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**Normative Power of European Integration in
case of Albania: Case Study of Anticorruption Policies**

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Dedication

To all Albanians who still believe in the European 'dream'!

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List of Acronyms

CAP	Common Agriculture Policy
CARDS	Assistance for Reconstruction, Development and Assistance
EE	Central East European Countries
EC	European Commission
EU	European Union
IPE	International Political Economy
IR	International Relations
PHARE	Pologne -Hongrie Assistance à la Reconstruction des Économies
RCI	Rational Choice Institutionalism
SAP	Stabilization and Association Process
SAA	Stabilization and Association Agreement
SI	Sociological Constructivism
WB	Western Balkan

Chapter 1

Introduction

Albania's European integration represents a national priority in the government's agenda. Albania's diplomatic relations with European Union (EU) has been established since 1991 after the breakdown of communism. The EU has supported Albania's transformations through implementation of PHARE and CARDS assistance programme. The first programme developed an approach aimed to development and reconstruction of economy while the latter displayed an integrationist approach offering as incentives membership. June 2006 follows the signature of the Stabilization and Association Agreement (SAA), where Albania advanced its contractual relations with EU gaining *association status* as potential candidate to European integration, making a step ahead towards future membership.

In order to analyze the EU aid assistance to Albania, three different phases will be distinguished. The first phase lasts from 1991 until 1997; the second phase, from 1997 to 1999, in May 1999, the EU adopted a new initiative the Stabilisation and Association Process (SAP) and from 2001 – onwards. European integration strategy enlargement and conduct are informed by founding principles of European Community that endure liberal values and norms as individual freedoms, civil liberties and political rights, fundamental freedoms and social and political principles such as equality, social solidarity. These progressive liberal values universally accepted are a benchmark to design the policy framework and membership conditionality known as Copenhagen Criteria, based on democracy and rule of law, human rights, respect for and protection of minorities as well existence of a functioning market economy and capacity to cope with competitive pressures and market forces within the Union.

The values and norms that define EU as soft power being a 'force for good' recognized as altruistic and morally universally accepted values have become a magnet of attraction to Albania and western Balkan applicant countries under the promise of 'joint ownership' once an EU member.

The 'doing good' role that EU identifies itself is challenged by scholarship that questions the benevolence of distributing liberal norms to countries for sake liberal virtues, but they point the hegemonic interest of EU to spread its liberal values to strengthen its role as powerful economy and international decision making body, unveiling the *raison d'être* and geopolitical interests to expand European territory. The normative line of EU as a soft power entails a gradual transformation of candidate states through adoption of behavioural norms and a set of values. It pushes a separate line among institutional reforms and market reforms in order to save market reforms being captured by state rents.

These two main standpoints will encompass the heart of debate of this paper. The first research question will demand the material interests that lie behind liberal principles and values EU represents, the second question will

analyze applied in the case study of anticorruption, the artificial separation between markets vs. state informed by ideas that modernization of economy follows institutional reform.

The *main objective* of the paper is to criticize the nature of integration EU applies in Albania, through the system of conditionality and assistance programme, under the accession instruments of Stabilization and Association Process. The critique in the first debate consists in disentangling the instrumental application of ideas in favour of enlargement and the interest behind that which support expansion of European border.

The second debate will focus on the state vs. market dichotomy, questioning the primacy of modernization of economy over institutional reforms, as well questioning the design of this separation between the politic and economic domain. The second argument will be illustrated through application of anti corruption strategies under the process of Europeanization as part of institutional reforms under the Stabilization and Association Agreement. Reforms on corruption are a substantive part of one of main pillars of Copenhagen Criteria, specifically consisting of the political criteria of democracy and rule of law.

The research starts from the *hypothesis* that European integration policy instruments informed by universal liberal values, norms and collective identity alleged to promote individual freedoms, civil liberties and political and economic rights as a force pushing for good, is instead driven by material interests to strengthen internationally EU's role as leading economy and enhancing EU eminence as global polity.

The paper will be structured through four main chapters. The first chapter will bring a short overview of relations among Albania and European Union. It will focus on the main assistance programme PHARE and CARDS that consistently have provided financial aid and technical assistance to Albania. It will question the shift in the nature of aid from economic development and infrastructure to institutional capacity building reflecting the change of priorities caused by presentation of membership application.

The second chapter will provide a conceptualization of process of Europeanization and its instruments like Stabilization and Association Agreement, Copenhagen criteria, economic and political conditionality. Due to limitation and plentiful conditionality, the scope will remain within the political and economic conditionality, paying less attention to *acquis communautaire*. Following these lines, the chapter will explore the normative basis and founding ideas of European community. The notion of soft power will question whether Europeanization is a norm driven process or rather material interests are involved as well.

The third chapter will enrich the debate by bringing into attention many European Integration schools from many angles like neo realism, constructivism that through theoretical lenses will probe main ideational interpretations that support enlargement vs. material interests enriching the debate using a structural vs. actor based approach between rationalists and constructivists.

Before moving on to the conclusion, the last chapter will bring forward the analytical case study of anti corruption strategies under the implementation

of SAA. The case will shed light on the design of anti corruption strategies whose consequences display economic and political effects due to state rents and elite capture by market private actors. It will attempt to scrutinize the separate line EU draws between state vs. market, prioritizing first restructure and modernization as prerequisite to succeed with institutional reform, reflecting its market driven approach.

This research is not about whether Albania will integrate into EU but rather analyzes the design of European Integration in Albanian context, as a potential candidate country to EU. This research is purely for academic reasons and will not express opinions or political positions of any of political parties involved in the process, but rather will study, respecting all academic standards and requirements, the process Europeanization as guided by EU.

Chapter 2

The Process of European Integration in Albania

2.1 Albania- European Union Relations

The EU has supported Albania's transformation since 1991, when introduced to Albania its PHARE assistance programme. Albania's diplomatic relation with the Community (as the EU was called before the Maastricht Treaty in 1992) started in May 11, 1992 with the signing of the Trade and Cooperation Agreement (Bogdani and Loughlin, 2004: 43). This agreement marked the formalization of relation between Albania and EU. The Trade and Cooperation Agreement allowed Albania to benefit financially from the PHARE assistance funds; restructuring the aid to number of reforms the country was involved in. Subsequently, a joint Committee consisting of members from two parties was set up to pursue the aid assistance and political dialogue between Albania and EU, concerning financial aid and political dialogue.

The EU's main contribution is a wide international initiative named Stability Pact (SP) serving as benchmark to enlargement framework Stabilization and Association Process (SAP) tailored for Western Balkan (Elbasani, 2008: 1- 8). The so called SAP 'a word of faith loaded with high expectations for change' (ibid.) comprised the prospect of members that offer a clear perspective of European Integration.

Due to numerous agreements endorsed between EU and Albania and the focus of the paper, I will look in particular at agreements that have contributed to Stabilization and Association Process (SAP) because of the membership promise and to PHARE as first aid assistance program to analyze the course of financial aid and conditionality.

Furthermore, reference will be made to Western Balkan (WB) because bilateral agreements between EU and Albania are construed at regional level with WB. The main reason of regional initiatives is due to similarities WB countries manifest in economic systems and political regimes and these programs aim to stimulate regional cooperation among the Balkans (Hoffman, 2005: 58).

2.2 The Instruments of Integration: PHARE and CARDS assistance to Albania

The EU launched its financial support to Albania in 1991 where the country was included in PHARE assistance program. Three main phases will be

distinguished in order to examine the priority and conditions attached to the aid program.

The first phase lasts from 1991-1997, the second from 1997-1999 and the final from 2001 onwards which signs the establishment of CARDS assistance programme for WB (Hoffman, 2005: 60). During the first phase the aid was focused on emergency and food aid due to dramatic divorce from communism in 1990. The general interventions were focused in promoting macroeconomic stability, stimulating private sector development and infrastructure. It had as main role 'assisting in completing market reforms, restructuring and modernization of the economy' (ibid.). The main priorities were channelled to sectors of transport, energy and telecommunications. Due to food shortage after the collapse of previous regime and underdevelopment of agricultural sector, the funds for it remained low, only 10 % of overall budget (European Commission, 2001a: 60)

The second phase from 1997 – 1999, the few progress Albania had achieved at macro-economic and structural level, it was sufficient to shift attention from economic development to institutional sectors. The EU aimed to adjust its strategy with the 1997 Strategy paper in different areas of action: restoring and developing governance, promoting civil society, designing and implementing sound economic and social policies. It shifted its area of intervention to other sectors given reason for a better use of funds toward priority programs and more efficient concentration of efforts (Hoffman, 2005: 61). The 1997 strategy paper stated that it is in the mutual interest of Albania and EU to promote development of society adopting the 'rules of the game' and the basic principles underlying European societies (European, 1997: 9) The priority objective of the assistance was 'existence of a proper regulatory and legal framework and the capacity of government to enforce it' (ibid.) by reducing overall the number of support areas. The support to public administration rose while the funds on private sector development, privatization, banking and other sectors highly diminished from 22% to 9.9 % (Hoffman, 2005: 62). Albeit the civil unrest of 1997 Albania compelled the aid shift to economic sectors, the priority of assistance aid did not change radically. The need for a greater emphasis on the support for institutional reforms became an additional objective to the continuation of reforms on preferential sectors (European Commission, 1997: 10).

From 2001 to 2007, the *Assistance for Reconstruction, Development and Stabilisation* (CARDS) programme was the main EC financial instrument for co-operation with Albania. The programme shifted priority from infrastructure reconstruction and rehabilitation, to institution capacity building, strengthening of administrative capacity. It underpins the objectives and mechanisms of SAP, which means that assistance is channelled to support for reforms and institution building process to implement obligations arising from Stabilization and Association Agreement (SAA). CARDS assistance was attached explicitly conditions based in the Copenhagen criteria, on respect of principles of democracy, the rule of law, human and minority rights, as well conditions

mandatory to countries to carry out as democratic, economic and institutional reforms (Elbasani, 2004: 10).

Observing the areas of support and funds' priorities allocated from 2001 onwards under CARDS, there is a significant swing to new sectors receiving financial support comparing to PHARE. The policy models under PHARE were evident on the economic side, characterized by a neoliberal agenda through incitement of reforms in privatization of means of production, seizing state owned enterprises from government control to private entities, 'a reduction in state involvement in economy' (Grabbe, 2006: 24) and further liberalization of market.

The allocation of funds in 2002-2004 was focused in public administration ranking 60 % of the overall budget while infrastructure projects and other economic sectors received only 16 % (Hoffman, 2005: 62). These aid flows were adjusted to support areas that would be of major importance to implement Stabilization and Association Agreement (SAA) (ibid.)

While comparing the phases of EU aid assistance the shift in priorities becomes even more obvious when compare the sectors the funds are allocated. While during the previous stage 60 % of the funds were focused on infrastructure support, during the second phase the assistance shifted radically to public administration becoming the most important area receiving 60 % of the overall budget. The underdeveloped sectors of transport and agriculture that would directly contribute to economic growth being of high priority to meet the needs of people remained completely abandoned in terms of assistance and funds from EU.

While the PHARE assistance programme focused on supporting economic, development and reconstruction, displaying a *developmentalist* approach, the introduction to CARDS led to an *integrationist* approach, supporting the areas that of major interest to SAA (ibid.) A certain contradiction is put on view between development and accession programs, because the integration approach stops its development aim to meet the country's needs but instead abides to a political agenda comprised without meeting country's specific transformation problems failing to support the very basis of its integration, channelling aid to sectors that would stimulate economically the country. It reflects EU's attitude to hold up relations with countries that have already established minimum conditions.

2.3 The Stabilization and Association Process (SAP) in Albania

The SAP is the first strategy the clearly offers the membership perspective to Albania and WB countries. It embraces the promise of European Integration and outlines the procedure of accession to countries left out of previous enlargement, including stabilization and association objectives.

SAP facilitates countries to meet the Copenhagen criteria to membership on a long run. Copenhagen criteria continue to be a decisive benchmark for the EU assessment of an associated country, but the successful implementation of SAA sets additional prerequisites for membership (Elbasani, 2008: 11). The intensive relations toward accession between Albania and EU began in May 1999 under the Stabilization and Association Process. At a high meeting level in Zagreb in November 2000, comprising SEE and EU member states was agreed that '*conditionality was to be the cement of the process*' (European Council, 2001b), through a range of instruments like furthering economic and trade relations, increasing the assistance for democratisation and institution building, negotiation of SAA (Elbasani, 2008: 9)

The SAA is main element of Stabilization and Association Process. Albania participated in the *Stabilisation and Association Process* (SAP), which is the EU's overall policy framework for Western Balkan countries, signing in June 2006 its SAA. Once certain economic and political conditions are met the applicant country signs in the Stabilization and Association Agreement. It represents a contractual relationship offering association status and recognises the country as potential candidate (European Commission, 2007a: 5).

The SAA main strategy is stabilization and association prioritising regional cooperation as condition to ensure regional stability. The cooperation focused on economic sectors, reflects the well acknowledged principle in EU that economic cooperation should precede political stability. The regional cooperation was set as 'prerequisite' to obtain assistance from EU, aligning under the same approach as PHARE aid assistance. The incentives consisting in financial aid are distributed upon the succession of market based reforms.

2.4 The EU Membership Criteria (Copenhagen Criteria)

Accession to EU depends upon successful fulfilment of Copenhagen criteria, established at the Copenhagen European Council in 1993 and reinforced by Madrid European Council in 1995. All prospective members must meet three sets of conditions: political, economic and administrative. They are required to recognize the *acquis communautaire*, the body of EU laws and regulations. No country can become a member without the applying all *acquis* chapters to all policy areas (Ivanova, 2008: 6). The scope of paper will be limited only to political and economic criteria.

The accession criteria, or Copenhagen criteria, are the essential conditions all candidate countries must satisfy to become a Member State. They were set at the Copenhagen European Council in 1993 and at the Madrid European Council in 1995 and comprise: political criteria: stability of institutions guaranteeing democracy, the rule of law and respect for human rights, including the rights of minorities; economic criteria: a functioning market

economy and the capacity to cope with competition and market forces; the capacity to take on the obligations of membership, including adherence to political, economic and monetary objectives; creation of the conditions for integration through the adjustment of administrative and institutional structures guaranteeing effective implementation of the acquis.
(http://ec.europa.eu/enlargement/glossary/terms/accession-criteria_en.htm)

Many of new member states applied for membership and association instead of receiving membership invitation from EU. A certain asymmetry characterized the relation of EU with applicant countries as long the conditionality was defined by EU and countries have no rights to change the contents of the agreement. The EU tried to influence developments by using “carrot” for membership and by providing considerable financial support. The most crucial tool for influencing is the *conditionality instrument*.

‘Conditionality refers to linking of perceived benefits- e.g. political support, economic aid, membership in an organization- to the fulfilment of a certain program, in this case the advancement of democratic principles and institutions in a ‘target state’ (Kubicek 2003: 7 in Hoffman, 57) In order to sustain countries that did not have enough institutional capacity but instead willingness to comply with EU values and norms, EU increased its leading role nominating them potential members.

The EU has a guiding role where membership is dangled as a carrot to encourage reforms in the political and economic sphere, under certain conditionality coming from EU. This conditionality operates through a system of external criteria and normative principles the impact of which implies transformation of domestic conditions into political and economic reforms, whereas the successful achievement brings award. External conditions of normative impact and the intervening domestic variables set the mechanisms of domestic change.

2.4.1 Political and Economic Conditionality

Box 1: The Copenhagen Conditions

1. Membership requires that the candidate country has achieved stability of institutions, guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities
2. Membership requires the existence of a functioning market economy as well as capacity to cope with competitive pressures and market forces within the Union
3. Membership presupposes candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union
4. The Union's capacity to absorb new members, while maintaining the momentum of European integration, is an important consideration in the general interest of both the Union and the candidate countries.

Copenhagen criteria explicitly separate between reforms undertaken under the political and market domain. The scope of the political and economic conditionality was first embodied in terms of trade and economic cooperation moving toward institutional reform and domestic policy making. The instrumental use of economic conditions succeeded through PHARE. It was the first program that took off its implementation through conditionality mechanisms, by formalizing financial aid under fulfilment of certain conditions. It launched free trade relations exchanging goods, attracting European industrial products and exporting Albania's manufactured goods under a free custom unions system.

Under the economic conditionality, the programme's first aim was to support economic restructuring in the region, introduced as purely market related reform, although the objectives were also political: the eventual aim was to support the establishment of liberal democracy starting from the creation of market-based economies. To be eligible for PHARE support, several civilian conditions had to be met: commitment to the rule of law, respect for human rights, the establishment of multi-party systems, the holding of free elections, and the implementation of economic liberalisation. This conditionality formed the basis on which financial support was provided, at least in paper. (De Ridder et al., 2008: 247)

The setting up of basic market condition mainly maintaining macroeconomic stability, low inflation, a competitive business environment toward new investments would serve as platform for launching institution building. The initial restructure encountered a neoliberal agenda where liberalization of economy and privatization, instead of adjusting toward high costs of restructuring the economy, overtook control of means of production and captured state power through rents.

Chapter 3

In the previous chapter, it has been argued that initially EU's main area was to assist first completing market reforms and the medium term restructuring and modernization of economy. The application for membership and deeper Albania moved in that process, the focus of assistance changed toward reforms on institution building, a significant shift in EU's focus of assistance. It change did not adjust to country's requirements and needs but were supported areas of importance for implementation of SAA. The change in programme happened from a developmentalist approach toward an integrationist one. The accession driven approach under CARDS ceased to provide financial assistance to areas that suit the needs of country. At the moment Albania decided to integrate politically and economically into EU structures, it ceased to help the very basic of its integration.

Europeanization and Normative Power of EU

In order to understand the transformation of EU attitude toward Albania, a conceptualization of Europeanization will be put forward. Subsequently the first part will explore the nature of ideas and interest behind the conditions to apply for membership. The second part will develop the notion of normative power, the values and norms EU represents as global polity, with critical lenses on the notion of soft power.

3.1 Europeanization – A multi-faced process

Europeanization still remains a contested term where there is a lack of consensus as to what the concept entails. Europeanization refers to different dimensions attempting to include all levels of European policy making within and outside European zone, within and outside its borders. Due to space constraints this paper will focus on the first dimension of Europeanization which entails 'developing institutions and policies at the European level' closest to the concept of 'European integration'.

Originally the term Europeanization was adopted as a top-down perspective to analyze the influence of EU-level policies on the institutional structure and policies of the various Member States (Featherstone and Radaelli, 2003: 3). Getting to know the EU nature of policy making with non-members, this concept remains the dominant approach in literature, and Europeanization is now 'a newly fashionable term to denote a variety of changes variously affecting actors and institutions, ideas and interests, (ibid.) across and beyond the EU, describing a multi-faced process. When referring to Europeanization as European enlargement, negotiations toward membership are proceeding along with Stabilization and Association Process, under the promise of membership. Precisely it is the nature of European Integration this paper will explore aiming to elaborate on the ideas and interests behind the enlargement criteria in the context of Albania being a Non Member state. This chapter will

analyze the *normative* aspect of Copenhagen Criteria during negotiations for membership.

3.1.1 Europeanization as: developing institutions and policies at the European level

There are disagreements among scholars as to what or who leads this process. Radaelli simply calls it 'direct Europeanization': 'where regulatory competence has passed from the member states to the European Union' (Wong, 2005: 139). The development of institutions and governance at European level, denotes the creation of formal and legal institutions based on '*normative order*' (Olsen, 2002: 923) of principles, structures, systems and practices to make non member states abide with decisions and rules.

In attachment to it, Olsen mentions other phenomena that inform Europeanization, that occur in parallel to the notion of Europeanization we apply in this paper, in particular enlargement of European borders. It envisages 'changes in external territorial boundaries' and exemplifying 'territorial reach of a system of governance' (ibid.) expansion of boundaries through enlargement. Second phenomena represent 'exporting forms of political organization and governance that are distinct for Europe beyond European territory' (ibid.) through relations created between European actors with non European actors and institutions, exerting influence through dissemination of orthodox normative principles.

The '*normative order*' that shapes the constitutive principles, strategies and policies disposed from European actors to non European countries will be further developed in the next sections, through the normative power lies behind these directives.

3.2 Normative Power of EU

"Normative powers reflect a series of normative principles, actions and impact in world politics, worldwide recognised from UN system and universally accepted. "EU is a normative power: it changes the norms, standards and prescriptions of world politics away from the bounded expectations of state centrality". (Manners, 2008: 113)

Many scholars recognise the transformative power of EU to stipulate reforms to applicant countries through attraction of its liberal norms and principles based liberal democracy and social pluralism. François Duchêne was among the first to introduce the describe EU as normative power, recognising it as civilian power (Merlingen, 2007, Sjursen, 2007). The normative stance of EU's international role, portrayed it as 'force for good' by guiding values informing its policies as liberal human rights, liberal principles of social and

political order, liberal political culture, democratic peace emphasizing the liberal values the Community was conducted by. Realists did not take believe in the cherished values of EU's foreign policy judging the ability of "Doing Good" (Sjursen, 2007: 2) as naïve and moralistic challenging the nature and purpose of foreign policy of nation states, pursuing national interest and keep away from morality of doing good.

Friendly interpretations of normative power understood it as dissemination of universal goods and values (Diez and Pace, 2007, Diez, 2005). Advocators of EU's normative power like Manners who enriched the literature by focusing on the instruments of EU to promote values suggest that EU has been, is and always will be a normative power in world politics because of belief on progressive liberal values (2008: 45). The belief on values that promote human virtue, morality and goodness reflect the "power over opinion", *idée force*, or ideological power away from empirical analysis through identification of a collective identity. (2002: 239) The exceptionalism of EU as a unique political construct having a *sui generis* integrationist approach is due to its hybrid supranational and intergovernmental polity, historical context that led to creation of EU and international based legal system, where states pool their own sovereignty in order to preserve peace and liberty to supranational laws through *acquis communautaire*.

As a highly sophisticated political construction, liberal democratic principles and social-democratic principles are the norms that constitute the commonness of EU and Western Europe versus non member countries. In the domestic realm, EU seeks to promote norms liberal principles as liberty, democracy, rule of law, human rights, market economy and fundamental freedoms and social and political principles such as equality, social solidarity, sustainable development and good governance. (Manners, 2004: 5, Elbasani, 2004) The promotion of universal goods, norms and values as stated in Article 6 of EU "liberty, democracy, respect for human rights and fundamental freedoms and the rule of law" is attained through supra national organisation and institutions by highly institutionalising its operation attaining norm assertion through international laws and multilateral organisations where promotion of liberal democracy lies as main purpose of these institutions such as NATO, EU.

The notion of EU as "*force for good*" acting in altruistic way has become to be viewed as no trustworthy and benevolent from the scholarship that criticizes it. The overemphasis description "normative power" of EU as an international actor in a narrative way has simplified the rasion d'être and interests behind it, whether it's normative, geopolitical and commercial interests, international rivalries to pursue common norms and values. (Johansson-Nogues, 2007: 186) Diez and Pace (2007) who criticize the moralistic approach of "normative power" approach criticize the self-representation of EU as "force for good". They suggest that this notion is based on the assumption that EU acts based on socialisation of international norms through attraction, binding the countries to economic ties through

political culture, shares norms and values persuading the applicant country to follow norms making them believe they are appropriate and because benefits are attached to conditions.

In order for countries to rely on the normative power of EU to insulate political and economic reforms based on EU main principles, the carrots offered represent association or membership. The active role of EU offering models of cooperation among opposition at local level and market oriented reforms is obtained by emulating sophisticated highly technical models that comprise EU foundation and polity.

Through incentives of association to its supranational organisations or membership, EU aims to enhance the discursive framework that generates similar dynamics as integration and the right of 'ownership' toward membership to international organisations like EU. It stands on applying European standards, norms and values and the organisation offers economic incentives and access to decision making process as well.

The carrot of 'membership' as prospective offered to Albania and other applicant countries strengthens the role and power of EU as norm exporter through attraction rather than coercion, enhances EU's global role as a constructive hegemony whose existence is based on western liberal values viewed as a 'force for good'. The promotion of these norms that inform policies as good and moral that stand above reality of bilateral state's exchange, being embraced by western powerful countries, under promise of joining 'ownership' becomes a magnet of attraction to other countries who are outside of club. The EU becomes a powerful actor once the lessons to become a member are learned and its constitutive values and principles are applied to many countries, raising its power to make politics through use of soft power becoming a global actor economically and politically.

It increases the power asymmetry in bargaining in the end reaching the goal of self projecting as "force for good" into a self-fulfilling prophecy, where actors either join the club via EU mechanisms competing for universal values or remain outsiders. The membership of rich and western countries serves as instrument of fascination to outsiders in order for them to join as well the club, offering chance to EU to universalize its policies and norms. This mechanism of attraction produces societal forces among civil society that activate rhetorical, discursive and symbolic tools, obliging their leaders to comply with EU norms and values.

3.2.1 Internalization of Community Norms

Enlargement through membership to international organisations is intrinsically elucidated on norm socialization as transformation of international norms to domestic rules. The transformative power of EU founding principles like

democracy and rule of law to nation state ruling systems unveils the transformative role of EU through the internalization of norms by member states and candidate members.

It implies identification with international values and principles where rules stand upon, adoption of community identity, values and norms to the actor's system of belief. The community values EU introduces to non member states consists in adoption of international norms to domestic rules, through transforming the domestic system of rules and converging to EU models (Schimmelfennig, 2003a: 73). The usage of these forms will testify the successful mode of influence if will be via socialization, pressure or adaptation (Schmitz and Sell, 1999: 37). Non member states that share community values should identify with international values, include them as integral part of their system but act upon them.

The mechanisms of norm assertion differ according the logic of appropriateness or consequentiality (March and Olsen, 1998). *The logic of appropriateness* assumes that actors choose to follow international norms and apply them domestically because they believe it is appropriate providing convergence between discursive, formal and institutional framework. It follows teaching and convincing from international actors and learning from the domestic realm (Elbasani, 2004: 30).

The logic of consequentiality is based on an instrumental use of cost benefit analysis, where rationale actors will try to maximize their utility by getting involved into rhetorical activity in order to justify their personal gains. Domestic actors after analyze benefits and risks into commencing reforms that jeopardize rent seeking behaviour, undertake creation of formal institutions through providing formal and discursive effects in order to gain sympathy of international community and rewards, without challenging the *rapport de force* of its creation and power structures from within. The discursive and formal adoption of international norms without changing behaviour protects the elite from losing their privileges. The usage of high discursive and formal effects of rhetoric brings manipulation of norms locally but creates the impression of obedience internationally, as means of accessing rewards (ibid.)

There are two main strategies in regard to socialization of international norms to non member states during enlargement application. In the previous accession, the membership consisted in an inclusive strategy, where first acceptance of external members takes place and norm appropriation by actors succeeds the next phase. The construction of new communities based on pan European values and norms that share a collective identity since the enlargement of CEE took place, is based on exclusive strategy from the outside. It creates space to non member country who expresses willingness to join EU, to first recognize the norms that sustain European community and identify it internationally and assess identification and sharing of same norms, and willingness to pursue them.

Two important phases set the potential success or failure to join EU, the *association* phase where the non member formally makes clear the aspiration to join an international organization and an introduction with community norms from EU to the application state occurs. The ability to comply with and successful learning and appropriation of community rules and norms follow with membership. It is an asymmetrical relation because the applicant country has no bargaining power to negotiate the terms of conditions but to accept the criteria set by the Community or deny them when no identification with community culture takes place (Schimmelfennig, 2003a: 74-75).

3.3 'EU's magnetic force' as Soft Power

In the above section, we mentioned that there are norms and values that comprise the existence of EU and inform its policies and we explained how norms become internationally socialized and internalized by domestic actors. The EU's soft power comes from its common values, or norms, namely the principles of democracy, the rule of law, social justice, human rights and the commitment to a market economy, as well as social solidarity, sustainable development and the fight against discrimination. The roots of these date back to the 1973 European Summit in Copenhagen, one of the first such gatherings to consider the international identity of what was not yet then the European Union. The notion of soft power endorses the normative liberal principles of EU as 'force for good' but rather analyzes the instruments of attraction EU applies to non members to offer 'ownership' rights. The success of the EU's enlargement policy can be best explained by Joseph Nye's concept of "soft power" – the ability to get what you want through attraction rather than coercion and payment, arising from the appeal of culture, political ideals, and policies. It inheres in the promise that if you are *like* us you could *become* one of us (Krastev, 2005).

Soft power rests on the ability to shape the preferences of others...with intangible assets such as an attractive personality, culture, political values and institutions, and policies that are seen as legitimate or having moral authority' (ibid.). The idea of soft power has been used by some to contrast the modern European approach – essentially peaceful, cultural, multilateral – with the more traditional, realist approach of 'hard power' – backed by the use of inducements ("carrots") and threats ("sticks") (Richardson, 2008: 1).

Internationally, it comes down to promotion of multilateralism and international law based on principles of widespread peace, democracy and the respect of human rights all over the world. If you can get others to emulate you, to admire your ideals and your values, then this is much cheaper, and inherently less antagonistic, than the process of balancing carrots and sticks in an effort to get others on your side. Attraction is cheaper than coercion. The community normative principles of doing so, EU clearly favors persuasion (e.g. cooperation agreements with third countries) over military actions as the founding principles of the Community are based on norms (ibid.)

Enlargement is praised as the most successful 'soft power' policy, EU is not just about soft power, although it does not wield a big stick, it does possess a large carrot: a prosperous single market that is a huge economic factor for Balkan countries wishing to have access to EU markets (ibid.). When referring to enlargement there are two dimensions of soft power, one that comes from European culture, societal norms and values and the second refers to attractiveness of political behavior and institutions displaying a political influence through compliance with international laws, negotiations etc (Ivanova, 2008: 5)

3.4 Is EU only about Soft Power?

Enlargement best illustrates the instrumental use of soft power by EU. Apart the European political culture, norms and values it transmits to, primarily it serves to EU's strategic interests in stability, security and conflict prevention as well expansion of western investments to more attractive eastern markets, and what is more important the export of policy making and policy models based on the liberal norms EU exposes to WB. The legal basis for enlargement is Article 49 of the Treaty on the European Union, which reads: "*any European State which respects the principles referred to in Article 6(1) may apply to become a member of the Union...*"(European Commission, 2007b: 2)

The constitutive principles and libertarian values of European community are justified as the most important explanatory factors in EU integration rather than constellations of material, security or economic, interests and power. Western communities define their collective identity not merely by geographical location but mainly by *liberal values and norms*. The fundamental idea that constitutes the international community is based on liberal human rights. The liberal principles of social and political order- social pluralism, the rule of law, democratic political participation and representation as well as private property, market-based economy- are derived from and justified by these liberal human rights. The *liberal identity*, values and norms of the Western international community are formally institutionalized in the community organizations of *constitutive organizational rules*.

The constructivist approach explains the puzzle of enlargement based on liberal values and norms, scholars question whether these principles are based on the norms and collective identity that supra national institutions endorse or whether integration encompasses political and economic interests of hegemony shaped by powerful intra state bargaining.

Rationalists view soft power as manifestation of "powerful economic interests and relative power of each state in international system" (Moravcsik 1998: 18) priorities have economic gains, sustained mainly by structural forces of hegemonic interests of members, covering long term economic and

geopolitical interests of powerful members who manage the process of enlargement.

The commanding role of EU members during interstate bargaining beyond common identity and ideology they share, reflect asymmetrical interdependence with applicant countries and a high bargaining power of EU to determine its self interests as priority is obvious on two fronts. Albeit, the costs of being outside of EU for non members are much higher than being part of European competitive market, still there are medium and long term costs of membership that prevail. The new member countries will receive lower subsidies from Common Agriculture Policy (CAP) and from Structural Cohesion Funds, thus having protective measures toward powerful members non affecting their profits from EU subsidy. These criteria have been refined and elaborated in the Copenhagen criteria imposing higher restrictions to new applicants, compared enlargement of previous years.

The asymmetrical interdependence, takes different dimensions, during the management of negotiations, between the political and economic conditionality as well. If we see concessions are allowed to potential candidates when their inclusion would provide economic gains to EU members, in the political sphere these grants are not likely to be allowed. The set of economic priority and sequencing of reforms that comply with EU's political agenda locking the country under conditionality, unveil a coercive aspect of EU rather than attractive to appoint the type of policies and initiatives to be pursued, irrespective of its costs and impact domestically.

Chapter 4

In the previous chapters it has been argued that the model of European integration consists on a gradual transformation through adoption of liberal values and behavioural norms as liberty, democracy, respect for human rights to promote universal goods along with a set of rules and conditionality to comply with. It is the instrumental use of shared values and political culture with the belief that stability can be achieved if eastern countries embrace democratic values. The expansion of European borders rests on interest of West to attract eastern markets and tie them to economic means primarily serving EU's strategic interests in stability, security and expansion of western investments to attractive eastern markets through economic integration.

Theorizing European Integration

A historical overview of European Integration theories will be presented with an outline of main schools that explain enlargement. In order to pursue probing the material and geopolitical interests behind the normative thread of integration, the first classical dichotomy in European integration theory will be set out, based on International Relations (IR) theory, viz. rational choice institutionalism vs. sociological institutionalism, based on mainstream theories of rationalism and social constructivism. The arguments will explore rationalist view of socio economic structures and actors' behaviour, with restrictions in viewing agents as pre social, viz a viz constructivism with an overarching perspective on institutions. Afterwards both rational and constructivist approaches will apply to European Integration.

4.1 Phases of European Integration Theory

European Union is the “most important agent of change” in policy making at European level. (Wallace et al., 2005: 3) These policies under the process of Europeanization have been informed by main meta-theoretical frames as neo functionalism, new institutionalism, constructivism and liberal inter governmentalism, that underpin process of policy making. The dominance of certain assumptions and the emergence of new approaches have distinguished the process of Europeanization in three phases.

The first phase which dating from the signing of Treaty of Rome until 1980s, is based on a “realist” perspective and based on the rational actor assumptions, was challenged due to successful expansion of Europe. It signs the initial challenge to state centrism and territoriality toward supra national institutional building (Wiener and Diez, 2004: 7).

The second phase, labelled as the “doldrum years” dates the lack of major institutional developments in 1970s due to stagnation (Wiener and Diez, 2004:

5). The main theories questioned to bring institutional and comparative approaches to European polity. The nature of European integration or as Risse labelled exploring “the nature of the beast”, were questioned due to emergence of new concepts of governance rules, institutions associated with transparency, legitimacy and democracy.

The third phase marks a new return of IR during 1980-1990s, known as constructivist approaches shifted attention from realist perspective of rational individuals and state centrism, to role of ideas, norms, institutions and collective identity widening the debate toward epistemological and ontological assumptions. The understanding of certain discourses took place by probing structures where values are encompassed and individual responses (Wiener and Diez, 2004: 9). Constructivism approaches of institutions and actors were succeeded by post-structuralist reactions to IR who questioned rather the understanding values and norms by actors toward international politics. Drawing on these lines and due to space constraints, the debate between rational choice institutionalism and sociological institutionalism will be presented, followed as well by post structuralist critical IPE and Amsterdam school.

4.1.1 Rational Choice Institutionalism vs. Sociological Institutionalism

According to Börzel and Risse, European integration can be theorized from two distinct angles, one from rational choice institutionalism (RCI) that analyzes the “logic of consequentiality” and sociological institutionalism (SI) that analyzes the “logic of appropriateness”. The debate between RCI and SI is rooted at Meta theoretical level of “rationalism” and “constructivism”, being of enormous contribution to IR and many disciplines of political science. Rational choice theory as meta-theory, did not originate in the study of European Union but emerged as a broad social theory, explaining the nature of individual actors and social world (Pollack, 2006: 16).

The debate between rationalism and constructivism has benefited from sociological approaches, by bringing into light new disciplines and spectrums of understanding institutional perspectives. This dichotomy challenged the individualistic, instrumental, and rational model of the agent by bringing into light, to an equivalent importance the role of norms, values, collective identity embedded in institutions. The recognition of values, norms, preferences, influenced the view of the actor as solely prone of fix identity and exogenous preferences but instead the agent’s values being socially constructed and shaped by the environment.

Rational choice was introduced to the field of European Integration, as second order theory by finding first application among theories belonging to New Institutionalism. It presented the notion of institutions, which had been

missing for long in mainstream theories of International Relations theory (IR) and comparative politics. It is based on the premise that *individuals are rational and behave accordingly to cost benefit analysis*. It assumes that agents have fixed preferences, with exogenous identity, whose interests are taken as given, thus “pre socially constituted”. The logic of consequentiality assumes that individuals are rational and behave according to a cost benefit analysis of every choice they make, and select the option most likely to maximize their material self interest and ends. (Hay, 2002 : 8)

RCI perceives institutions as *exogenous constraints* that restrain actors’ behaviour. Douglas North defines institutions as “*rules of the game in a society...the humanly devised constraints that shape human interaction*”. But institutions as well may serve as source of opportunities and choices to rationale actors who might grasp benefits using their strategic behaviour. “*Institutions are simply the ways in which the players want to play*” (Hay, 2002: 24/25). This theoretical approach underpins the prescription of European Integration toward its potential members on accession. The economic and political criteria are crafted on rules and conditions set to restructure old and inefficient institutions through EU models by getting the rules right through rewards and punishment, so as to constrain actors’ behaviour in order to abide by institutional rules rather than violate them.

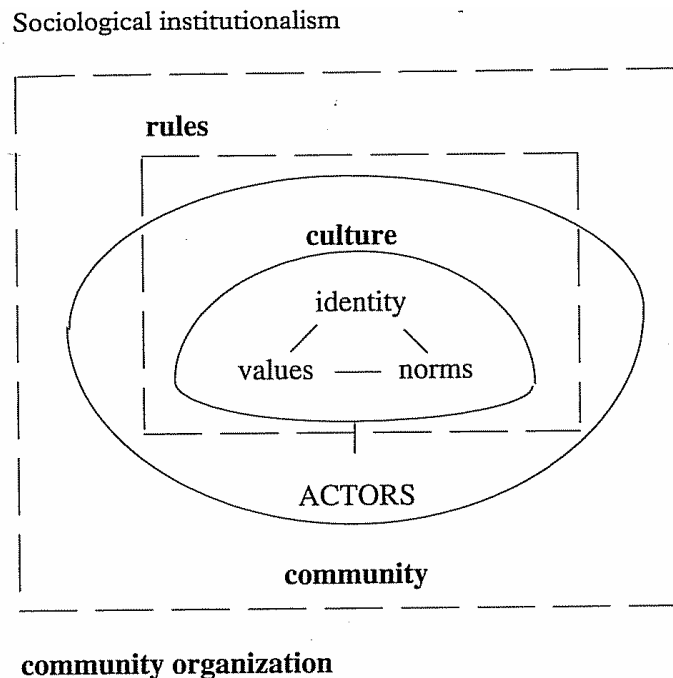
Sociological Institutionalism (SI) is based on social (structural) and ideational ontology on the assumption of appropriate behaviour (Schimmelfennig, 2003a: 18, 19). Standing on a different ontological position, in contrast with RCI, SI defines institutions not only as a collection of formal rules but including also informal rules, norms and conventions, where apart a cost benefit attention is drawn to role of ideas and interpretation of norms by actors which affects the *raison d’être* behind the calculus behaviour of actors. Second, according to social constructivism based on its normative basis¹, individuals behaviour does not exist prior to reality but is constructed by inter subjective meanings actors give to structures. It implies that actors’ behaviour is constituted by the importance of ideas dependant on the interpretation they make out of ideas, norms, rules rooted in structures, such as market, state, etc. The interdependence between actors’ preferences and identity built upon norms of institutions, interpretation of norms by actors is explained by the logic of appropriateness.

Schimmelfennig (2003a: 71) who explains the enlargement through normative based rhetoric elucidates the notion of values, norms, identity,

¹ March and Olsen categorize it as normative institutionalism. {Lowndes 1996, 2002: Peters 1999; Thoenig 2003 in March & Olsen, 2006: 5). “Normative” then refers to a concern with norms and values as explanatory variables, and not to normative theory in the sense of promoting particular norms. (Lowndes, 2002: 95 in March & Olsen, 2006: 5)

culture, community in relation to institutions. Norms represent ideas that define “collective standards of proper behaviour” referring to desirable behaviour of actors. Norms constitute and shape actor’s identities but as well represent constraints to identities toward proper behaviour. Value represents desirable idea and political values that set the collective identity of political actors. Those ideas set the identity of actors, who determines the notion of oneself, in distinction from others. Culture implies the collection of identity, values and norms of individuals that construct the identity of group, the values they encompass and political behaviour (2003b: 71-72).

Figure 4.1
Concepts of Sociological Institutionalism



Source: Schimmelfennig, p.71

Note: Non institutionalized relations are symbolized by circles, institutionalized relations by broken, rectangular lines.

The constructivists consider the environment of social actors as cultural or institutional environment structured by collective rules. They endogenize identities, interests, and actors as well, viewing agents as products of collective ideational structures and social interactions that are subject to cultural and historical change. First, ideas and institutions shape the identity and interests of actors. Second, far from being recudible to material forces, they give meaning to material forces in the first place. Third, institutions empower actors. Fourth, actors do not confront institutions as external constraints. Rather, so-

cial actors are assumed to internalize or habitualize institutional rules and rule following behaviour.

Sociological institutionalism starts from the model where social actors act on the basis of internalized values and social norms instead of their own individual utility. Appropriate actions, then “involves determining what the situations is, what role is being fulfilled, and what the obligations of that role in that situation are (March and Olsen 1989 : 160 in Schimmelfennig, 2003b)

Actors collectively share the combined system of meanings these institutions encompass (Risse, 2004: 160). As well institutions shape their identities and hence their preferences in ways that rational choice approaches could not capture (Wallace et al., 2005: 20).

4.2 Structure versus Agency Debate

It is difficult to discuss about structure and agency, without attributing same importance to role of ideas embedded in guiding norms of structures, interpretation of norms and material interests.

The structure and agency debate between SI and RCI was conducted at Meta theoretical level between “rationalism” and “constructivism”. Rationalism conveys a particular approach toward actors and social structures. Both depart from same epistemological standpoint but displaying an ontological shift.

Rationalist theory as Meta theory is ontologically an *individualist* theory, which means is an actor-oriented theory in two senses. First it treats the individual actor as the “ultimate source of social pattern”, where all the attributes of society and structures are reflected to the actor. It emphasizes more on the agency part and less on the structures where actor is part of it and his/her actions take place (Wendt & Giesen 1987: 13 in Schimmelfennig, 2003a: 18).

This perspective does not deny the existence of values, norms and identity but gauge them as separate, as independent variables without displaying a certain influence in the actor’s cost benefit analysis to making the right choice to his/her benefit. It does not affect the actor’s calculative nature where according to this perspective preferences and identity of the agent are formed independent of socio economic conditions.

Second, rationalism not only explains structures through the lenses of the actor’s rational choices but is as well an actor-oriented field study. Its conceptualization of the world order like state apparatus or market is based on *fixed assumptions* on where actions take place like the “institutional framework of

politics” or “the concept of market” and offer precise answers to every question related to them (Cox, 1995: 32).

The market, rationalists see it as a separate entity from state institutions, where analysis of market and state is conducted under restricted conditions, as separate structures and actors from each other. As well the state is viewed as an independent sphere from market and their solutions are limited to the interior domain of state that has a different composition from market. It fails to overall grasp the fundamental structural conditions and historical evolution of state and market as two interactive and combined systems.

Constructivism informs the interaction between agents and structures by *inter subjective* meanings and understanding of ideas and identity, agents draw within the existing structures (Apeldoorn et al., 2003: 30). Not only the ideas and values that institutions like state or market encompass are important, but the interpretation and the meaning the actors grasp from them, the application they make of them, informs their behaviours and decisions. Constructivism regards the environment of social actors as a cultural or institutional environment, structured by collective schema and rules where agents are socially constructed by societal values and norms.

Realist, liberal and rational choice institutionalists approaches in IR as subfield of European integration, display a convergence toward a Rationalist model assuming the actor to having fixed preferences and rational behaviour. They tend to agree upon the need of institutions to constrain and control actor’s behaviours through a good design of rules. Constructivism challenges this approach but not strongly developed to challenge it (Pollack, 2001: 222).

Both these main schools, coming from neo realism and liberal constructivism, fail to bring a holistic and thorough interpretation about historical structures, how the reproduction of existing structures is made and actor’s position. The classical International Political Economy (IPE) in its beginnings has been under the influence of libertarian tradition, to free market from statist practices but instead allow market operate as self regulating mechanism to make the right distribution of public goods and resources to society. This tradition was present at the beginnings of Karl Polanyi’s analysis of capitalism, as a project unchained from society and political constraints allowing it to operate freely to become the dominant force in society, serving as ground for the future project of neo-liberalism. The failure of this project to bring benefits to society would be replaced by the “double movement”, as a dialectical process between societal forces to bring control on the market and the system of capitalism itself.

As well, Francis Fukuyama understood the existing hegemonic model of market capitalism and liberal democracy as two distinct entities, a reflection of the tradition liberalism to classical political economy. (Cox, 1995: 39) The conception of market system as a self sustaining, inherently natural system set apart from state control and anarchy brings into attention the reproduction of the old structural system, due to the influence of hyper-liberal capitalism model that influenced political and economic disciplines.

In order to better understand how the actual Structuralist school, as a response to mainstream theories of European integration and the classical IPE, we shift the focus critical IPE and Amsterdam School. Critical IPE is a critical theory that does not embark on problem solving attitudes of present world order but instead questions how existing structures came into existence and how they may be changing.

Robert Cox (1995: 33) brings into focus the structure and agency debate, strongly challenging the former views from EU integration mainstream theories. He says that “*a structure is a picture of reality*” and people’s reaction to these structures bring the reproduction of these structures instead of shaping the structures according to their interpretation. Consciousness, ideas are a product, a function and property of the reality, and thus the interpretation of agent, the understanding of ideas takes place according to the laws and principles of the structure, as apriori to human understanding, so the agent’s behaviour will not challenge the system, rather than preserve it. Agents do not shape or change reality, as constructivists affirm, but only reproduce it among the pressures and resistance of the process of transformation.

Structures come before human consciousness but this doesn’t mean that consciousness and ideas are not important (Munandar, 2008: 1). It denotes the objective reality existing outside human consciousness where structures might not be physical reality, but the senses that human agents give to the material conditions, reproduces them like family, the state, the market without challenging their laws of being. The way how structures are reproduced is through *inter subjective* meanings as collective human response to the material conditions, creating new entities not always being physical realities.

These human meanings affect material processes but they come from within established structure – agency system. The reproduction of the structures takes place same way among people because they percept and interpret collectively same way material conditions. These structures are existent prior to human consciousness and understanding, so thus human understanding takes place contained by these historical formations. The newly created structures that might challenge the old ones will inherit predominantly features of the past but cradled in the dominant structures. (1995: 33)

When referring to structures in these terms, it signifies that these formations are rooted in the collective meanings that human actions have inherited through generations, historically based on their interpretation of conditions. For example, Polanyi brings the example of marketplaces and market system. (Hettne, 1995: 4) The first implies rather a physical arrangement of trading goods where the prices are subject to market logics of supply and demand. The market system encompasses the internalization by society of market principles deriving from previous material conditions embodied in market places, dominating many aspects of society dealing with labour, land, job, commodity prices. This market system represents the process of understanding from people the principles and logic behind the market economy reproduced

to the dominant market system, originating from previous embryonic forms of it.

As result, people understanding and interpretation has taken place within previous historical system market institution. State and market are historical creations, as response to certain conditions by human activity. In order to understand how reproduction of the system happens, according to Cox, the main approach that explains the above mentioned debate is *historical dialectic*, meaning elements of contradiction and coherence contained in the structures (1995: 35). Structures through rules and principles introduce constraints, pressure and opportunities to actors. These forces create tension and conflict where the interaction of individuals with the pressure emerging from these structures generates change. It means an alternative structure or a transformative structure within the dominant system. *Dialectic* implies that within every natural thing there will always be contradictions and it is this contradiction which will bring progress. (Munandar, 2008: 2)

This model applied to European Union Policies explains to understand the prevailing values of social and community based, apart the liberal norms. The European model except existence of liberal norms highly displays social norms as social equity, social pluralism, and social market, reflecting the predominant patterns of historic socialist structures over the influence of neo liberal patterns of capitalist market system. Albeit the European model has been under the influence of more liberal and individual norms, the features of old system within pressures coming from neo liberalism, still have been preserved and produced. The nature of these norms and their application in EU's foreign policy especially on enlargement policy distinguish EU as soft power.

4.3 Ideational versus Material Debate

Reflection on the relationship between structure and agency, context and conduct, reveals the crucial mediating role of ideas. It suggests the significance of ideational factors in the causation of political outcomes. As ideas partly reflect actors' behaviour, scholars of political economy explain certain ideas by bringing into analysis material interests that inform the role of ideas upon decisions, and understand why certain ideas gain momentum. This approach leads to two polarised and controversial positions, *material* vs. *ideational* debate.

The *materialist premise* of rationalists does not exclude role of social norms or rules but they are mostly treated as intervening variables between the material interests and the material environment of actors. Ideas provide constraints and incentives, altering cost-benefit calculations and they stress exclusively material conditions as determinant factors to decide for individual's actions (Schimmelfennig, 2003a: 19). Materialists refuse much the significance to role of ideas, claiming that relation between material conceptions of interests and interpretation of interests must be couched in material (normally institutional, political or economic) terms.

Idealists argue that reality is itself the product of “discursive construction”, thus there is no external reality outside of our constructions and meanings. (Hay, 2002: 210) Constructivists start from the premise that political behaviour can not be understood without first understanding ideas actors hold about the environment where they find themselves. Sociological Institutionalism questions the primacy of material interests over ideational factors. It calls for an analysis of context, the institutional norms and value where these interests are identified, constructed and accommodated emphasizing that “is the perception of interests rather than material interests per se that sets actors behaviours and action” (Hay, 2002: 20). Both constructivists and materialists accord to ideas and material forces independent causal role. Ideas are generated from human activity only due to structural conditions where ideas are constructed and shaped. It is important to recognise the interaction between both realms that comprise the political outcome.

According to logic of appropriateness, “*appropriate action is purposeful but the pursuit of purpose is associated with identities more than with interests, and with the selection of rules than with individual rational expectations*” (March and Olsen 1989 : 160 in Schimmelfennig, 2003b). Even though we recognise that identity determines the appropriate actions, construction of identity itself represents the inherent dialectical forces of structures, where interests are construed by institutional values and norms. Identity formation is partly outcome of dialectical forces contentiously evolving between rules, values, norms, culture as well on material interests, embodied in structures. Constructivists do not deny influence of material conditions to identity formation but argue that “only a small part of what constitutes interests is actually material,” (ibid.) the manner in which the material world shapes and is shaped by human action and interaction depends on the normative interpretation of material world (ibid.) Material interests are subjective interpretation by actors about material environment they live, giving meaning and constructing the world around them. It is the ideas that mediate between actors and environment. The understanding of dialectical relation between the actor’s perception of environment and structural values and principles, entails the dialectical understanding of relation between material reality and ideational interpretation (Hay, 2002: 210). Albeit we constitute to ideas an independent role, ideas and material conditions are always bound together, mutually influencing one another.

4.2 Rationalist Approach to European Integration

The lenses of history viewed integration as “realist” perspective, where its dynamics consisted on the high bargaining power of big member states and economic interests. It is exemplified by the competitive relation to access to funds between France and Germany, each aiming to dominate the European market. Their relation was based on economic interest; as well the British commercial interest to join EU (Schimmelfennig, 2004: 85).

The rationalist school coming from a realist perspective explains the integration of new members to European family from nation states' material interest interpretation. The starting point is the assumption that states act as self-interested actors pursuing their national interest or regional interests internationally. States attempt to accumulate their political and economic power in order to safeguard their interests. Through a rationalist decision making of members, if “ risks of being outsiders is higher than cost of admission and if new members “enrich the community economically and/or politically” (De Ridder et al., 2008: 240) expansion will successfully succeed.

The preferences of members toward certain countries are sustained by geopolitical positions and interests of members. Members are grouped between “drivers” representing the advocators of Enlargement and “brakemen” the reluctant countries that show limited preferences to integration of certain applicants due to low level of gains (Schimmelfennig, 2004: 87). This asymmetrical preference replicates the geographical interests of countries and economic interdependence toward applicant countries, due to ... “exogenous increase in opportunities for cross border trade and capital movements” (Moravcsik 1998: 26) that determine national preferences

This explains why the application of western Balkan countries to membership has received consistently support by neighbour members as Italy, Greece, Slovenia, Hungary and other members. Geographical proximity, asymmetrical interdependence determines members' preferences and influence internationally. Albeit this is one stream that explains enlargement, it has proven to be consistent and decisive, when refer to policy making and treaty amending negotiations (ibid.).

The relation among states in favour of enlargement and reluctant states is characterized of intra state bargaining where concessions and side payments of powerful members toward the reluctant, to offset the balance of potential economic loss due to enlargement. Furthermore, access to primary resources and labour at low cost in the countries would benefit the EU's competitiveness on a global scale. Investments are allotted from western countries to Eastern Europe, due to lower labour costs standards and social costs. Third by expanding, the EU would enhance and strengthen its position in the world. It would be able to have greater influence on international and global politics (ibid.).

The economic based interpretation of integration is not only based on a cost benefit analysis related exclusively to material gains but is based also on potential threats deriving from unstable and authoritarian regimes. In the peninsula of Balkans following for decades violent and uncertain transitions, where Albania is located is characterized of political instability, violence, social unrest and underdevelopment demonstrating chances of embarking into nationalistic similar to previous types of authoritarian regimes that might hamper the stability and integrity of region. Certain risks would represent a

consistent threat toward the integrity and security of EU members and would go against EU community values and principles. The offer of membership as carrots through accession instruments, consisting in free trades agreements, expansion of EU single market, creation of new possibilities for trade and investment, and hence for economic growth would reduce the level of political and economic instability, but as well serve as instrument toward the strengthening of EU as promoter of prosperity and democracy to politically instable regions.

From a normative and cultural basis, there is a division in terms of politics, cultural and social that characterizes Western Europe from south, central and Eastern Europe. The unification of Europe as a system with shared values and norms does not deep the differentiation European regions encompasses even though the pan European values echo among member and non member states. Due to diversification, cultural heterogeneity attached with economic interests, is easier for nation states to pursue their ambitions due to difficulty of sharing a common vision. It questions whether the values that European members spread are based on inherent and imbedded system of beliefs or rather utilized as a diplomatic rhetoric toward pursuing of national interests. The pursuit of national interests has evolved into inter state bargaining locating attractive markets for investment, rather than based on common identity and beliefs (Foucher, 1999: 133).

The interest based approach informed as well from geopolitical interests as one stream, explains European integration not only as the symbol of common norms and values, but “ as an element of greater project to reorganise the European continent” (Foucher, 1999: 129). Enlargement is a strategy that aims to reorder the European continent whose practices, decisions, regulations unveils nation states interest and hegemonic power of EU as solid international body. The integration is based on fostering unanimously the European community echo, constitutive values and norms and policy models, aiming convergence economically, politically and culturally between members and non members. The unification of Europe and enlargement invokes not only the identity and founding values of it but as global strategy inclusion of new members that adhere to European system of values, will promote stronger role of EU as a soft power (Foucher, 1999: 132). The Europe has emerged as a global power not only within the continent but as well in regional agreements like North America, Asia and Latin America, extending its active role as an actor beyond European borders. In order to promote globally its community ethos, policies, the European Integration unifies countries from political, economic, cultural standpoint.

4.3 Normative Approach to European Integration

The proponents who view EU as the cradle of constitutive norms and values invoke EU founding principles, based on liberty, democracy, respect for

human rights and fundamental freedoms, rule of law and market systems. Same principles apply to enlargement and are stated in article 6(1) of Treaty of European Union (Schimmelfennig, 2004: 91). These founding principles of EU comprise as well the membership criteria to applicant countries. Countries that adhere to liberal norms and principles of EU and explicitly manifest identification with the collective identity of EU members are willing to be accepted by member in the European family (Risse, 2004: 172).

Union's enlargement policy practice has in turn, stimulated the formation of Europe's global role as a promoter of democracy and human rights. The Community represents not only preferences of nation states but as well the body of values and norms it stands upon and member states as well comply with them. Rationalist authors see enlargement as the result of utilitarian analysis, social constructivists views it as expansion of European community founding norms. The normative approach of EU recognized that actions undertaken by nation states are achieved via cost benefit analysis explaining the association and candidacy status but fails to explain the membership status.

The association status is based in accession instruments in economic cooperation agreements and offering to members' access to new markets same as membership status does. The association status is an instrument that meets economic and security needs of EU members fulfilling their material interests. To understand the move toward full membership, the strategic use of norm based arguments (De Ridder et al., 2008: 243). The advocates of the integration, who request compliance of candidate members' compliance with Community values and norms during enlargement, bring this into focus to reluctant countries that as well adhered to these norms as members but instead refuse non members who identified themselves with pan European identity and community norms and share European culture and civilization.

This is instrumentally used to offset the low material bargaining that applicant countries have but who aspire to membership. As result the membership criteria based on supranational values and norms of European Community, based on liberal democracy and human rights with market capitalism system where all members and candidate members abide by counts as main factor to determine which country will enjoy membership, rather than membership guided by self determining national interests decided by cost benefit analysis. The main leading principles where EU works are supranational and accepted firmly by all members, the arguments based on national preferences and national exchange and bargaining is not a legitimized behaviour. The actions based on community values whose preferences are in conformity to communal identity and principles, their preferences benefit a high legitimacy bargaining power (ibid.).

4.4 European Integration beyond Interests and Norms

In order to understand the reasons of acceptance of non members, the cost and benefits of accession process and membership outcomes, reference will be made with last eastern enlargement. They all were transition countries, former communist states and the path toward membership in terms of agreements and criteria to be met are similar with western Balkan context and Albania. The retrospective in analysis will contribute to understand the attitude of EU as international organisation toward newly member states, challenging the main schools of European integration. The *rationalist school* justifies members' choices to accept new applicants basing their choices on a cost benefit analysis. The new members are supposed to produce net benefits to old members, reduce of security risks the exclusion might derogate the instability of political regime and increase democracy deficits, inclusion offers access to new markets, cheap labour and supply of resources. The *normative school* sheds light to important elements of integration the rationale school does not reflect upon. The rational thinking anchors costs and gains of integration to liberal values and norms, liberal identity based on civil liberties that justify the existence of Community. These systems of belief distinguish the community internally and globally, substantiate actor's choices, actions and decisions shaping political views and political outcome. Both stances inform certain preferences from members to include particular applicant countries, it does not completely correlate the *raison d'être* behind certain decisions. The EU is one of most powerful leading economies and political body that face continuously challenges because of expansion of its territory.

An argument put forward by Joseph Grieco (Grieco 1996: 284 in Schimmelfennig, 2003a: 56) challenges the mainstream thoughts of integration, explaining the EU's decisions to expand aligning to soft power. It entails that integration leads to expansion of internal market and monetary union's projects. The security concern alleged to have primary importance demonstrates a lesser importance when referring to economic power of EU and its position in world economy '...The European nations, concerned not about their immediate security but as a matter of paying prudent attention to their relative position in world economy...to revive the EC in order to continue the economic challenge'.

Integration of new members to internal market expands the economic output, population and territory of European economy in total because it enhances EU's ability to have control on other economies, increasing its competitiveness and gaining higher autonomy and power in international economy. It further develops western European exports, investments and as mentioned above attracts cheap qualified labour and supply of cheaper resources (ibid.). Overall the impact of growth of new members is relatively small; their economic output does not affect the overall economic power of EU in global scale. The strengthening of European economy is not end product of trade integration with eastern members as rationalists envisage

because their net growth is low and contribution to member states is insignificant to strengthen EU economic power globally (ibid.). The study undertaken that makes an estimation of membership in economic terms stress that *“the costs of enlargement exceed its benefits for the member states. Even if the full membership provides net benefits to the EU member states, it is highly doubtful that these benefits would exceed those that new members reap under the current association regime.”* (ibid.)

The argument put forward by EU technocrats that integration strengthens democracy and institutional capacity is a value added to cost benefit balance in favour of integration. Rationalist and Constructivists base their assumption on calculative decision making but they take off from different angles albeit they share common goals. Rationalist and constructivists, use the political criteria as norm based to support integration despite accession costs. Scholars from constructivism camp highlight importance of share common beliefs and collective identity considering integration “a very small price to pay for reuniting Europe and responding to post-1989 challenges” (Grabbe and Hughes 1998: 107) where echo is made to historical standing values to united Europe. The recognition of high costs of enlargement and small benefits that new members bring to Western Europe has not challenged the aspiration for a united and peaceful Europe. It implies that there are not primarily material interests that drive integration of EU to the east but

The rationalist view of political integration like democracy and political stability argued that if transition countries do not embark on EU values the failure of democracy might produce security costs to Western Europe that prevail over enlargement costs, the risk of instability to candidate countries is high and enlargement is the best instrument to prevent negative externalities but spread liberal values instead (ibid.). Among these rhetorical arguments used from enlargement designers, the political instability prevails in western Balkans where violence and ethnic divisions has taken place consistently, have not proved to endanger the successful liberal democratic regimes of the West. Instead, even in cases when civil unrests and ethnic cleansing led to bloodshed, military interventions by western presence have succeeded in achieving control on certain territories, instigating no direct threats to material interests of Western Europe.

Going beyond the thick rational thinking and normative based arguments, EU initiates negotiations with countries that have been established, that share interest and motivation to comply with international rules, fulfil obligations that arise from membership. The rational and constructivists do not explain the acceptance of EU to pursue negotiations with eastern Europe to apply for membership, and provide evidence that integration is not bringing the alleged economic contribution to affect EU financial budgeting. The economic growth marked by Eastern Europe is insignificant compared to economic gains of old members that contribute to high share of the budget. The material interests do not strongly encounter as main drive to enlargement of EU. The normative basis informs better the choices of political actors from Community but

restricting integration to cherished, altruistic, libertarian values supposedly to represent the principles that created European Community would underestimate the complexity and dynamism EU come across.

The power on shaping the preferences of other countries, attracting new members who share a different past from Western liberal democracies, but part the desire to construct their countries future based on new values of freedom and individual liberties strengthens internationally EU as an extraordinary actor. The integration is based on fostering unanimously the European community echo; cultivate pan European values bringing closer countries to one common system. Sharing common identity and recognition of common ideals about human freedoms and liberal identity invokes unification of Europe not only the identity and founding values of it but as global strategy. The role of these values to attract non members to join European family dictates the soft power of EU to attract them to join by shaping their preferences, attaching and institutionalizing these desired norms to European policies through conditionality. The inclusion of new members that adhere to European system of values, promote a stronger role of EU as a global power as it is one of leading economies and political body that face continuously challenges because of expansion of its territory. The eastern enlargement economic growth might not contribute to overall EU's economic progression but it leads to expansion of internal market and monetary unions and promotion of values that sustain the process like market capitalism, free trade etc. The enlargement of European territory favours the position in world economy as a leading economic power, enhancing the magnitude and eminence of EU as a unique power.

Chapter 5

The previous chapters first argued that integration is a process upheld through dissemination, share of liberal norms and collective identity that echo pan European values. The rationalist argued that material interests of nation states justified by geopolitical interests push toward accession of new members. It brought into focus the role of human freedoms, liberal values and common ideals, as ideas that unify Europe's identity and attracting others shaping their choices and behaviours. These common values are institutionalized into EU's policies through conditionality. It concluded that integration of new members promote and increase the desirability of EU policies due to attractiveness of values that inform these policies, endorsing EU as a global polity.

Case Study: EU Design of Anti Corruption Strategies

This chapter will analyze the normative basis of anti corruption policy design under that corresponds to political criteria of SAA, utilizing the analytical tools applied in theorizing European Integration. This chapter has as main assumption the ideas of EU and World Bank states interventionist role to market forces leads to state capture - as form of grand corruption. Their anti corruption approach consist to reduce role of state to tackle corruption. In order to achieve respect for democracy and rule of law, stability of political institutions we need to established a free market economy to have an equal distribute of public goods to citizens by reducing state involvement in economy through liberalization of market, privatisation of means of production and state enterprises, deregulation in order to reduce the state bureaucracy impinging on market. The form of corruption I will look upon is State capture because better reflects the dichotomy of State vs. Market when referring to corruption and epitomizes the tension between the two domains. As well state capture represents the most dominant form of corruption to transition countries, has become the gangrene of Albanian society, and has paralyzed normal functioning of social, economic and political life of the country.

Thus it is my attempt to restrict the scope of this paper to analyze the Design of anti corruption policies that directly affect political vs. economic factors that tackle State capture as form of grand corruption, without falling into particular administrative policies and specific sectional reforms undertaken by Albanian government.

The chapter will study the normative basis of anti corruption strategies, further probing the interest based stance of EU behind the orthodox principles of institutional policy design. The interpretation will flow based on same analytical tools applied to theorizing European Integration, utilizing similar analytical as in the above chapter.

5. 1 Understanding Corruption

Corruption is a contested notion difficult to define in a phrase because of the complexity its dynamics and hidden practices it encounters. The classical definition applied today dates in 1967 from American scholar Joseph Nye. Corruption is a 'behaviour which deviates from formal duties of a public role because of private regarding status gain' (1967: 417) the impetus for deviation is personal, familiar, or political and the gains could include wealth or status gains violating rules against the exercise of certain types of private-or regarding influence. Corruption unveils the extended role of state officials and civil servants abusing with their official position to reap benefits by private parties or as Shah appoints 'the abuse of public office for private gains' (2007: 234). The regulatory mechanism of government to control activity of private sector provides incentives to public officials to embark upon corrupt behaviours and corruption in public sector reform signs the failure of State to govern.

One of the most pernicious forms of corruption as outcome of extensions of state role is "state capture"- corruption influencing the formation of laws, rules and regulations (Gray and Anderson, 2005). *State capture* envisages efforts of firms to set the "rules of the game" by shaping laws, policies and regulations of the state to their own advantage, providing illicit private gains to public officials- in few words is the capacity of private sector interests to capture the state (Kaufmann, 2004: 5).

The economic and institutional environments that nurture corruption describes the relationship between the state and private sector, as determinant factors that define the scope and incentives to engage in corruptive practices. The relative bargaining power of state officials and private actors determines both the overall impact of corruption on society and the distribution of gains (Rose- Ackerman, 1999).

5.2 Anti Corruption Strategies

"Whole societies and economies have been dismantled and restructured according to the advice of Western experts, none of whom have any experience in building capitalism from scratch but many of whom claim authoritative knowledge as to how it must be done".(Kearns, 1996: 87)

In the era of political conditionality and European Integration, anti-corruption has emerged as a top priority in the agenda of main international organisations as European Union and World Bank. Corruption is a sensitive issue which makes impossible the separation of economic from the political domain. As we will see under the EU style, the state and market reform under the Copenhagen Criteria with a long list of conditionality attached to SAA, Albania is expected to undertake individual economic and institutional reforms based on liberal norms and principles. It challenges the complex economic and

political aspects of corruption inducing conditionality that clearly separate state from market.

This separation is informed by liberal principles and values of liberal democracy and market capitalism as symbols of integration and prosperity. The mainstream European integration policies stand upon “liberalism” which is a critique not only of autocratic government but of the state as such. Market solutions to the problem of resource allocation are, according to the liberal view, seen as inherently “natural”. (Hettne, 1995: 4-7) The market is viewed as a self regulating system with logic of its own.

This separation exemplifies the sequencing of reforms, first instigated by structural adjustments, macroeconomic policies, and reconstruction of economic sector followed by institutional capacity building, administrative reforms, transparency and accountability of public administration. The sequence of reforms implies as prerequisite the modernization and development of economy, paving the way to establishment of democratic regime. It challenges the very basics of corruption subsistence that entails economic and political implications entrenching state capture due to the dynamics and intertwined functions of both domains.

The increase of corruption to a very dangerous degree, the surrendering of market to monopolies, distorted implementation of laws and malfunctioning of institution have augmented corruptive situation in Albania. The SAA among the variety of conditionality, under the political pillar requires stability of institutions guaranteeing democracy, rule of law, human rights and respect for and protection of minorities. The fight against corruption represents not only building a market economy from the ground up but also creating a modern regulatory framework state capable of implementing the EU *acquis*.

EU compels to Albania as potential candidate member to transpose and implement standards of internal democracy, state administration and detailed regulatory protection (Moravcsik and Vachudova, 2003: 46). The fundamental priorities of the anti corruption strategy under SAA are an integral part of National Strategy for Development and Cooperation 2007-2013 of Albanian Government. Some of main areas highlighted in Anti Corruption Strategies Priorities and Policies are:

- Prevention, transparency, all-inclusiveness and education of political system, ethics of public functionaries, election system and review of self regulating mechanisms
- Sector reforms (business climate, civil service, public procurement, local government, justice etc.)
- Consolidation of transparency and integrity in public administration through free access to activities of public institutions
- Increase integrity and resistance against corruption in justice system

- Strengthen administrative measures in the fight against corruption (Government, 2007: 33)

In terms of the economy, establishing market order and reduction of monopolies that undermine competition, the Government has established this action plan under the framework of SAA:

- Development and Management of Regulatory Framework
- Removal of unnecessary Barriers in the fields of licensing, customs, tax, tax, land, inspection and administrative barrier
- Monitoring and Evaluation of reform, including establishment of a system of regulatory impact assessment

The strategy aims to adopt the legal and regulatory frameworks of Albania with EU model to limit corruption, by setting the rules right like improve administrative capacity, attract foreign investments and facilitate fuller insertion into the EU and global economy (Moravcsik and Vachudova, 2003: 47).

The anti corruption priorities under Stabilization and Association Agreement have as basis the establishment of clear and transparent rules to public officials elucidating the costs and opportunities involving in corrupt behaviours will reduce state rents because rational individuals realise through a cost benefit analysis that getting involved to corrupt behaviours will increase the chances of getting caught.

The strengthening of institutions to accommodate the costs of modernization of economy, increasing of transparency and accountability of public administration to reduce the opportunity of civil servants to embark on corrupt practices and other institutional prescriptions under the European rhetoric of policy makers consists in 'getting the rules right'.

The economic pillar of Copenhagen Criteria present conditionality linked with implementation of specific economic policies, such as existence of a functioning market economy and capacity to cope with competitive market pressures with the Union. Under these norms are implied structural adjustments policies, withdrawal of state from many areas of economy, imposing economically high costs. Applicants who need to expose their industries to Western firms decrease their state subsidies to weak sectors and privatize relatively quickly large enterprises, banks and state utilities having a high cost to their domestic economies (ibid.). These reforms are part of completing the transition to market capitalism.

3.2.1 Rightsizing the State

EU policy instruments in early 1970 consisted on setting institutional rules, regulations and procedures, underpinned by emergence of new institutionalism

that recognised the role of institutions in policy making and actor's behaviour. Rightsizing of State means that 'marketization is not business of state, but state functions should be reduced to protecting freedoms' (Bruszt and Stark, 2003: 74). It reflects a rather institutionalist approach of state vs. market toward getting the rules right. The purpose is not reduction of state role but rather increase its 'regulative, administrative and planning capacity' (ibid.) It envisages set of basic conditions to facilitate market externalities, creating incentives for capitalist class to fulfil market's function through its self regulating mechanisms spreading public goods. Europeanization that consist in developing domestic institutions and policies at European level, founds the plethora of policies informed by norms and principles of liberal democracy and market capitalism. Europeanization is a process of meeting norms and standards (Bruszt and Stark, 2003: 74). Under this assumption, anti corruption strategies are drawn based on liberal values and separation of state from market and on the neo classical model of rent seeking where state has the ability to create rents that distort economy and reduce welfare thus a separation of state from market is needed to enhance market productivity (Shah, 2007: 170).

The fight against corruption is pointed to reduce the ability of state to create rents and reduce the incentives to be corrupt by increasing salaries and improving accountability and monitoring of public institutions. Seizing state's role in economy, by drawing a separate line between state and market persisted primarily in liberalization, deregulation and privatization of economy, reduction of state subsidies, tariffs and quotas, privatizing public sector enterprises and transfer of ownership from state to private sector to raise market efficiency. Many transition countries have undertaken policy and institutional reforms in recent years that have led to significant changes in the "rules of the game", helping to fill voids left with the abandonment of communism (Gray and Anderson, 2005: 271-272).

Rightsizing the state does not entail abandonment of State functions but rather setting clear the rules and the core tasks the state operates, increase of its capacity to function efficiently while saving the state from regulation and control of market domain. By setting a basic legal and institutional framework, allowing market forces to operate independent from it, will allow to provide essential public goods. The EU approach toward modelling the assistance to government institutions and market is informed by the belief on self regulating mechanism of market in providing public goods and reform of State to provide a basic infrastructure to help market fulfil its role. It encompasses that free markets separate by state but instead are the best drivers to economic growth. State interventions will hindrance the self regulating mechanisms of market while transferring its goods to citizens, by increasing state rents.

The second approach under SAA has been to reform public administration providing further incentives to public officials reducing their corrupt behaviours through higher salaries. Public officials are expected to lower corruption because they increase the opportunity cost of corruption, having higher chance of being caught (Shah, 2007: 173). This approach does

not function when the probability of getting caught is low, meaning that a higher salary serves as reward toward continuing corruptive practices.

5. 3 State vs. Market - The Interdependence between Economic and Political Conditionality

The intervention of EU to increase transparency and accountability of institutions that contribute to a democratic rule and restructure of economic sectors in compliance with EU standards endeavour to facilitate establishment of market capitalism and liberal democracy to Albania. The supportive ideas of transformation focus on political transformation under its political pillar of democracy and rule of law, and economic pillar including establishment of a competitive market system, restructure of economic conditions to accommodate needs of capitalist system. Albeit these criteria have been conditionally articulated to Albania after application for association status, the institutional and market reforms have prevailed immediately with commencement of relation between EU and Albania, within PHARE and CARDS assistance program.

The prevailing western orthodoxy that embraced Albania in early 1990's and other post communist countries early 90s was drawn upon the ideology and legacy left by Thatcher and Reagan administrations (Kearns, 1996: 63). "Return to Europe" meant the transition from a previous command economy to market capitalism would be further translated in liberalization, deregulation and privatization. This approach did not account the context, the political instability, the emergence of new political elites a non functioning command economy, inexistence of capitalist class. The initial economic liberalization followed EU's conceptualization of market as inherently a separate entity from state because of its characterization of bounded rationality that would protect political and economic freedoms of individuals.

The economic restructuring followed opening up of market, reduction of state role on economy by attributing reliance to market in delivering public services and wealth. It meant a rapid reduction of state subsidies, liberalization of prices, trade, exchange rate to stimulate foreign investment and competition (Gamble and Payne, 1996: 64-65). The primary intervention consisted in combination of macroeconomic "shock therapy" with immediate elections as indicator of representative democracy based on a universal and linear vision of progress, in sense that once measures had taken, improvements would follow and macroeconomic methods based on monetary stabilization, price liberalization, and privatization of state owned enterprises (Fortman, 2000: 82).

Scholars that contradict the artificial separation of state market reforms that separate the state by seizing its functions and role stress that 'the economic institutions of capitalism are in effect *political*'. (Williamson in Shepsle, 2006: 34) The economic and political system in order to overcome transition necessitates much more than opening up the market and organizing

periodical elections (Fortman, 2000: 80-81). In order to deepen critique toward EU's approach of fighting corruption and rental state through the division of duties of government institutions from market, IPE underlies that no economic system can exist for long without a stabilizing political framework of some sort, that a non interventionist state fails to achieve. The fundamental concern of political economy is the interaction between state and market, or in different terms, politics and economics. ...*In the absence of state, the price mechanism and market forces would determine the outcome of economic activities... in the absence of the market, the state or its equivalent would allocate economic resources...* (Gilpin, 1978: 8 in Hettne, 1995: 3)

EU's approach of freeing the market from 'invisible hand' of state is based in classical rational theory that estimate market forces as expressions of human rationality that promotes "realm of freedom" opposite to state. Market is the domain where human rationality takes shape but the main ideological concern of the structuralist school is the interaction of state and market. The IPE School believes that state and market as two separate entities, stand on incompatible logics so to make them productive and compatible interaction among the two is needed. *The logic of the market is to locate economic activities where they are most productive and profitable; the logic of the state is to capture and control the process of economic growth and capital accumulation.* (Heilbroner, 1985: 94-5 quoted in Gilpin, 1987: 11, in Hettne, 1995: 3) Today the key criterion applied from EU is competitiveness, privatization, and the restriction of public intervention in economic processes. The over emphasis on establishment of market system prior paving the way to liberal democracy is transforming states between external economic forces and domestic economy 'into agencies for adapting domestic economies to the exigencies of the global economy' (Cox, 1995: 39).

Karl Polanyi's analysis of capitalism in the nineteenth and twentieth century was focused on the utopia of self regulating market. The project was to disembody the economy from society so as to allow the market to function without social or political constraints, in effect to make it a dominant and unrestricted power over society. According to Polanyi neither should be seen as primary, their relationship is interactive and dialectical. The qualitative change in the economic and social structure of European society that Polanyi called the Great Transformation was ultimately caused by the market system. As market exchange can only be amoral, it is for the political regime to deal with the unintended and/or unwanted consequences of the way in which an unregulated market operates. (Hettne, 1995: 11)

5.4 Defining the rules of the game: how to interpret EU conditionality?

EU is internationally recognised for its sophisticated and voluminous chapters of conditionality by making a wide range of policies conditional rather than negotiable. The Stabilization and Association Agreement guides Albania towards membership and facilitates political transition. These are two different objectives that do not match in terms of priority and compatibility. It offers a high leverage to EU to adapt the priorities and conditionality leaning towards membership obligations and less support reaching toward political and economic stability. EU plays a two fold role that of ‘aid donor’ imposing conditions with intention of benefitting aid and that of ‘club membership’ guiding countries toward membership, creating incentives and monitoring the progress.

This multiple criteria including a wide range of policy outputs focus aid exclusively on accession requirements and less to facilitate the transition toward democracy consolidation (Grabbe, 1999: 3). EU prefers to establish relations with countries that have already established core foundations.

The nature of EU conditions compared to World Bank and IMF, are not linked to specific economic policies and measures to take like the structural adjustment programme by IMF and the benefits is finance. The Copenhagen conditions are broad and subject to interpretation, known as ‘the moving target’ (ibid.). The concept of meeting the conditionality is wide and the lack of accurate definition raises EU’s leverage to constitute if conditions are met according to its interpretation and if the aid is granted. The first two Copenhagen criteria do not define what constitutes ‘democracy’ and ‘market economy’ and ‘capacity to cope with competitive pressure and market forces’ are fuzzy and arguable concepts. It does not entail any *raison d’être* how these conditions will facilitate to converge with western countries leaving no opt-outs to negotiate. It enhances the power asymmetry between EU and applicant countries. The same ambiguity in notion impinge on the *acquis communautaire* referring to whole body of EU rules, political principles and judicial decisions remains open to interpretation, even more considering the dynamics and of the growing body of legislation that changes whole time.

Another debated issue that refers to post communist context, is whether conditions set up to Albania and western Balkan countries under the ‘club membership’ position, are the appropriate response to adequate assistance to market transition and political institutions. The open ended liberal norms and values under the conditionality represent the main principles that favour EU’s leverage and stipulates reforms, attract other countries to join the ‘ownership club’ . As conclusion, the Copenhagen Criteria leaves it open to interpretation and how close Albania is to meet them and obtain financial reward will highly depend on EU’s gate keeping role to ‘fairly’ monitoring the progress achieved so far.

Chapter 6

Conclusion

The EU has developed into a significant, key global actor over the past half-century. This role is reinforced by expansion of territorial border through European Integration. Integration is one of most important strategies of EU's foreign policy that exemplify the best instrumental use of carrots and sticks to membership and the power of attraction through European liberal norms and values.

As mentioned in beginning, the phenomena of European Integration would be grounded in case of Albania because it is a potential candidate, obtaining association status after signing the SAA in June 2006. The hypothesis of this paper questioned whether liberal values, norms and collective identity were used as a platform of enlargement to push development as force for good, or rather material forces inform enlargement as a strategy to promote EU's economic and political leading position in the world. European integration has been defined as most powerful lever of EU's foreign policy to transform societies by serving as model through persuasion, compromise, dialogue and attraction rather than coercion through the use of soft power.

First of all it has been argued that with the introduction of membership requests, EU's approach toward Albania shifted from a developmentalist approach focusing on development, reconstruction and adjustment of economy, toward an accession driven approach, where financial assistance ceased to work on pivotal sectors of economy but rather on state institutional reforms. This shift unveils the priority of its reforming agenda where economic integration is prior to any form of transformation will bring political and social integration. The change in priorities in EU political agenda did not help Albania to keep the momentum of reforms, failing to support the very basis of its integration. The leverage to set the objectives of its transformative strategy disclose the top-down approach that characterizes EU in relation with applicant countries, where the accession negotiations reproduce "the structure of power asymmetry between the negotiating partners" and candidate country as in case of Albania has no power to discuss or negotiate integration strategy but is simply a consumer of the products and means.

Second, the European integration model envisaged consists on a commitment to peace, freedom and prosperity that has not only served the original six founding nations well, but served to promote universal goods along with a set of rules and conditionality. We defined soft power as the ability to shape the preferences of a country by attracting through cooperation rather than coercion offering membership carrots upon completion of conditionality. Conditionality was justified under instrumental use of shared values and norms with the belief that stability can be achieved if Albania and western Balkan countries embrace democratic values. In previous enlargement this promise was not succeed and as well now at this stage of integration. Rather we

concluded that expansion of European borders rests on interest of West to attract eastern markets and bond them to economic means primarily serving EU's strategic interests in stability, security and expansion of western investments to attractive eastern markets through economic integration. Here is well, became evident the separation between state and market EU draws in its integration strategy, informed by the belief that basic economic preconditions are more than important to start negotiations for membership.

Third, from a theoretical point it has been argued that even though the debate among rationalists and constructivists pursues on the material versus ideational factors that explain integration, the conclusion drawn is that integration of new members that adhere to pan European valued of individual freedom, liberal norms, political and civil liberties promote to strengthen EU as a global power as the territorial expansion and identification with a common identity favours the position of EU in world economy as a leading economic actor.

Another important note that explains the integration dynamisms behind EU is when referring to institutional design in the case of anti corruption strategies. The design of strategies drawn by EU is based on liberal values and separation of state from market because state has the ability to create rents that distort economy and reduce welfare thus a separation of state from market is needed to enhance market productivity. The political economists challenge the perspective of EU toward by elucidating that their relationship is interactive and dialectical. If we see state and market as two separate entities, they stand on contradictory logics so in order to make them efficient and compatible while distributing services and public goods, the interaction among the two is needed.

European Integration in Albania is highly problematic. The double agenda in the Stabilization and Association Agreement has led to contentious objectives that do not match in terms of priority and compatibility. According to agreement stabilization comes first and association comes second in the hierarchy of EU objectives. In practice, implementation of agreement has set as priority under CARDS, institutional reforms with focus on transparency and capacity building. EU reforms under the association status and membership conditionality fail to meet the needs of country, to fill the economic and political voids of transition, by losing its credibility as a 'force for good' to push for change.

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