

Book review

Bruno S. Sergi and Qerim R. Qerimi (2007) *The Political Economy of South Eastern Europe from 1990 to the Present. Challenges and Opportunities* Continuum Internationals Publishing Group: London, New York.

Towards a better understanding of south-east Europe

After the fall of the iron curtain in Europe, the Balkans has delivered tons of headlines to the western media – unfortunately, mostly bad ones. Besides news of the wars in former Yugoslavia (especially in Bosnia and Croatia), stories of corruption, crime and poverty have reached newspapers, TV and radio stations in the west. For the vast majority of political observers and analysts, the situation in the Balkans has seemed inscrutable and full of brutality and chaos. It was obvious that this great instability in south-east Europe would also have a negative impact on the rest of the continent. At present – after wars and many ethnic conflicts – the region is much more stable and secure than it was ten years ago, even though Kosovo still remains a source of danger.

The book *The Political Economy of Southeast Europe from 1990 to the Present – Challenges and Opportunities* by Bruno S. Sergi and Qerim R. Qerimi analyses the economic and political transformation of the Balkans and provides an extensive overview of the reasons, conditions and factors concerning the recent instability and the current situation. Furthermore, the book is focused on the present and future perspectives for south-east Europe. For the two authors, the key perspective is quite clear: integration in the European Union. Integration and co-operation, instead of disintegration and separation, might be the right path to greater prosperity and stability for the whole region. Against this background, the book analyses and describes – besides a general overview of recent history since 1990 – past and present trends in decisions affecting the development of south-east European countries. In addition, future trends and alternative solutions are outlined in the final chapters of the book. Human rights, the rule of law, economic growth, infrastructure development, regional co-operation, EU integration and the fight against corruption are only some of the themes which play a major role in Sergi and Qerimi's examination.

In view of the continuing desire for EU membership (Croatia and Macedonia are expected as the next member states), the authors illuminate the inter-relationship between good governance and democracy, i.e. the interaction between democracy and human values. The authors' conviction is that the 'concept of democracy' corresponds with the 'concept of stability'. Entry to the European Union will provide new:

Possibilities for freedom, respect for human rights and finally, sustainable human development.

However, in the past the EU has:

Sent inconsistent signals about its objectives and priorities

to south-east European countries, in Sergi and Qerimi's critical assessment.

In order to achieve a continuing enlargement towards south-east Europe (beyond Romania and Bulgaria) and *ad hoc* co-operation policies, the authors provide a frame-

work for the fiscal and monetary aspects of a political economy in transition after a discussion of the EU integration process and following some hints of the difficult discussions according to the contributions to the EU budget, especially in the sector of agriculture policy and the structural funds. The developed framework (called the 'Bruxelles Consensus') incorporates an interesting strategy with an active fiscal policy and an active public sector in consideration of a constant ratio between gross public debt and gross domestic product (GDP). That means that governments should be empowered to run a budget deficit, but that they must at the same time avoid a rise in the ratio of debt to GDP above an agreed level. A long-term benchmark, in this sense, is suggested as the sixty per cent outlined in the Maastricht Treaty. In considering different macroeconomic indicators, the authors come to the conclusion that many south-eastern Europe countries have sufficient manoeuvring space for an active economic policy, including a deficit spending strategy within the framework of a coherent growth policy.

The book continues with a summary of the candidate status of all south-east Europe countries, regards the financial instruments for external assistance by the EU in the post-2006 period, gives overviews on economic growth and foreign investment and underlines the importance of the private sector and small and medium sized enterprises (SME) for a stable economy in the region. Referring to the development of the SME sector, the authors require a common programme framework which could reach all countries of the Balkan peninsula. Such an initiative should provide an institutional framework for SMEs, strengthen the rule of law, gain a better access to credit and capital for SMEs and encourage an appropriate taxation policy.

The issue of tax policy strategies are discussed more broadly in their wider context. All Balkans countries are pursuing a strategy of low tax burdens. In contrast to the clear tendency towards higher tax rates – as an instrument for financing welfare systems and public infrastructure – in the last century, the reduction of tax rates to a minimum is on the political agenda today. In order to attract international investment and to avoid tax evasion, as well as shifting production and promoting efficient markets, low tax regimes such as flat-tax systems are being implemented in south-east Europe. Sergi and Qerimi consider the possible effects of low tax rates (both the short-term and the long-term effects), describe the tax reforms of each south-east Europe country and analyse the issue of tax competition.

However, who will pay for adequate economic infrastructure and efficient public services? Does the EU presently finance low tax systems in transition countries? What will be the future trends? The 'Washington Consensus' (this term describes the neo-liberal reform package) has not produced the desired results. Is there a chance to arrive at new priorities? Could the 'European Social Model' be an alternative? The book ultimately develops the background for possible answers to these questions. It shows the main challenges for this model in western Europe and illuminates the issue of reforming the welfare state in eastern Europe.

The Political Economy of South Eastern Europe from 1990 to the Present is addressed to students, professionals and the general public. The publication provides comprehensive descriptions and explanations, including profound data material concerning the economic and political transformation in south-east Europe from which readers will gain a better understanding of the entire region.

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