EU's flexibility in justifying its concrete decisions without undermining the credibility of its conditionality policy and by avoiding criticism for applying double standards.

The strictness with which the EU has insisted on fulfillment of a specific set of demands has varied in the countries from the comparative set and the "determinacy" of EU demands cannot be conceptually linked in all cases with more compliance. In Bulgaria, the EU political conditionality has left a wide spectrum of choices to the authorities to pick the measures with which to respond to the EU criticism of the state of democracy in the country. As a result, the governments have had the freedom to opt for the least costly solutions and to avoid the most thorough adaptations. Undoubtedly, this has given domestic players a sense of ownership of the reform process but it has also meant that short of a local agreement, the EU could step in with sanctions punishing failure to advance sufficiently. More importantly, because the EU democracy demands have a strong normative appeal cutting across the political spectrum, the domestic consensus for transformation in a Europeanizing direction has been more easily attainable.

In BiH, the EU has presented the authorities with a very detailed list of conditions and given them little maneuvering space. The EU conditionality has aimed at generating consensus on specific reforms in a highly divided society with no agreement on the domestic reform agenda and even on the future of the country. The precision of the EU conditions has provided local actors with a firm external anchor and has shaped their choice of compliance measures but it has also led to blockages of the political process when agreement on reform has been difficult to acquire. From an EU point of view, given BiH's semi-protectorate status, it has been politically realistic to intervene in the country's institutional design with very concrete suggestions about desired changes. It is, however, not the precision of EU demands but the nature of the EU sovereignty that ultimately determine the compliance pattern of BiH.

In SCG, the EU mega-condition of preserving the common state has been precise but not followed up with a list of strict implementation conditions. The two republics were left with lots of freedom to implement the common state agreement with measures of their own choice. From the EU's standpoint, it has been politically unacceptable to demand from an internally sovereign state far-reaching change of its domestic institutional and policy structures. And since the EU mega-condition is very divisive, consensus on its implementation has been lacking. Constant blockages challenged the performance of the common state institutions whereas actors opposed seeking a compromise. Thus, the very "determinate" EU demand of single external sovereignty outcome resulted in less compliance in the SCG case.

The Politics of EU Conditionality

This section advances two arguments about the impact of the EU-level political game on the propensity of Balkan leaders to comply with EU conditions. First, compliance can be

expected to be higher in cases where the EU's behavior in communicating pre-accession conditions and assessing compliance with them is more consistent. Consistency in foreign policy conduct presupposes a single voice in external action or coordination between different EU agents. Second, compliance is more likely when the EU conditions are compatible or overlapping with demands of other external actors such as the US, Council of Europe, NATO, the IFIs etc., including the degree of support of these actors to EU conditionality.

In concrete terms, the section argues that the substance of the EU demands vis-à-vis a third country does affect the EU foreign policy conduct. Even when the EU has a coherent strategy, it can still appear inconsistent in the execution of its policy. In the Balkan context, the EU relies on one or two agents of conditionality depending on how sovereignty-intrusive its policy is vis-à-vis a particular state. The Commission is the principle manager of the pre-accession process but it needs the political heavy weight of the High Representative for the CFSP and/or his special envoys in highly sensitive interventions in the statehood structures of potential candidates. The division of responsibility between the European Commission and the Council creates possibilities for coordination failures between the two agents and may lead to open disagreements between them. When the EU is not coherent in communicating its demands and delivers controversial messages to the Balkan countries, the degree of compliance with its conditionality can be expected to be lower. Likewise, when the EU presents a consistent position and conveys it systematically through its different institutional agents, the rate of compliance with its conditionality can be anticipated to be higher.

In Bulgaria where conditionality has aimed at domestic reform enhancing the democratic and economic standards of the country, the European Commission has acted as the sole agent of conditionality although with the full backing of the member states. In SCG and BiH, where the EU has intervened with politically highly sensitive demands, the political backing of the EU member states has been necessary and a second agent of conditionality - the High Representative for the CFSP or his special envoy - has acted on behalf of the EU too. This policy of double agents, while meant to boost the credibility of the EU conditionality, has, in practice, undermined the integrity of the EU intervention in SCG since it has been coupled with poor coordination and even policy disagreements between the two agents. In BiH, the EU has acted coherently and has taken special measures to ensure the consistency of the actions of its many agents present in the country.

As regards the coordination of EU's conditionality policy with other external actors, the EU demands have enjoyed the political support of all other international players involved in state-building and/or in the democratic and economic reform processes in the Balkans. In all three countries, the EU conditionality has been in line with the positions of major international organizations or big countries. Some of the EU conditions have been EU accession-specific which other external actors have not opposed to but supported in principle. Other EU conditions have mirrored the conditionality of other international players who have extended additional rewards for the fulfilment of the same

conditions. In this sense, domestic actors in all three countries have had additional incentives (either material or social) to comply with EU conditionality.

The EU political conditionality has been tightly aligned with the conventions and legal norms adopted in the framework of the Council of Europe (CoE). In essence, the CoE legal standards in the areas of human rights, rule of law and democratic institutions have been the reference points for the EU's assessments of democratic achievement in the candidates and potential candidates. The CoE has been an important partner of the EU in granting a degree of legitimacy to the EU political conditionality, including the EU's interference in highly sensitive constitutional questions concerning the sovereignty of some countries. The European Commission for Democracy through Law in the CoE framework, known as the Venice Commission, which consists of constitutional layers from all over Europe and whose opinions on constitutional matters are highly regarded by professionals as well as politicians, has been the ultimate stamp of approval for all constitutional reforms in the new democracies in Central and Eastern Europe, the Western Balkans and the former Soviet republics. The CoE monitoring mechanisms have further tightened the pressure on governments falling short of upholding democratic principles whereas the web of its institutional structures has played a socializing role for the leadership of all new democracies.

Similarly, NATO has been the other external driver of political change in the Balkans, although its military presence in the Western Balkans and earlier interventions in the Balkan conflicts have earned it a dubious reputation in the eyes of the local population. Yet all governments from the region have at some point in time stated their intention to pursue NATO membership which has given the North Atlantic Alliance leverage over defense reforms and other institutional and policy changes of aspiring members. Above all, NATO has been very forceful in demanding cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY) which has progressively become a major political condition or stumbling bloc for advancing on the EU pre-accession road for the Western Balkan countries. In this sense, the overlapping NATO and EU conditionality on ICTY cooperation has doubled the reward for governments to turn in indicted war criminals to the Hague Tribunal.

Likewise, the US has stood firmly behind the European aspirations of the Balkan countries and the EU's stated intention to expand to the Balkans. Given the agreement on EU membership for the whole region upon achievement of certain democratic and economic standards, the US has accepted the EU's leadership in dealing with the unresolved statehood questions in some of the countries in the post-conflict period. Beyond the general expression of support for the EU policies in the region, the US has abstained from taking positions on the specificities of EU demands.¹⁴ It has joined forces with the EU and NATO on the question of ICTY cooperation and has used its own diplomatic and financial resources to put pressure on the governments from the region to collaborate with the Hague Tribunal. It has also offered democracy assistance to the region through its own development agency, the USAID, and has given its own contribution to the process of democratic consolidation and economic reforms.

¹⁴ Author's interviews at the State Department.

The European Commission has been instrumental in devising the EU economic conditionality policy and formulating country-specific conditions. The economic policy domain is an area where the Commission has traditionally been stronger in its competences within the EU context. This relative institutional strength has translated into the area of foreign policy too where the Commission has considered it legitimate to intervene stronger in third countries through economic instruments. And although it has framed its demands in strictly economic terms, the political implications of its single economic space conditionality vis-à-vis BiH and SCG have been serious. Its conditions vis-à-vis Bulgaria have been strictly limited to the economic domain.

The choices of Balkan countries concerning the concrete content of macroeconomic and sectoral policies have been constrained by other external sources such as the IFIs which have been keen on providing policy advice and financial resources against the endorsement of the 'Washington consensus' as a platform for economic governance. In essence, there is no contradiction between the European Commission and the IFIs on the broad framework of economic reform. The IMF and the WB have supported the EU orientation of the countries from Central and Eastern Europe and the Balkans and have worked towards their EU membership but they set the reform priorities in their area of specialization – macroeconomic policy and structural reform, respectively. The European Commission, in turn, has accepted the leadership of the IFIs in their specific fields and complemented their programs but has put special emphasis on issues that are of particular importance to the EU and are related to the country's relationship with it. By pooling their financial resources and coordinating their policy advice on macroeconomics and structural reform, the European Commission and the IFIs have collectively provided the external anchor for the reform process in the transition economies from Central and Eastern Europe and the Balkans.

The politics of EU conditionality vis-à-vis the three countries are different. The difference stems from the nature of the EU intervention and its effects on the EU foreign policy behavior. The reasons for the specific EU conduct in the three cases have to do with the internal institutional structure of the EU and the division of labor between the various agents of EU foreign policy. These dissimilarities are not a function of variation in the international political climate in general. In fact, all external actors other than the EU have played a similar role in all three cases, acting as allies of the EU rather than competitors. In this sense, EU-specific internal factors can be held accountable for the differences in the politics of EU conditionality.

In the case of BiH, the EU policy has been part of the international coalition pursuing the same objective. The EU did not facilitate the conflict settlement process in BiH but the EU conditionality has intervened in a critical moment of the post-conflict transformation to help BiH's transition from a protectorate to an EU candidate. The multifaceted intervention of the EU in the sovereignty structures of BiH has required special coordination efforts of the EU institutional agents involved in the country. Paradoxically, regardless of the many other external actors in BiH, the EU has managed to speak with one voice and to deliver a consistent message compatible with the one of

the rest of the international community. The High Representative in BiH, although having a broader political mandate from the international community, has acted on behalf of the EU and has assisted with reforms demanded by the EU. Even though not strictly seen as an EU actor, the HR has fully supported the European Commission conditionality and has actively pursued the reforms prescribed by Brussels.

The EU has acted alone in SCG but with the silent support of the other big international players. While in BiH the EU is only a passive framework organization demanding certain standards and expecting compliance rather than negotiation of its conditions, in SCG it is a fully-fledged foreign policy actor complementing its framework characteristics with direct mediation of the High Representative for the CFSP between the parties on a single sovereignty constitutional outcome. Yet, despite the fact that all international players converged on the point that the two republics should stay together and should harmonize their economies, the European Commission found itself alone in pushing for economic harmonization. The High Representative for the CFSP abstained from putting his political weight behind the Commission's specific economic demands.

As a result of this institutional incoherence, the EU has appeared as speaking with two distinct voices – the voice of High Representative for the CFSP and the voice of the European Commission. Regardless of being the sole external player, the EU has tended to deliver an inconsistent message which has hampered the effectiveness of its conditionality policy. Not surprisingly, domestic actors in SCG have been reluctant to accept the Commission's economic harmonization conditionality, viewing the Commission's politically charged demands as going beyond its technocratic mandate. Solana's silence on the implementation of the economic aspects of the Belgrade Agreement has signaled to the outside actors and observers an internal disaccord within the EU on this matter.

In the case of Bulgaria, the EU conditions have been EU accession-specific and focused on achieving higher democratic and economic standards. The other external actors have been pleased with witnessing the transformation taking place in the country in a democratizing direction and have actively supported the reforms in the economic domain. They have not differed from the EU on the substance of the reforms and have encouraged the leaders of the country to vigorously pursue improvement of domestic policies and practices in all domains singled out by the European Commission as problematic. This has lent further credibility to EU demands. Most importantly, the EU has communicated its demands through a single agent – the European Commission – which has minimized the possibilities for inconsistent external action.

The consistency of the EU's foreign policy conduct varies across the cases and this has an influence on the propensity of political leaders in the three countries to comply. The credibility of EU conditionality is closely linked to the coherence in explaining the demands and the firmness in insisting on particular results. Domestic actors have been sensitive to the messages coming from Brussels and have interpreted every hesitation in the EU stance as a possibility for renegotiation of the conditions, if not as a chance for non-compliance altogether.

The broader international environment has provided additional incentives for domestic actors to comply with EU conditionality in all cases. There has been no major clash between the EU and any other international actor on the direction of expected domestic changes in the three countries. In this sense, the non-EU milieu has been contributing to achieving EU-compliant outcomes in all aspiring Balkan candidates.

The Politics of Compliance

The Sovereignty Test

The comparative examination of the political process in the three countries under review suggests that sovereignty does matter for the politics of compliance. In BiH, an externally sovereign country with weak internal sovereignty, compliance is affected by the position of external actors in the domestic political process either as direct interveners in decision-making or indirect balancers of the political differences between local players. In SCG, an internally sovereign state with weak external sovereignty, the compliance process is driven by domestic actors alone but external sovereignty constraints affect the chances for domestic consensus on a pro-compliance policy line. In Bulgaria, a fully sovereign country, domestic political players in power determine entirely the national responses to Brussels.

The presence of sovereignty-linked demands provokes political mobilization against the EU conditionality, whether from the political camp of nationalists like in BiH or from the ranks of pro-Western reformers like in Serbia and Montenegro. When EU conditions clash with sub-state aspirations for independence or self-determination, political fragmentation on the question of compliance can be expected. And since EU demands affect the way statehood is constituted within states with compromised sovereignty, political opposition to EU requirements has become part of the politics of compliance in the semi-sovereign cases. In the absence of sovereignty-linked conditions, pro-compliance consensus across the political spectrum has been easier to achieve in the fully sovereign case examined here.

The case of BiH requires special attention when applying the sovereignty test due to the additional requirement to determine whether compliance decisions are imposed from the outside or result from voluntary action of domestic political leaders. The fact that BiH is domestically non-sovereign has affected profoundly the politics of compliance in the country. The domestic political process in BiH is very weak and the powers of the HR have a lot to do with it. The compliance dynamic has been driven by the exchanges between the High Representative (HR) and the political parties in government. The HR has been very closely involved in domestic politics, shaping the public debate in the country, pulling strings behind the scenes to win domestic political consensus and pushing through reforms. His position in the BiH institutional establishment cannot be ignored when examining the compliance dynamic in the country.

The HR's self-assigned role of manager of the internal political balance in BiH, however, has led to a lot of frustration and resentment among domestic politicians. There has been a lot of animosity between the HR and the political parties in power which has rendered the internal politics of the country very antagonistic. This has opened a second front of political confrontation in BiH along the line of domestic versus international actors. This has added fragmentation to the already divided domestic political scene on the issue of what kind of state BiH is and how its future should look like. The whole political spectrum in BiH, however, has been remarkably consensual with regard to the role of HR in domestic politics and the desire to dispose of the external presence in the domestic authority structures thus regaining domestic sovereignty.

The empirical facts presented in the chapter support the conclusion that it is the EU conditionality rather than the political bullying of the HR that accounts for the difficult agreement to transfer some competences to the central level of government in BiH. Had it been for the HR's pressure only, the legislative changes in indirect taxation policy and the police sector would have been imposed again rather than negotiated by domestic actors and adopted by the BiH Parliament. It is the EU's sanctioning through delay of the start of SAA talks rather than the HR's threat of dismissals and impositions that produced the domestic consensus to complete the EU list of conditions in order to begin SAA negotiations.

In contrast to BiH, in SCG the compliance decisions are filtered through the domestic political process which is very robust compared to the one in BiH. Domestic actors themselves took the decision to sign the Belgrade Agreement and to implement it in the way they did while responding to material inducements and promises of EU accession from outside. The EU common state conditionality (one state, one legal personality) while not affecting the domestic sovereignty of the two republics is politically divisive and illegitimate from the point of view of some political parties. The political space in both Serbia and Montenegro is very fragmented and there is neither societal majority nor political consensus in favor of the common state. As a result, the politics of compliance have been conflict-ridden, both between the two republics and between the EU and the common state.

In Bulgaria, sovereignty considerations have not been part of the domestic debate about the country's accession to the EU. Concerns about losing sovereignty because of transfer of competences to Brussels once a full EU member have not affected the strategic calculations of political elites. European integration has not been perceived as threatening the statehood and self-governance of the country although the EU itself is about sharing sovereignty and giving up elements of state autonomy. When faced with the choice of being sovereign outside the EU or being less sovereign inside the EU, Bulgarian political leaders have opted for the latter. What is important in the Bulgarian case is that the domestic political consensus on EU-orientated reforms has been possible to a large extent due to the country's consolidated statehood which has allowed the EU to focus its conditionality on democratic and economic reforms and the domestic political community to concentrate on securing EU membership as the primary national objective.

Political fragmentation has occurred on the question of how to comply with Brussels demands but no political actor has questioned the necessity to comply.

The Norms versus Interests Test

What is the motivation of Balkan political leaders to acquiesce to EU demands? The challenge here is to distinguish whether normative arguments based on the 'logic of appropriateness' or rational choice arguments based on the 'logic of consequences' have more explanatory power in accounting for Balkan compliance. While 'belonging to Europe' as a political vision for the future of the Balkans has a wide resonance among Balkan populations, confirmed by opinion poll data, the magnetic power of Europe can be expected to have a varying degree of influence on the motivation of political leaders to reform in a Europeanizing direction. Likewise, while the incentive of full membership is equal in strength for all Balkan countries, the conditions for membership are different as a result of which the cost-benefit analysis is not the same for BiH, SCG and Bulgarian politicians. Thus one can expect differences in domestic actors' motives both with regard to the concrete conception of gains and losses and in relation to the weight of normative considerations in their motivation.

Compliance with EU conditionality incurs political costs to incumbents in power in two ways: 1) the reform of state institutions and the introduction of EU-compatible rules in various policy areas have, in many instances, challenged networks of political patronage and implied loss of political power through reduction of opportunities for abuse of public office; 2) the domestic transformation the EU conditionality has called for has at times involved unpopular measures with a high price for officeholders in terms of domestic popularity and chances for re-election. Thus corrupt incumbents who perceive public office more as a source of personal profit than as service to the public will tend to see a higher price in complying with EU demands than responsible leaders interested in reform for the sake of efficiency and good governance. Similarly, politicians who attach greater value to short-term political gains than to the long-term benefit of EU membership will be less willing to make sacrifices in the short run.

As regards the power of attraction of Europe as a driving force behind compliance decisions, one has to keep in mind that in the Balkan context the ideology of nationalism has its own gravitational power and can be mobilized by political leaders to counter the drive towards Europeanization. This is not to say that national identities are incompatible with a European identity or that the Balkan nations are not European but to argue that when the EU demands are perceived as contradicting the nationalist agendas of some political parties, the transforming force of the 'return to Europe' slogan can be expected to be less influential both among certain political leaders and certain segments of the population.

Both normative considerations and rational arguments have been part of the politics of compliance. The EU itself has both offered incentives and disincentives and tried to socialize the leadership of EU candidates and potential candidates through high-level political dialogue as well as regular exchanges between the Brussels bureaucracy and the

national administrations of the countries. The EU enlargement strategy has simultaneously employed both conditionality and socialization and the challenge has been to distinguish their effects and define their relevance for explaining compliance outcomes.

The empirical record suggests that socialization alone cannot be held accountable for the compliance outcomes in any of the three cases so none of them is suited for the *socialization-driven* category of the model presented earlier. As a measure of successful normative impact I have proposed to look at the degree of legitimacy local players accord to EU conditions. An indication of the ‘appropriateness’ of EU demands is the absence of political mobilization against them and vice-versa. While the power of EU attraction has certainly influenced the strategic orientation of the Balkan countries towards participation in the EU integration project, not all EU conditions have been accepted without reserves and without questioning the authority of the EU. This has certainly been the case with the EU sovereignty-linked conditions whose legitimacy has been challenged by political formations in the two semi-sovereign cases. In Serbia and Montenegro in particular, the EU common state condition has very vigorously been contested by credible political circles and seen as serving the EU security interest rather than manifesting adherence to a universal norm. Resistance to EU conditionality has been strongest in SCG case.

The EU membership incentive has not been instantaneously grasped by political leaders in any of the three countries. The long-term benefits of EU membership have not been seen at the start as a sufficient compensation for the short term costs of compliance for ruling elites. The EU disincentives, however, in the form of delay and exclusion from the front-running (potential) candidates have had an effect on the compliance rate of BiH and Bulgaria as both of them have reacted with more compliance after EU sanctioning. In Bosnia and Herzegovina, for instance, arguments about good governance have also been used by the EU to induce reform in certain sectors in addition to interim benefits such as visa facilitation but when those failed to convince the political leadership in RS, the ‘stick’ of EU conditionality has proven more efficient.

In BiH, the politicians in power seem to have made the cost-benefit calculation in favor of the EU regardless of the high degree of intrusion of the EU conditionality in the domestic authority structures and the high compliance costs for ruling elites. The pressure of EU conditionality as well as the political opportunities offered by the EU’s supranational level of governance can be held accountable for the subtle re-articulation of interests by the most obstructive politicians in the BiH political establishment. The incentive of regaining domestic sovereignty through the pre-accession process has also been part of the rational calculus favoring compliance. Socialization opportunities have complemented the conditionality applied on the country. Persuasion and argumentation have played an important role in justifying and explaining the rationale of the EU demands but ultimately it was the EU sanctioning through initial exclusion of BiH from the countries invited to establish contractual relations with the EU that produced the last minute consent on police reform. The fact that the RS leadership refused to comply before the EU applied sanctions suggests that the ruling elites did not find the EU arguments sufficiently convincing and contested till the last minute the appropriateness of

EU conditions. BiH compliance pattern fits best in the *conditionality-driven* category. While it is early to say whether all of the commitments made will be put into practice, the fact that the least progressive and least reform-inclined political circles made the compromise shows potential for sustained reforms in the country as the other political parties are either more moderately against the EU sovereignty demands or entirely in favor of them.

In SCG, the cost-benefit analysis made by the politicians in power in Montenegro and some political actors in Serbia has not favored whole-hearted and unconditional compliance with EU conditionality. Rational arguments against the common state have been advanced by both sides. Important political formations in both Serbia and Montenegro have not aligned their interests with the EU-defined terms of accession when it comes to the kind of state the EU would like to welcome as a full member. The EU membership perspective which brings with it a sense of transformed sovereignty has not been able to redefine fundamentally the concept of statehood in SCG at elite level. The peaceful separation of the two republics following a positive referendum vote in Montenegro in May 2006 is not surprising.

Socialization activities have had little chance of changing the interests of unlike-minded political elites. Although negotiation, persuasion and argumentation are the major thrust of EU foreign policy behavior, there are limits to what the EU can achieve with soft mechanisms. Being unable to justify on normative grounds its demands before the pro-Western anti-state union political parties and to produce convincing arguments supporting its position on the common state, the EU has been forced to admit defeat and to adjust its policy. The EU policy shift is partly explained by geopolitical factors, in particular fear of destabilization of Serbia and consequently of the whole region of the Western Balkans. With its 'twin track' decision, the EU has aimed at reversing its unintended and indirect backing for the nationalists in Serbia at the expense of the reformers who are the domestic force both willing and able to push forward the democratization and economic modernization of the country.

The necessity to involve a second agent of conditionality – the High Representative for the CFSP – because of the security implications of the EU common state conditions has also contributed to the political mobilization against the EU conditions in SCG. Coordination problems and muted disagreements between the two EU agents have empowered local actors to seek renegotiation of the EU conditionality package. The two EU foreign policy voices – that of the Commission and that of the Council – have in essence played in the hands of the opponents of the EU-backed common state in the domestic political contexts of both republics.

Thus low legitimacy of EU demands and very high short-term costs of compliance have resulted in *fake compliance* in the case of SCG. Socialization has proven unsuccessful in generating transformation of domestic actors' interests. As a consequence they have preferred to simulate compliance in order to avoid the even higher costs of non-compliance while seeking opportunities to reverse what they have committed themselves to.

In Bulgaria, conditionality and socialization are complementary drivers of change and reinforce each other's effects. EU conditions are not seen as controversial from the point of view of domestic actors. Not only have local players not contested EU conditionality but after 1997 they have actively sought external legitimization of their domestic agenda and the EU project has provided such uncontested authority. Although this has not been sufficient to get political parties re-elected, the continuity of policy with the new incumbents has been assured.

The Bulgarian political elites have been forced to learn in the pre-accession process that non-reform or partial reform does not yield the benefits of inclusion but rather the opposite - it bears the cost of European isolation. Likewise, they have realized that introducing EU-compatible reforms does pay and brings with it interim benefits such as visa-free travel as well as shortens the distance to full membership. The EU-promised rewards have been considered attainable upon completion of requirements. At the same time, the threat of withholding benefits has been perceived credible too.

In fact, exclusion from the group of compliant neighbors advancing on the road to EU has been the ultimate political stick which, together with the market sanctioning, has kept a check on the Bulgarian political class and thus has helped the country qualify for EU membership. Cost-benefit calculations and normative orientations combine to produce *genuine compliance* in the case of Bulgaria.

The comparative analysis of domestic politics in the three Balkan countries leads to the conclusion that while the formal sovereignty of an EU candidate/potential candidate affects the EU conditionality and the responses to it, rational calculations are at the core of the motivational factors that drive the compliance of Balkan political elites. In all three cases, politicians in power have had good reasons to acquiesce to Brussels demands to the extent that each of them did. Normative considerations have had a bearing on the political decision-making but they have not been decisive for introducing the EU-required changes. Where the EU did use arguments based on norms and on the "appropriateness" of certain changes, it has been more difficult for domestic politicians to ignore those. Ultimately, the power of norms has given legitimacy to the EU to 'punish' disinclined elites thus giving them a rational reason to comply as well.

The sustainability of the compliance trend has depended on whether political leaders in power identify their long-term interests with the transformation of domestic structures requested from Brussels. When the benefits of EU membership are perceived as exceeding the costs of compliance, Balkan political elites opt for Europe. The choice for Europe can then be internalized over time and become part of the identity through elite learning and socialization. This requires that political elites across the political spectrum begin to identify their interests with the European integration process. Conditionality and socialization are complementary in this case and can lead to long-term transformation of interests and identity.

When the incentive of EU integration in a distant future is considered insufficient to compensate the cost of compliance with EU conditionality, Balkan political leaders fake compliance while covertly rejecting the authority of Brussels to dictate the terms of domestic reforms. The relations with Brussels then become a game of false promises and unfulfilled commitments. Under these circumstances, socialization as a mechanism of change proves unproductive and even inappropriate. The effectiveness of conditionality in altering the behavior of domestic political leaders then depends on how consistent and persistent the EU policy is.

Conclusion

The paper has made the case for an actor-centered approach to studying the compliance responses of Balkan states. The analysis of the protagonists of Europeanization in each domestic context has shown that to get compliance with EU conditions as a policy outcome, it makes a difference who is in power. Some political formations have turned out more inclined to accept EU claims about what is right and wrong. Others have found it beneficial to play lip service to the EU rhetoric while sticking to their traditional ways of management and mismanagement. A third group has rejected the EU's interference in statehood matters while embracing the EU's governance norms. Depending on the constellation of political interests in government, we have seen different propensity towards compliance.

The paper has maintained that for a sustained compliance trend, a consensus across the political spectrum on EU-demanded domestic changes is necessary. When the EU conditionality concentrates on exposing governance deficiencies and requests adequate improvements, a consensual domestic political space does appear over time, if it did not exist at the start. In such cases, irreversibility of the reform process can be expected with the rotation of political parties in power as the Bulgarian example has confirmed. On the contrary, when the EU prioritizes the resolution of statehood matters in its conditionality policy, the domestic political space tends to be divided and political contestation of the EU accession requirements becomes part of domestic politics as we have seen from the two semi-sovereign cases.

It also matters whether the EU plays well its role of an external driver of domestic change. The EU's internal institutional dynamic can both stimulate and inhibit compliance. The latent institutional conflict between the Council and the Commission in the foreign policy domain has surfaced very acutely in the context of the EU's Western Balkan policy where the lack of coherence in policy coordination and implementation has created serious risks for the EU's external performance. The security implications of the EU sovereignty conditionality in the Western Balkans have required the involvement of the High Representative for the CFSP and/or his special envoys to boost the political mandate of the European Commission as a principle agent of EU accession conditionality. This has intensified the institutional rivalry between the Commission and the Council and has harmed the EU's policy line in Serbia and Montenegro.

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