



EPC WORKING PAPER No.31

The Balkans in Europe: containment or transformation? Twelve ideas for action

Rapporteur:
Rosa Balfour

June 2008

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Task Force participants:

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About this Task Force

This Working Paper is the product of the discussions which took place within the EPC's Task Force on the Balkans in the EU. The debates on the issues addressed in this publication were based on presentations by Task Force members, who also actively participated in the discussions and the drafting of this paper.

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Foreword

By Graham Avery

In analysing key developments in recent years, the European Policy Centre has regularly focused on the challenge of integrating the countries of the Western Balkans into the European Union.

The countries of the region – Albania, Bosnia and Herzegovina, Croatia, Serbia, FYR Macedonia and Montenegro, plus Kosovo, which is now in the process of international recognition – have received the promise of EU membership and effectively constitute the Union’s ‘next frontier’. Since these states of the ‘Western Balkans’ are the only countries in the region remaining outside the EU, we refer to them in this paper simply as ‘the Balkans’.

When the promise of future membership was given by the EU’s leaders at the Thessaloniki Summit in 2003, many hoped that the ‘transformative power’ which the Union exercised so effectively in its accession process with the countries of Central Europe would be equally successful in the Balkans. But experience has shown that success is much more difficult than expected – alas, history teaches us that affairs in the Balkans are always more complicated.

The findings of the International Commission on the Balkans, which were presented at the EPC in 2005 by its chairman Giuliano Amato, showed that a lack of progress in the region can drive it towards dangerous instability. Members of that group warned that the region as a whole needs to move from the ‘protectorate stage’ with weak state structures onto the ‘accession path’ of EU membership, for which the resolution of status and constitutional issues is a precondition.

In 2007, in the EPC’s Policy Brief *Balkans in Europe: why, when and how?*, the authors (Graham Avery and Judy Batt) argued that the challenges ahead have to be confronted by both sides. The EU and the countries of the region need to work together better in providing leadership and political will, strengthening mutual confidence and sustaining momentum. Successful EU enlargement is a joint partnership in managing the dynamic interplay of politics within and between the Union and the aspirant members. It takes both sides to make it work.

In view of the crucial importance of the Balkans, the EPC and its strategic partner, the King Baudouin Foundation, decided to return to the theme in 2008, bringing together a Task Force of international experts which held a series of meetings between November 2007 and May 2008.

The key theme driving the work of the group was whether the EU's existing policies are really capable of moving forward from containing the security risks in the Balkans, essentially by means of the 'protectorate' method, onto the path of 'Europeanisation', by means of the instruments of the accession policy. In other words, is the EU engaged in containment or in transformation in the Balkans? That is the basic question to which this paper responds.

Underlying it is also another basic question: will the Union succeed or fail in the Balkans? We cannot yet give an answer to that, but recent developments, particularly concerning Serbia and Kosovo, demonstrate that the long-term political stakes are high.

For the countries concerned, the only realistic prospect for achieving stability, security and prosperity on a durable basis is integration with the EU. In the many reports, strategies and recommendations which have been made concerning the region, what other plausible solution has been proposed?

If political leaders in these countries do not make the effort to move forward on the path to the EU, they will fall behind their neighbours.

For the EU, the situation in the Balkans continues to be a test of its capacity and credibility on the international scene. After a period of introspection dominated by the problems of the Constitutional Treaty and then the Lisbon Treaty, the Union needs to be more outward-looking – and the accession process in the Balkans, with a coherent common approach, will be made easier by the Lisbon Treaty's new architecture for foreign affairs.

If the EU cannot succeed in this region – in its own backyard – how can it expect to be taken seriously by other international actors?

This paper aims to contribute to the debate on how to ensure that it does succeed. I would like to thank all the Task Force members, EPC Senior

Analyst Rosa Balfour (who acted as *rapporteur* for the group and authored this paper), and EPC Programme Assistant Thomas Vanhauwaert (who compiled the tables in the annex) for all their hard work.

Graham Avery
Chairman, Task Force on the Balkans in the EU

Executive summary

2007-2008 has been an eventful time for the Balkans. Kosovo's Declaration of Independence triggered fears of yet another spiral into violence, and repeated elections in many countries have often failed to produce clear-cut choices in favour of following the path towards the EU.

Having so far weathered potential crises without plunging into violence, the challenge should now be to make the Balkans "boring", as Enlargement Commissioner Olli Rehn said recently. But in order to do so, ways forward need to be identified by analysing EU policy towards the region and its successes and failures to date.

This Working Paper aims to do just that. It explores the dilemmas facing the EU and the challenges in the region, and, based on this assessment, suggests 12 ideas that could guide not only future action by the EU, but also by the countries in the region and other institutions, such as the newly-established Regional Cooperation Council.

In terms of dilemmas, the EU has so far been following a dual track.

On the one hand, it has been pursuing a strategy based on offering the prospect of accession, using the 'soft' tools developed in previous enlargement rounds with the aim of transforming the countries of the region into potential EU Member States.

On the other hand, it has addressed challenges specific to the region, which differ from those in post-1989 Central Europe, by deploying the 'harder' tools of military and police intervention and by building 'protectorates' in Bosnia and Herzegovina and most recently in Kosovo, revealing a security-driven logic based more on *Realpolitik* than on the aim of making the Balkan countries look more like EU Member States.

Security and 'transformation' are not necessarily incompatible, as enlargement to Central Europe demonstrated, but in a context of instability they can sit together very uneasily.

This publication concludes that the EU should aim to end this dilemma by focusing more strongly on the process required to end 'protectorates' and

shift powers to local leaders. This would make the concept of ‘ownership’ more real and empower Balkan governments to take responsibility over the people who elected them. The exit strategy from protectorates should become the entry strategy into the EU.

The dilemma posed by the need to both ensure security and foster transformation has also been behind the inconsistencies in the Union’s application of ‘conditionality’ to the countries in the region.

It should be clarified that conditionality is not an *à la carte* menu. The EU cannot afford to compromise on principles it has long upheld, lest it jeopardises the whole accession strategy (including to Turkey and other future applicants), with the side-effect of making enlargement indigestible for EU citizens.

But it should also provide more and targeted ‘carrots’, and make them available sooner, for instance by ending the distinction between aid for countries which have already achieved candidate status and those which have yet to do so.

Introducing early screening – the first stage on the road to formal accession negotiations – would help governments and administrations in the region channel their efforts in carrying out reform. The Balkan states should start tabling their EU membership applications as soon as there is certainty over entry into force of the Lisbon Treaty, capitalising on the attention that the region has recently received and boosting the commitment towards enlargement in Brussels and in Member State capitals, as well as in the Balkans.

The Balkan states urgently need a reaffirmation of the EU’s political commitment, to counter the negative impact of ‘enlargement fatigue’ on the region. One clear signal of that commitment would be to begin work soon on the institutional provisions and changes needed in the next Treaty of Accession to be signed (probably with Croatia) to accommodate a growing number of EU Member States. The countries in line to hold the EU’s rotating Presidency over the coming 18 months need to prioritise the Balkans, as Slovenia has just done.

Alongside some stronger incentives, the EU should ensure that a likely accession scenario based on a ‘regatta’ approach (with individual countries joining as and when they are ready) does not create new dividing lines in the Balkans or disrupt patterns of regional cooperation – an essential part of

the jigsaw in helping the region overcome the legacy of wars – but rather serves as a virtuous example to the neighbours of acceding states.

In parallel, the EU should strengthen its communication with Balkan citizens and societies. The ‘carrots’ to be offered should bring real benefits to the population: possibilities to travel, develop businesses and open up to the world are crucial for a region which has moved from being very international (except Albania) to very isolated. Alongside visa liberalisation, a Balkan Passport Agreement would serve a variety of purposes, from maintaining the momentum of regional cooperation while individual states gradually join the EU, to fostering pan-regional exchanges.

Introduction

The countries of the Balkans have been given a firm promise of EU membership. The question is not whether they can join the Union, but how and when. But in making the political and economic reforms necessary to qualify for EU entry, they are having to cope with a very difficult historical legacy.

Over centuries, the region has experienced political, social and religious vicissitudes: after the 1939-45 war, it was united in the Socialist Federal Republic of Yugoslavia, but when that disintegrated in the 1990s, national, ethnic and religious conflict led to wars and to the intervention of the United Nations and NATO.

In the post-conflict situation, ancient and new rivalries and persisting fears lie just below the surface. There are basic problems of statehood – Bosnia is still under external tutelage and the question of Kosovo's independence is not fully resolved. All the countries in the Balkans face problems of poor governance, corruption and organised crime, and the region suffers from a political dependency syndrome – solutions are expected to come from outside. But reforms, and EU membership itself, require autonomy and a functioning democracy.

There is a powerful argument for the Union to support the countries in the Balkans on their path towards European integration and reconciliation, both for the states concerned and for the Union itself.

For the EU, this would mean ending the 'containment' of the countries in the region – dealing with the problems caused by conflict, refugees and mass migration – in favour of 'transforming' them into modern and functioning democracies.

The human potential is there: demographic rates (with the exception of Kosovo and, to a lesser extent, Albania), levels of education, life expectancy and health standards are not that dissimilar from those of the EU Member States [as Tables 1 and 9 in the Annex show]. Yet current politics in the region seem at odds with the potential that Balkan societies could offer.

Within the EU, there are still doubts about the desirability of taking in more countries after the expansion which increased its membership from 15 to 27 in

two waves of enlargement in 2004 and 2007. However, the perception of ‘enlargement fatigue’ which followed that increase has now been reduced: the functioning of the Union has not been paralysed by the arrival of new members, and the fiasco of the Constitutional Treaty (rejected by two ‘old’ EU Member States) has now been followed by agreement on the Lisbon Treaty.

But public understanding of the EU’s enlargement policy is still poor, and public support for it is also handicapped by the conflation of the Balkan countries with Turkey, whose future integration into the Union is opposed in some Member States. To some extent, the perception of a poor performance of the last newcomers, Bulgaria and Romania, in particular in combating corruption and organised crime, has raised widespread criticism that the EU is enlarging too fast, and should rather first consolidate and then proceed more carefully.

This paper argues that the EU does have the tools to bring about the irreversible ‘Europeanisation’ of South-east Europe. The conditions which have already been set for progressing towards EU membership have to be upheld, in the interests of both the Union and the region itself. However, this should not be an excuse to prevent the region from graduating to the next stage – which includes submitting applications for membership, achieving official candidate status, beginning the screening of domestic institutions and legislation, and (eventually) opening accession negotiations.

I. The EU and the Balkans: transforming, containing or losing them?

The key question guiding this paper is whether the EU is capable of transforming the countries of the Balkans in such a way that they can qualify as members of the Union.

This requires an understanding of the EU's political and structural resources, and of the processes that it manages in order to achieve such a 'transformation'. In other words, does the Union have the willingness, the ability and the right tools to transform the region?

Studies on enlargement to Central Europe have given us some instruments that can be of help in understanding this process: namely, both the impact which the EU and its policies have on the 'receiving' countries – defined as 'Europeanisation' – and the methods that the Union uses to transform them by means of 'conditionality'. Both of these are aspects of the EU's capabilities as a 'transformative power'. Yet they need to be tested in the context of the specific challenges in the Balkans region.

Much of EU policy towards South-eastern Europe has been modelled on the previous enlargements to Central Europe, yet there are specific differences that make the task vastly more difficult.

The first major difference between the Balkans and Central Europe is the former's experience of recent wars and their legacies on states and societies. The second is that several parts of the region are still undergoing the process of defining borders and establishing sovereignty, unlike the Central European states.

Both these differences pose challenges to the EU's ability to transform the region. Moreover, the Union's interest in ensuring that security and stability are maintained in the Balkans is not necessarily identical with its ambition of transforming the region into part of an expanded EU.

Alongside the 'transformative' policies of the Stabilisation and Association Process (SAP) and the path to accession, the EU and the international community have also been dealing with 'hard' security issues through their military presence, their police missions and their broader role in

administering, first, Bosnia and Herzegovina and then Kosovo. These missions are, in the first instance, about containing immediate risks.

Thus, in these cases, before the processes of 'Europeanisation' become visible, the EU is trying to contain the risks of further conflict by imposing reforms and through more or less direct rule – methods that sit uneasily with the aim of transformation through conditionality. In other words, there are potentially conflicting rationales (or methods) behind the ways in which the Union is developing its role in the Balkans.

Over the past two years, this ambivalence about the motivations behind the EU's involvement in the Balkans has been compounded by the rejection of the Constitutional Treaty, the talk of 'enlargement fatigue' and the debate on 'absorption capacity'. All of these factors have had consequences for the credibility of the commitment to offer the prospect of accession which the Union made to the Balkan countries five years ago at the 2003 Thessaloniki Summit.

The EU's ability to transform the region is also limited by other problems which stem from its own policies. The SAP and the accession path establish a policy framework that is the same for every country, based on a set of criteria for progress and conditions to be met – a 'one size fits all' approach. This is aimed at ensuring equality among the partner states and equity in the process, although there are difficulties in ensuring that these principles are fully respected when it comes to measuring and assessing progress.

Indeed, these principles have been applied differently. The Union's pledge of equal treatment has not always been met in practice. The politics leading up to the signature of the various Stabilisation and Association Agreements (SAAs) with individual countries have been fraught with inconsistencies and contradictions. EU policies have also had a widely different impact because of the diversity of the countries in the region, which are not equally receptive to the conditions set by the Union.

Alongside the unresolved problems of security and statehood, conflicts in the domestic political arena and the endurance of 'old-style' nationalism continue to affect the interaction between the EU and the region.

The problem of Kosovo's status, the political stalemate in Bosnia and Herzegovina, the difficulties for Serbia in dealing with the loss of Kosovo,

the former Yugoslav Republic (FYR) of Macedonia's struggle to maintain stability while handling the long-standing dispute over its name with Greece (which has already hampered NATO accession and may also block accession negotiations with the EU), all indicate that profound challenges remain. The Union is not a *deus ex machina* and its magic wand of accession cannot wave away all the problems.

In turn, this raises the question of the EU's willingness and ability to transform the region. To some extent, the debate on whether to enlarge has been superseded by events: despite the fact that EU Member States have sent contradictory messages to the region, it would be hard for any of them to turn their backs on promises made at Thessaloniki. The new Member States which have joined the EU since then are equally committed to integrating South-eastern Europe; and Balkan accession – however long-term a prospect – has not raised the same opposition in EU public opinion as the prospect of eventual Turkish membership. But the issues of how and when remain as relevant as ever.

Do the interests of the Union and its Member States coincide with those of the Balkan states? To answer this, one must ask whether the key EU interest is security and stability in South-eastern Europe, and whether this is compatible with transformation and democratisation. In other words, does EU policy resemble a strategy of containment?

There are two processes at work in the Balkans. Alongside the accession strategy for Croatia (currently negotiating its membership) and FYR Macedonia (recognised as a candidate), the Union often uses foreign and security policy instruments for the other countries in the region.

These include the 'hard' tools of military presence and the civilian ones used within the framework of the EU's security and defence policy (such as police and 'rule of law' missions), resulting in a number of extensive operations on the ground [see Annex, Table 17]. They also include the protectorates that the EU, together with other governments, has established in Bosnia and Herzegovina and in Kosovo by empowering the top international envoy in each country to impose laws, to overrule domestic decisions and to dismiss domestic officials.

The EU is thus facing a choice between pursuing a strategy based on political and macroeconomic change, implementation of its *acquis* and

gradual harmonisation with EU practices and standards, or one which prioritises security in the region in order to contain and control the problems that persist and/or might emerge.

The challenge will be to make these strategies mutually reinforcing rather than mutually contradictory. The degree to which these two processes can be complementary is one of the key questions addressed in this paper.

Another key difference between Central and South-eastern Europe relates to the political and social consensus on integration into EU structures. The process of EU accession in Central Europe was domestically backed by a broadly-shared understanding of the importance of the region's integration into Europe, and thus also an acceptance of the costs of reform that accession entailed.

The 'transformative' power of the EU can only work in a context in which the countries to be transformed are willing and committed to do so. But some societies in the Balkans remain deeply divided not only about their past, but also about their future. In Serbia and in Bosnia and Herzegovina, political elites are divided over what role the prospect of accession should play *vis-à-vis* the other contested political issues that still rage. In Albania, FYR Macedonia and Montenegro, there is consensus on integrating into the EU, even if the political debate is highly polarised.

Applying conditionality with the aim of transforming states may not produce the desired response and impact in all the countries concerned, as the situation in Serbia in recent months has demonstrated.

From the point of view of some local actors, conditionality is a euphemism for imposition, and 'Europeanisation' has had little power of attraction for them. So long as some political actors in the region continue to act as 'conflict entrepreneurs' – using politics as a continuation of war by other means, to paraphrase Prussian military philosopher Carl von Clausewitz – EU talk of harmonisation and 'Europeanisation' will find few supporters. Others have repeatedly declared their commitment to the EU, but do not treat it as a priority.

The political messages that the Union has been sending to the Balkans can also be interpreted and manipulated by local leaders to suit their short-term political ends or to stall the political reforms expected by 'Brussels'. Together with problems relating to the ability of the Balkans to take the steps needed

to move closer to EU membership run hard questions about the political commitment and consensus to carry this process through.

These questions and dilemmas constitute the background to this paper, which aims to maintain this dual approach in the chapters which follow: examining the Union's ability to transform the region against the backdrop of a reality check on the political dynamics at play in the Balkans.

Chapter Two places EU action in the context of the broader international relations' dynamics which are at play in the region, while offering an analysis of the main challenges that have emerged in recent months and that set the stage for future developments.

Chapter Three examines the Union's strategy based on the prospect of enlargement, the challenges to this approach and the lessons learnt from the expansions of 2004-2007. It then moves on to examine the 'middle layer' of EU policies: the Stabilisation and Association Process (SAP) and the related Stabilisation and Association Agreements (SAAs).

Chapter Four returns to a discussion of the choices that the EU faces in the region and its actions on the ground, addressing the dilemma posed by the contradictions between its enlargement strategy and the setting up of 'protectorates'. Is the Union building fully-functioning states and institutions, or is its involvement in the region creating protectorates incapable of emancipating themselves?

Regional cooperation - usually considered an essential tool for integrating the Balkans into the EU - is addressed in Chapter Five, which also examines the interplay between bilateral relations with the Union and broader regional dynamics. This is seen as crucial not just to support the transformation of the Balkan countries into viable EU Member States, but also to foster reconciliation among them - in accordance with the underlying aim of European integration itself since the 1950s.

II. International players in the Balkans

Throughout its history, the small Balkan region has influenced and been influenced by international relations at large. Since 1914, the positions of the US and Russia, as well as the European states, have played a key role in determining the political choices made by regional actors.

Kosovo's independence has been the most recent test for international players. Disunity within the EU has been the most prominent question raised by observers in relation to the settlement of the Kosovo issue. Despite a determination to atone for the infamous divisions of 1991 when the conflict erupted in Croatia and Slovenia, which severely curtailed EU influence in the region throughout that decade, cracks began appearing in the consensus achieved within the Union around the Ahtisaari Plan when the question of Kosovo's independence emerged after the failure of the fresh negotiations conducted by the Contact Group during the summer and autumn of 2007.

Without the legitimacy that the UN framework would have provided had Russia been on board, the Union just about managed to weather internal fragmentation. In December 2007, the EU-27 reached a two-pronged agreement. On the one hand, they gave the green light to the deployment of an International Civilian Office (ICO) and an EU Rule of Law Mission (EULEX) which are meant to support the creation of a well-functioning administration and fight organised crime; on the other, they agreed to disagree on the issue of recognition for Kosovo – which is formally a national, not an EU, matter.

In other words, since the 2007 Ahtisaari Plan was supported by all 27 EU Member States (though not by the UN Security Council, due to Russia's opposition), the Union will play its role in its *de facto* implementation. This cannot, however, entirely hide the divisions over the recognition issue.

The fear of domestic repercussions, more than regional or international concerns, has so far determined the opposition of Cyprus, Greece (for reasons relating to Cyprus), Romania, Slovakia and Spain, to Kosovo as "an independent State under international supervision". Some EU Member States are also concerned, albeit to a lesser extent, about further complicating relations with Russia. To date, 20 EU Member States have recognised Kosovo, and Malta and Portugal are expected to do so.

The Ahtisaari Plan (26 March 2007)

Conclusions of the Report

Independence with international supervision in the field of minority protection, democratic development, economic recovery and social reconciliation is the only viable option. Kosovo is a unique case that demands a unique solution. It does not create a precedent for other unresolved conflicts.

Provisions of the Ahtisaari Plan

- Kosovo shall be a multi-ethnic society, governing itself democratically and with full respect for the rule of law and the highest level of internationally recognised human rights and fundamental freedoms.
- Rights of communities will be protected, including culture, language, education and symbols. Albanian and Serbian shall be the two official languages of Kosovo.
- The decentralisation provisions are intended to provide the Kosovar Serbs with a high degree of control over their own affairs.
- The justice system shall be integrated, independent, professional and impartial.
- The undisturbed existence and operation of the Serbian Orthodox Church in Kosovo shall be ensured.
- All refugees and internally displaced persons from Kosovo shall have the right to return and reclaim their property and personal possessions, based upon a voluntary and informed decision.
- Sustainable economic development shall be promoted and safeguarded by transparent procedures to settle disputed territory claims and for continued privatisation, both with substantial international involvement.
- A professional, multi-ethnic and democratic Kosovo security sector shall be established under international oversight.

Further regulations of the implementation of the Settlement

- Upon entry into force of the Settlement, there shall be a 120-day transition period during which the mandate of UNMIK remains unchanged.
- During the transition period, the Kosovo Assembly shall approve a new constitution. The constitution shall become effective immediately upon the conclusion of the transition period.
- At the end of the transition period, the UNMIK mandate shall expire and all its authorities shall be transferred to the authorities of Kosovo.
- General and local elections are to be held within nine months of the entry into force of the Settlement.

Source: UN Security Council. Comprehensive Proposal for the Kosovo Status Settlement. 26 March 2007.

The tenuous relationship between Kosovo's current independence and international law was patched together by claiming that the settlement did not constitute a precedent for international law, or for independence/secessionist movements elsewhere in Europe and on Russia's periphery. The key elements of this position did not change when Kosovo declared independence on 17 February 2008.

But the grey area of international law in which Kosovo now stands does have implications, straddling the right to self-determination, and state sovereignty and territorial integrity as enshrined in UN Security Council Resolution 1244 (as well as in Serbia's Constitution).

As we shall see in Chapter Four, this also has implications for the Union's presence on the ground. In addition, it provides legitimate anti-secession arguments to support the claims to the moral high ground of those countries that oppose independence under the current terms.

The justifications for those that have supported Kosovo's independence stem from an understanding of its situation as unique and derived from the persecution of the late 1980s and 1990s. The EU – or most of it – reached this position step-by-step, pragmatically examining the situation on the ground, with the outbreak of violence in Mitrovica in 2004 as the key turning point.

Furthermore, Belgrade's settlement proposals did not satisfy the priorities identified in the Ahtisaari Plan: the protection of minorities and the governability of the province. The EU message was, in this sense, clear: the people and their rights are more important than territories. It also responds to the justifications for the NATO intervention in 1999 on humanitarian grounds. Kosovo's proposed settlement was thus seen as a way – although not necessarily the best way – to address the security situation at the heart of the Balkans.

Between Washington and Moscow

Even if there has been a learning curve since 1991 in terms of taking responsibility for the Balkans, the Union's policy has developed within the boundaries set by the contrasting positions of Washington and Moscow.

While it is generally accepted that the EU policy of accession for the Balkan countries represents the best, and arguably the sole, long-term solution for

the region, and that Europe will constitute the main provider of peace, stabilisation and economic development, the Union's room to shape security and stability has been constrained by these international dynamics.

Washington's engagement in the Balkans has been receding over the past few years and is unlikely to return to the top of the US agenda. The Bush administration's policy has been, by and large, a continuation of that of its predecessor, which led to the two NATO interventions to put an end to war in Bosnia and ethnic cleansing in Kosovo. In July 2007, after eight years of putting the issue on the backburner following the war of 1999, President George W. Bush clearly stated in Tirana that Kosovo ought to gain its independence.

Moscow has been equally consistent in maintaining the position it supported in 1999, but its role now constitutes the single most complicating factor in handling the settlement of Kosovo's final status. The way in which the 1999 war was terminated remains the lens through which the question of Kosovo's status and Serbia's future need to be understood.

At that time, Russia's special relationship with the Former Republic of Yugoslavia was instrumental in reaching the agreement that led to the end of the war. The deal that Russian envoy Viktor Chernomyrdin managed to strike with the then Serbian President Slobodan Milošević was that the latter would accept the international presence in Kosovo, through the NATO-led KFOR and the UN Mission in Kosovo (UNMIK), providing that Yugoslavia's territorial integrity was maintained.

The cooperative experience with Russia within the Contact Group during the subsequent years up until President Vladimir Putin's speech in Munich in February 2007 probably led both Washington and Brussels to underestimate the impact of that war on Russia, as well as on Serbia.

The background of growing East-West tensions has also negatively influenced the evolution of the situation in the Balkans. The proposed US missile defence shield in Central Europe, the 'meat war' between Russia and Poland, numerous diplomatic skirmishes between Moscow and London, Russia's withdrawal from the Conventional Forces in Europe Treaty and tense relations with some new EU Member States over both historical symbols and gas supplies, have all contributed to making the Kosovo settlement a bargaining chip between Russia, the US and the EU.

The experiences of EU and especially NATO enlargement, the Rose Revolution in Georgia in 2003, and in particular the 2004 Orange Revolution in Ukraine, have all strengthened Moscow's resolve to prove that there are no security issues in Europe that can be solved without it, or against its wishes. Furthermore, as long as Russia has unresolved 'frozen conflicts' in its own 'backyard', it will have little incentive to contribute to an agreed settlement in and over Kosovo.

Thus it was not the myth of 'Slavic solidarity' that determined Russia's opposition to Kosovo's independence, but rather the humiliation of Moscow and Belgrade in former Yugoslavia which contributed to the end of cooperation with Russia. The two capitals also share a similar perception of their predicament following the 'parallel' dissolution of the Soviet Union and Yugoslavia since the end of the Cold War.

As a result, Russia – unlike the US – has increased its engagement in the Balkans, both politically and economically. More recently, Moscow has also played the energy card in relation to the Kosovo status issue, with important investments in Serbia and in Republika Srpska. Russia is now exploiting Serbian resentment towards the EU to position Serbia against EU projects to diversify its energy supplies, especially regarding future imports of natural gas.

The trouble with Serbia

The positions taken by the US and Russia have been used to the maximum by both Kosovo and Serbia, and the outcome has somewhat demonstrated the power relations between the two giants. While the Kosovar Albanians' stance on independence went largely unchallenged in the West, thanks also to their acceptance of the terms of the Ahtisaari Plan, Belgrade had (and still has) to depend on support from Moscow to resist Kosovo's independence.

But the implications for Serbia were probably underestimated in the EU owing to a lack of understanding of the situation.

The expectation was that the costs of losing Kosovo would not be seen as so important for Serbia after all: until a few years ago, opinion polls did not suggest that Kosovo was such a prominent issue. Nationalists succeeded in upgrading it to become the country's 'Number One Issue', with the result that few politicians dare run the risk of being branded as 'traitors' by speaking out in realistic terms about the loss of Kosovo (with the Liberal

Party being a brave exception). The Serbian leadership was also similarly misjudged: not only was the nationalism of Serb elites underestimated, but the assessment that there was a substantial difference between the main parties over Kosovo proved mistaken.

Indeed, none of the current leaders in Belgrade is willing to take responsibility for accepting Kosovo's independence, especially during election times. The presence on Serbian territory of refugees from Kosovo (or 'Internally Displaced Persons', as seen from Belgrade's perspective) further contributes to radicalising the political debate [see Annex, Table 3].

Boris Tadić's victory in the February 2008 presidential election was greeted in the EU as a "choice for Europe" made by a (wafer-thin) majority of Serbs, and the parliamentary elections of 11 May 2008 were portrayed in both Brussels and Belgrade as a sort of 'Referendum on Europe'.

In fact, this strategic choice has dominated most elections since the fall of Milošević in 2000 without ever generating a landmark decision. Meanwhile, Kosovo remains at the heart of Serbian politics. Citizens were not prepared to accept the perceived offer of a trade-off between European integration and Kosovo's independence: according to a recent opinion poll, while 64% of Serbs were in favour of integration, more than 71% did not accept losing Kosovo as the price for this. The option of strengthening ties with Russia was also strongly supported (59%).

However, in following the line taken by Serbia's Prime Minister Vojislav Koštunica, the country has worked itself into a corner. Although the EU has been reluctant to offer Serbia an accelerated path toward EU membership in return for Kosovo's independence – an idea implicitly floated by some Member States – Belgrade has been very picky about the carrots offered by Brussels.

The logic of more or less explicit 'compensation' that the EU suggested in November 2007 with the initialling of the Stabilisation and Association Agreement (SAA) was reversed by Koštunica's attempt to exercise 'conditionality' towards the EU.

On 29 April, Serbia's President Boris Tadić and Deputy Prime Minister Božidar Djelić signed the SAA, but have since been branded as "enemies of the state" on posters in the streets and Tadić even received death threats. In

any case, it is a conditional agreement: only once Belgrade fully cooperates with the International Criminal Tribunal for former Yugoslavia (ICTY) will EU Member States implement the Interim Agreement.

Prime Minister Koštunica called the SAA “a forgery and a trick” and pledged to annul it after the elections. In a way, Belgrade’s nationalism seems to echo Groucho Marx’s famous joke that “I would never join a club that would have me as a member!”

The political debate in Serbia in the run-up to the 11 May parliamentary elections further underlined the divisions between those who support European integration and those who consider such integration a sell-out of Serbian values. Both this time and on previous occasions, the lengths to which EU leaders went to deliver their message about Serbia’s importance to the Union – and to the stability of the region as a whole – have led politicians in Belgrade to manipulate the options offered by ‘Brussels’ for short-term electoral gain, thus also diminishing the EU’s attractiveness and further dividing Serbian public opinion.

The instrumental use of Kosovo by Belgrade and Moscow for their own purposes may in the long run prove to be the weak link in the relationship between the two countries. Yet it is currently raising serious questions about the future of the Balkans as a whole, and playing a role in undermining what the EU had almost taken for granted: its ability to entice the Balkans into its fold. The Union seems to have lost the one incentive that should be most attractive to Serbia, and there is still a risk that the country could become a ‘black hole’ (a sort of Belarus?) in the Balkans.

In this respect, the result of the 11 May elections – with the unexpected success (at least on this scale) of Boris Tadić’s Democratic Party and the equally unexpected poor performance of Tomislav Nikolić’s Radicals – should be seen as encouraging, even if it is unlikely to produce a clear and stable parliamentary majority. It is also striking that Milošević’s old Socialist Party may tip the balance in deciding Serbia’s nationalist or pro-EU course.

These results, indeed, should not distract from the protracted divisions that exist within Serbian society on identifying its vision of the future. The margin between pro-Europeans and nationalists has grown in favour of pro-Europeans, but Serbians have yet to cross the Rubicon towards the EU.

Other Balkan problems

As we shall see, both the legacy of the wars and the persistence of unresolved statehood issues constitute additional burdens for the Balkan countries' transition towards full democracy.

The most advanced of all the Balkan states, **Croatia**, waited for the death of its wartime nationalist leader Franjo Tudjman in 1999 before redefining its state institutions and national identity in order to embark on its path towards integration into the EU.

Its efforts have been rewarded: Croatia signed its SAA in 2001 and opened its accession negotiations in October 2005, thus storming ahead of the region in moving ever-closer to the EU. Nonetheless, even in Croatia, the legacy of the past is still visible, with issues related to refugee return and respect for minority rights being singled out by the European Commission as still being addressed in an unsatisfactory way.

Although it has provisionally closed two Chapters in the negotiations and opened 16 more, Croatia is still making insufficient progress in reforming its inefficient judicial system and public administration, and in fighting corruption. Inefficiencies in the public administration and the judiciary continue to hamper private-sector development, and the restructuring of the shipbuilding sector is also pending. But the Croatian government has committed itself to concluding the negotiations in 2009, thus making 2008 its decisive year to meet pending 'benchmarks' and reach its goal of becoming the 28th EU Member State.

Bosnia and Herzegovina has been weathering a political crisis over police reform that jeopardised its path towards signing its SAA with Brussels. In April 2008, the Parliament finally adopted the two police reform laws, but the crisis highlighted deeper divisions over the Constitutional Settlement established by the Dayton Peace Accords in 1995.

Almost all Bosniak parties advocate a more centralist state than that established by Dayton (hence they have supported centrally-run police forces), while Serb-dominated Republika Srpska (RS) – one of Bosnia and Herzegovina's two entities – insists on a high degree of autonomy (and on separate police forces under the direct control of each entity), frequently blocking attempts to strengthen the state's institutions. More recently, the RS prime minister has repeatedly mentioned the possibility of secession.

The post of High Representative of the International Community, who has the power to impose legislation and remove obstructive officials, was supposed to have been abolished in June 2007, leaving in place only an EU Special Representative. But the High Representative's mandate has been extended twice since then, mainly because of the political instability caused by RS leaders' secession threats and the further destabilisation anticipated in the wake of Kosovo's 'Declaration of Independence'.

However, the High Representative's executive powers have become largely counter-productive, having created an unhealthy reliance on his 'impositions' among some political parties. Moreover, the absence of additional oversight mechanisms and possibilities for dismissed officials to appeal against his decisions has set a bad example for the international community's commitment to (and advocacy of) transparency, respect for human rights and democratic control.

The European Commission has been adamant that these powers must not be used in connection to any issue linked to Bosnia and Herzegovina's accession process. In fact, those powers now mostly exist only nominally. When the current High Representative used them more forcefully last October, imposing technical changes to the way decisions were reached by Bosnia's government, it triggered a fierce reaction from the RS, including the resignation of Bosnia and Herzegovina's Prime Minister Nikola Špirić (a Bosnian Serb).

At the same time, there has also been progress, especially at the local level. One of the major achievements of recent years has been the creation of joint defence forces – a small professional army of 10,000 soldiers and 5,000 reservists, which has replaced the three separate armies which had a total of 419,000 troops right after the war.

The return of roughly 200,000 houses and apartments to their pre-war owners and tenants has given strong impetus to the return of refugees and to overcoming inter-ethnic strife and past tensions. In many ethnically-mixed parts of Bosnia and Herzegovina, multi-ethnic life is being restored – not out of idealism, but out of necessity. The economy demands cooperation, and so does the functioning of mixed municipalities.

In **FYR Macedonia**, the Ohrid Settlement reached in 2001 – with the help of EU mediation through EU High Representative for Common and Foreign Security Policy (CFSP), Javier Solana, then dealing with his first

crisis-management challenge – is continuously at risk due to inter-ethnic and also inter-Albanian disputes, and has hardly been helped by the lack of external security guarantees.

Since FYR Macedonia was recognised as a candidate for EU accession at the end of 2005, Skopje has indeed been in limbo. However, the degree to which the name dispute with Greece has obstructed its relations with both NATO and the Union, and damaged the country's internal stability, should now push the two countries to reach an agreement – preferably sooner rather than later.

However symbolically important, the name issue has grown out of proportion and it is simply unacceptable that it can hold up the future of the country (and the whole region) to such an extent: 'New Macedonia', for instance, seems a viable solution for both sides, especially if presented as an opportunity rather than a constraint and an imposition.

Albania, the only country in the region which was not part of Yugoslavia, witnessed the collapse of its state structures and institutions in 1997 not through war but through financially fraudulent schemes which led the country into bankruptcy and chaos. Since then, Albania has made some good progress. However, Tirana still faces serious problems and difficulties related to the speed of reform, the economy, and the fight against corruption and organised crime. Poor infrastructure and patchy domestic energy supply have hampered Foreign Direct Investment (FDI), and inflation is having a serious impact on living standards.

On a more positive note, Tirana has fulfilled the terms of the Interim SAA and, in early April 2008, was invited to join NATO through the Alliance's Membership Action Plan. Regular elections have been followed by a peaceful alternation in power. The practice of speedboats taking large numbers of illegal migrants across the Adriatic has ended and crime rates have fallen across Albania. The political climate has also improved and the opposition Socialist Party has recently offered to cooperate with the government – especially regarding judicial and electoral reform – in order to speed up Albania's integration into the EU. Tirana has also played a positive role in the region by advocating Kosovo's independence in a responsible manner while pushing for moderation and stability in FYR Macedonia.

Furthermore, popular support for EU membership in opinion polls stands well above 90% – a uniquely high figure in the Balkans which gives any

government a strong mandate to carry out the reforms required to prepare for accession. It is likely that Tirana will submit an application for EU membership soon.

Since its smooth divorce from Serbia in 2006, **Montenegro** has also made significant progress, has been praised by the European Commission, and is planning to apply for membership in the near future.

Its Constitution, adopted in October 2007, is broadly in line with European standards, and Montenegro has developed good neighbourly relations with Croatia, Bosnia and Herzegovina, and Albania.

Like all Balkan countries, it has problems of corruption and needs to strengthen its judiciary and public administration, as well as its legal, political and administrative capacity to implement the SAA. However, having solved its statehood issues, the country has managed to look forward rather than back to the past. By contrast with other parts of the Balkans, there were no wars on Montenegrin soil, but it still is noteworthy that the country has virtually demilitarised since independence: it has just 2,500 troops and one tank.

III. Transformations in comparison: lessons from Central Europe

EU policy towards the Balkans has been made up of a mix of ‘hard’ and ‘soft’ actions, reflecting the ‘containing’ versus ‘transforming’ dilemma. These two approaches need not be contradictory, but they do entail different types and degrees of involvement.

On the ground, there is the EU’s civilian and military presence, mainly through its Common Foreign and Security Policy (CFSP) and its European Security and Defence Policy (ESDP) – as, for instance, was the case with past EU involvement in FYR Macedonia – but also through NATO and the UN [see Annex, Table 17], as well as the extraordinary powers of the top international envoys in Bosnia and Kosovo.

The ‘soft’ dimension aimed at turning the Balkan countries into future EU Member States has been based on the successful experience with Central Europe, which culminated in the enlargements of 2004 and 2007. The cornerstone of this policy is the ‘carrot’ of eventual EU membership and the process of accession, but it rests on a commitment to transformation within each and every country involved.

The laboratory of EU enlargement to Central Europe has provided much of the inspiration for South-eastern Europe. The common experience of post-Communist states in both regions helped identify the building blocks that have also shaped the policies for the Balkans. But some important differences need to be taken into account.

The experience which makes the Balkans exceptional in post-Cold War Europe is the outbreak and legacy of the wars of the 1990s. Since the last (and comparatively much less intense) conflict in FYR Macedonia in 2001, the region has been exposed to fewer and more-contained episodes of violence and inter-ethnic strife. The relative calm since Kosovo’s Declaration of Independence (except for outbreaks of violence in Mitrovica and riots in Belgrade) might herald brighter prospects.

In Central Europe, the settlement of border-related and ethnic problems was achieved by-and-large during the first half of the 1990s, and minority issues

(such as the treatment of Russian speakers in the Baltic states, or the Roma) do not constitute a security risk *per se*.

By 2004, all the countries joining the Union – with the exception of Cyprus – had settled their borders and adapted to EU ‘ways’ of dealing with minority problems: ‘Brussels’ was invoked in the case of disputes with a non-EU country, but not in ones between EU members. Hungary, for example, raised the problem of the treatment of the Magyars in Vojvodina (province of Serbia) in the Council, but not their treatment in Slovakia.

By contrast, the dissolution of the Socialist Federal Republic of Yugoslavia remains incomplete. Statehood and border issues are still contested. The ways in which Kosovo’s statehood is being addressed also raises the possibility of further challenges to those settlements already reached, such as in Bosnia and Herzegovina, the repeated threats of secession by some political actors in Republika Srpska, and the still-fragile hold of the Ohrid Agreement in FYR Macedonia – amplified by the impossibility of finding an official name acceptable to Greece, which blocked its NATO bid this April.

Finally, in the Central European states there was a shared and strong commitment to the idea of the ‘return to Europe’, which justified the efforts and social costs of the transformative process that EU accession entailed. This ‘return’ was more than a cultural sense of belonging to the continental core from which these countries had been ‘kidnapped’ after World War Two. It also represented a solution to their geopolitical predicament of being ‘stuck’ between East and West: the drive towards EU integration meant an irreversible escape from Soviet/Russian domination.

So far, there has been no comparable convergence in South-eastern Europe around such a powerful driving idea. The federal units of former Yugoslavia, the republics and autonomous provinces, did not suffer under the Yugoslav brand of communism as much as Warsaw Pact countries. Yugoslav citizens could travel freely and work abroad, Yugoslavia was relatively prosperous thanks to Tito’s skills in negotiating generous loans, and it was outside the Russian sphere of dominance.

Nostalgia for the pre-Milošević socialist period, or ‘Yugonostalgia’, is therefore widespread. On the other hand, Albania’s brand of communism was particularly harsh – harsher than in most Central European countries – although Russia was no threat.

Following Yugoslavia's violent break-up, many societies remain diverse and divided. Cleavages reflect differences over ethnicity, religion, interpretations of the recent past, war and peace. But they also reflect different perceptions of status, role and position *vis-à-vis* the rest of the world. Should Serbs, for example, develop stronger ties with Russia?

Even in Croatia, a sizeable number of citizens still have doubts about sharing the country's sovereignty. Only 35% of its citizens see EU membership as a 'good thing', while 47% simply expect to reap benefits from it. In Serbia, since the fall of Milošević in 2000, every election has been framed as a choice between a European future and a nationalist past. Yet the results each time have confirmed the inability or unwillingness of Serbian society to make precisely this choice.

The economics of the region

The Central European experience confirms that an externally-generated drive to transform is not sufficient. During the 15 years before they joined the EU, the countries of Central Europe benefited from socio-political cohesion on the project and a broad consensus within the political elite that was maintained until (and after) they joined. This was backed by strong and consistent economic growth rates (since 2004, the GDP of the ten new members has increased by 3.75% per annum compared to the average 2.5% in the EU-15), a reduction in the trade deficit, and the generally positive economic impact of enlargement.

The picture is much more mixed in Romania and Bulgaria, which were the last to join in 2007 (much to the shock of many nostalgic citizens of the Balkans, who remember Yugoslavia as far more developed and advanced than its Eastern neighbours).

In these two countries, the key problems were – and, in some respects, still are – related to governance rather than macroeconomic transformation. The high level of corruption and organised crime (in Bulgaria) has been a major problem, and one which is shared with the Western Balkans. Indeed, the safeguard clauses introduced by the EU for Romania and Bulgaria accession relate precisely to this [see Annex, Table 12].

All the Balkan countries have healthy growth rates, albeit starting from a low level of GDP, with FYR Macedonia the weakest (3.1%). However, a large

share of their GDP is made up of the remittances sent home by migrant communities: around 23% in Bosnia and Herzegovina and around 11% in Albania [see Annex, Table 10].

Most countries in the region suffer from a trade imbalance, importing far more than they export. Their resulting reliance on credits and other non trade-based sources increases their external debt. It is noticeable that imports are still predominantly made up of consumer goods (even foodstuffs!) rather than of investment commodities. In other words, the Balkan economy is still characterised by volatility and structural problems.

Even in the case of Croatia, whose macroeconomic performance is stronger, the official figures are improved by the income generated from the privatisation of a few large sectors [see Annex, Tables 1, 14 and 15].

The structure of the labour force is also a source of worry. High levels of unemployment (especially among women), high emigration rates (especially among the younger generation) and a low employment ratio among the active population all point towards medium- to long-term structural problems in a region which – with the exception of Kosovo and in part Albania – is experiencing demographic patterns similar to the EU average, with declining birth rates.

In the short term, the 'grey' economy alleviates the impact of these problems on the population, but the other side of the coin is notably widespread corruption and poor economic governance [see Annex, Table 12].

Economic integration within the region and with the rest of Europe is less strong than in the case of Central Europe, which redirected its trade from East to West in a relatively short period of time. Regional cooperation is still lagging behind even in economic terms [see Chapter Five], while trade with the EU shows different patterns compared to the countries which joined in 2004.

Austria remains Croatia's most important partner, while Italy and Greece are also significant countries for the Balkan region and are a major destination for migrants. However, in contrast to Central Europe, non-EU members such

as Turkey and Russia also account for a large share of external trade [see Annex, Tables 14 and 15].

Lessons to be learned

Despite these differences and the peculiarities of the Balkan region, the impact of the 2004 and 2007 EU enlargements can shed light on some trends that the accession of the Balkan countries might generate. More importantly, examples from previous rounds of EU expansion can help dispel the ‘Balkan pessimism’ that seems to condemn the region to both stagnation and instability.

Bulgaria, for instance, was a country in deep crisis in 1996, on the brink of political and economic collapse, until popular unrest led to the fall of the government. To the incredulity of most observers, the new coalition headed by Ivan Kostov committed itself to EU integration. A decade on, that commitment was fulfilled, confounding the cynics. Successive governments managed to maintain the EU trajectory despite the unpopularity of Bulgarian support for the NATO intervention for Kosovo in 1999, when Sofia went as far as to deny access to Russian forces heading for the area.

This broad consensus within the Bulgarian political elite and society – a fundamental feature that determined the success of the enlargements to Central Europe – is less evident in the Balkans, though it can be found in Croatia and Montenegro and appears to be emerging in Albania. But the experience of the newest EU Member States can still provide some lessons that can be applied to South-eastern Europe.

First, the European Commission started an early screening process for all the countries that had applied for membership, regardless of their state of preparedness for opening accession negotiations proper (in December 1997 the Luxemburg European Council agreed to start negotiations with only half the candidate countries).

This screening process, mostly seen as a technocratic and non-political affair, in fact constitutes the first step towards incorporating the conditions for accession to the Union into the domestic reform agenda; indeed, it ‘operationalises’ EU conditionality by setting out standards, benchmarks and timeframes, and it provides governments and public administrations with a blueprint for action.

Screening

'Screening' is a technical exercise undertaken by the European Commission with countries which have applied for EU membership. In official language, it is called "the analytical examination of the *acquis communautaire*", but is generally known as 'screening'.

Experts from the Commission and from Ministries in the applicant countries jointly examine the whole of the *acquis* – divided into 35 chapters covering different areas of EU policies and rules – in a process which can take around a year.

Screening is conducted through a series of meetings in Brussels. There are two kinds of meetings for each chapter: first, explanatory meetings with all applicant countries together, and then bilateral meetings with each of them separately. In the bilateral session, the country explains its degree of preparedness and its plans for implementing the *acquis* covered by the chapter in question. The information gathered in these meetings serves as a basis for the Commission to make a report to the Council, to keep Member States informed.

The exercise has a number of objectives. First, it helps countries to familiarise themselves fully with the *acquis* which they are supposed to implement when they become members of the EU. This is an important pedagogic activity: national experts have the chance not only to study the relevant EU texts, but also to discuss them with Brussels' experts and clarify all kinds of questions relating to application and interpretation.

Second, it obliges the countries concerned to develop detailed plans and timetables for the introduction of EU policies, the transposition of EU rules, and the harmonisation of national legislation, combined with the development of the corresponding administrative structures. (This means, for example, in the case of competition policy – a key element of the Single Market – creating an independent regulatory authority.)

Third, it allows the Commission and EU Member States to evaluate each country's degree of preparedness on the basis of 'screening reports' and, later, to decide on the opening of individual chapters in the accession negotiations.

In 1998, before the last round of enlargement, the Commission began the screening exercise with all 12 applicant countries – not only with those with which accession negotiations began at the time, but also with those (such as Romania and Bulgaria) which were delayed until later. The Commission commenced the screening for Croatia and Turkey in 2005 after they were accepted as official candidates.

This leads us back to the questions that were outlined in Chapter One regarding the nature of the EU's ability to transform the Balkan region and make it 'fit' for membership.

Dilemmas to be solved

The diverse challenges highlighted so far deepen the dilemmas mentioned above: should the Union push for an enlargement strategy focusing on technical and macroeconomic implementation of the *acquis*? In that case, is the enlargement process adequate to meet the specific challenges present in the region, also in view of the 'enlargement fatigue' in the Union?

The challenges – for instance, in the fields of corruption and organised crime, or those related to the difficulties in overcoming the legacies of war – could lead the EU to reinforce its conditionality.

In relation to Croatia, the Union has already introduced two extra conditions that were not used for Central Europe, Malta and Cyprus: regional cooperation and cooperation with the International Criminal Tribunal for the former Yugoslavia (ICTY).

The transitional arrangements applied to the free movement of workers in 2004 and in 2007, and the further safeguards introduced for the accession of Romania and Bulgaria, all suggest that the threshold for joining the Union may well become even higher, especially after Croatia has joined. This trend may become even stronger if unease within the EU about enlargement persists, opening the 'widening versus deepening' debate once again.

On the other hand, the Union's security priorities in the Balkans might challenge its approach to enlargement. Overriding political imperatives could trigger a faster pace of integration, in contradiction with the performance- and conditionality-based scheme and philosophy.

The current risk of instability in FYR Macedonia, for example, might lead to a similar choice to accelerate its pace of integration with the EU. Montenegro has made good progress and its small size poses fewer challenges. It could also have a demonstrative effect on other countries – especially Serbia, with which it was still 'federalised' until a referendum sanctioned its separation in 2006.

In some respects, the Stabilisation and Association Process (SAP) already constitutes an intermediate step on the path towards accession. Launched at the Zagreb Summit of November 2000, it aimed to bring the Balkan countries closer to the EU through the Stabilisation and Association Agreements (SAAs) signed with each country; to foster a process of regional integration, alongside the Stability Pact set up in 1999; and to support all these aims through the new Community Assistance for Reconstruction, Democratisation and Stabilisation (CARDS) programme, with a budget of €4.6 billion for 2000-2006 [see Annex, Table 6].

As mentioned above, the EU made a firm promise of membership to the Balkans at the European Council in Thessaloniki in 2003, but since then it has been rather cautious about delivering on that promise. This has slowed down the accession process and made the countries concerned wonder whether enlargement is a priority after all. This, too, has had a negative impact on the Europeanisation of the region.

The principles upon which the SAP was based had already been outlined in 1997, when the regional approach was first launched. These were articulated at greater length than the 1993 Copenhagen 'Criteria for Accession' and, as already mentioned, they also included the extra conditions of: a) cooperation with the ICTY; and b) cooperation between the recipient countries. Finally, each country had to meet specific conditions in order to move towards signing the SAA.

The process of meeting those conditions, however, has been long and complicated. FYR Macedonia was the first country to sign the SAA in April 2001, followed by Croatia in October of the same year. Albania signed its agreement in 2006, Montenegro in 2007, Serbia in April 2008 and Bosnia and Herzegovina in June [see Annex, Table 4].

Many of the reasons for this slow and patchy process lie in the problems specific to both the region and its individual countries. But there have also been inconsistencies at the EU level, which in turn have had an impact on the Union's overall image in the region and its capacity to exercise leverage and anchor domestic transformation.

First of all, the conditions required have not been consistently applied. Croatia, for example, signed its SAA as early as 2001 and became a candidate for EU membership in June 2004: at that time, the ICTY's opinion on Zagreb's cooperation was positive, despite the fact that indicted Croatian General Ante

Gotovina had not been handed over to The Hague. The signing of the SAA with FYR Macedonia was also accelerated in 2001 because of the outbreak of conflict, as much as its recognition as a candidate country in December 2005, was propelled by political concerns about its internal stability.

In Bosnia and Herzegovina, the SAA negotiating process largely depended on Sarajevo's compliance with the police reform conditions set by the Office of the High Representative – conditions which the European Commission had to accept, only to lower them after three years of paralysis.

Even if the EU could justify its position on the basis of the ICTY's evaluation or international commitments, its conditionality has not always been perceived as being equally and consistently applied in the region. The way in which the SAA with Serbia was signed on 29 April gave the impression that the EU is fudging its ICTY conditionality and being driven by short-term tactical considerations. This provoked outrage in Bosnia, the last country to get an SAA, where government members accused the EU of applying "double standards".

The ways in which such perceptions have trickled down in the political debate in the Balkans have allowed, and at times encouraged, local politicians to manipulate the messages sent by the Union and some of its Member States. For instance, a Serbian government representative recently recommended to his EU colleagues that the best way to help pro-European Serbs was to make sure the other Balkan countries did not make progress towards EU integration. He argued that this could play into the hands of the Serbian Radical Party by suggesting that the Democratic Party's approach had produced few results, and lead the country into isolation.

Furthermore, the widespread perception that the EU applies different standards to different countries (compounded by the fact that each country in the region keeps a close eye on its neighbours' progress) has led to a questioning of the real motivations behind EU engagement and the legitimacy of the conditions it is setting. This, in turn, has weakened the Union's ability to build the necessary political support in the Balkans for the reform process it requires.

Lastly, enlargement fatigue and the discussions following the negative referenda on the Constitutional Treaty in France and the Netherlands in 2005 have not given the citizens and governments in the region the feeling that they are particularly welcome. The end result is that the conditionality-based approach has been at least partially undermined by the EU itself.

IV. Building institutions or maintaining protectorates?

The sections above illustrate specific challenges to the EU's enlargement policy *vis-à-vis* the Balkans compared to previous enlargements, and the problems of the Stabilisation and Association Process (SAP). They show that the Union is now facing a dilemma between using conditionality to promote a gradual adaptation towards its practices and standards, or being driven by a security logic whereby instability is contained through 'imposition'. The EU needs to resolve this dilemma – between transforming and imposing/containing; between 'softer' and 'harder' foreign policy tools.

There is a further dilemma between 'enlargement' and 'empire', two ideas that were introduced in the 2005 Report of the International Commission on the Balkans. The question that needs to be addressed is when and how the EU is going to move from creating protectorates reliant on international authority to building autonomous states with functioning institutions.

The 2005 International Commission Report advocated 2014 as the 'birth year' of the 'European century', with the inclusion of the Balkan states as new members of the EU.

What progress has been made since then? Croatia has opened negotiations and FYR Macedonia has been recognised as a candidate country, both in 2005. But the only country that has made substantial progress towards accession is Croatia, which defined its status at the beginning of the dissolution of former Yugoslavia, established a political community within settled borders in 1995 and succeeded in developing both a cross-party political elite and a *demos* committed to EU integration following the death of Croatian war leader and later President Franjo Tudjman in 1999.

In the meantime, the need for 'imperial' choices, or forms of presence more aptly described as 'protectorates', had become apparent in other parts of former Yugoslavia: in Bosnia, where the protectorate was established in 1997 (when the High Representative's powers were substantially increased) and in Kosovo in 2008. Persistent instability, the weakness of the states and the ongoing dissolution of former Yugoslavia have all warranted, according to international leaders, a 'hard' EU presence.

Kosovo

Despite its 17 February 'Declaration of Independence', Kosovo will not, in fact, be truly 'independent' for the foreseeable future. After a 12-year international presence in Bosnia and Herzegovina, the EU decided to deploy a contingent of European judges, administrators and customs officers on the Kosovar territory, who will retain significant supervisory and even executive powers over key aspects of sovereignty: the management of borders, judicial competence and control of the territory through an international police force (the EU Rule of Law Mission in Kosovo – EULEX).

This mission will be coordinated by an International Civilian Office (ICO) jointly led by the EU and the 'international community', which is represented in this case by those countries which endorsed the Ahtisaari Plan, not by the United Nations. The ICO overlaps with the offices of the EU Special Representative for Kosovo, who is taking on extensive powers through this 'double-hatting' formula, also used in Bosnia and Herzegovina.

Indeed, in a similar way to the International High Representative/EU Special Representative (EUSR) in Sarajevo, the International Civilian Representative/EUSR in Pristina will have, at the same time, a duty to advise the new authorities in Kosovo on implementing the recommendations of the Ahtisaari Plan and the power to overrule decisions by the Kosovo government. The EULEX mission, too, will have a monitoring and advisory role in all areas related to the rule of law, in particular the police, judiciary, customs, the protection of minorities, and the fight against corruption and organised crime. But it will also have powers to investigate and prosecute "serious and sensitive crimes".

In other words, there is a potential contradiction and an evident overlap between advising and supporting institutions, on the one hand, and the executive powers that characterise a 'protectorate' (and tend to undermine local ownership), on the other.

So long as the EU remains divided over the recognition of Kosovo, the status and aims of the ICO and EULEX missions will also be ambiguous. Without a clear vision of both Kosovo's full independence and the endgame for the civilian and military missions – NATO's Kosovo Force (KFOR) and the United Nations Mission in Kosovo (UNMIK) are both set to remain for the foreseeable future – the EU is bound to struggle to exercise

its influence on the ground and set in motion a process that can lead from 'imposition' to the conditionality-based transformation typical of the accession process.

In other words, while Kosovo may have achieved separation from Serbia, it will remain dependent on the international community and, in particular, on the EU.

As a few countries (including some EU Member States) are unlikely to recognise Pristina any time soon, the new Kosovo will be unable to sign international agreements (including the SAA with the Union) and its people will have limited freedom to travel abroad. It may set up an embryonic foreign service, but it will not have a fully-fledged army, and it will be heavily dependent on international aid and assistance, with unemployment still sky-high and the illegal economy rampaging.

Furthermore, with Kosovo's independence still rejected by Serbia, an additional international presence to protect (or just separate) the Serbs in Northern Kosovo from the Albanians may prove necessary sooner rather than later. Given that the ICO does not have a mandate from the UN Security Council, it is still unclear whether and when UNMIK will be phased out.

Currently, there are three main positions in Belgrade on Kosovo, all of which have potentially destabilising implications.

The first supports continuing the fight to keep Kosovo under Serbian sovereignty – the official position of the Radical Party.

The second favours a partition along the River Ibar, which seems to be gaining ground among Serbian President Tadić's entourage. This option (so far rejected by the Albanian Kosovars) would require a further redrawing of borders to create ethnically more homogeneous states, but is likely to entail further population displacement and leave pockets of minorities (starting with the Serbs in Southern Kosovo) in need of protection – not to mention those minorities that are neither Albanian nor Serb. This option might help Serbia close this painful chapter of redefining its own boundaries, but it could nonetheless have destabilising consequences.

The EU 'protectorate' in Kosovo

International Civilian Office (ICO)/Office of the EU Special Representative in Kosovo (EUSR)

Head of Mission

International Civilian Representative/EU Special Representative.

Mandate

The Office of the ICR/EUSR shall be the ultimate supervisory authority regarding implementation of the Ahtisaari Plan. It shall have no direct role in the administration of Kosovo, but strong corrective powers. Among these is the ability to cancel decisions or bills adopted by Kosovo authorities, and sanction and remove public officials whose actions it determines to be inconsistent with the Ahtisaari Plan.

Accountability

The 'double-hatted' ICR/EUSR is accountable to the High Representative of the EU for the operational direction, to the Political and Security Committee (PSC) of the EU for strategic guidance and political direction, and to the International Steering Group (ISG) for Kosovo, comprising 15 countries.

EULEX Kosovo

Mandate

EULEX Kosovo is expected to take over the powers of UNMIK in the field of rule of law and to assist the Kosovar institutions, judicial authorities and law enforcement agencies in developing and strengthening an independent multi-ethnic judicial system, police and customs service, ensuring that these institutions are free from political interference and adhere to internationally recognised standards and European best practices. Furthermore, EULEX Kosovo will exercise some clearly-defined executive powers which will ensure that serious and sensitive crimes are properly investigated and prosecuted, and that any outcome of these procedures is thereafter properly enforced in close cooperation with the Kosovar authorities – or independently, if necessary.

Accountability

The Head of EULEX is accountable to the EUSR in Kosovo and the PSC of the EU.

Staff

1,900 personnel in the first instance.

Budget

€205 million for first 16 months.

Source: Council of the EU, Council Joint Action 2008/124/CFSP of 4 February 2008 on the European Union Rule of Law Mission in Kosovo, EULEX KOSOVO.

The international community is likely to reject it on the grounds that independence for Kosovo, which represents a violation of Serbia's territorial integrity, is considered a unique case by those countries that have recognised it. The international community could not justify an ethnic redrawing of borders without opening a Pandora's Box. However, a division already exists *de facto* and might persist, even though it is unlikely to be recognised *de jure*.

The third position can be described as a '*de facto* separation', whereby Belgrade continues to manipulate the Serbs in Kosovo and seeks to create parallel institutions with the aim of making Kosovo ungovernable.

The outcome of the Serbian elections on 11 May, however encouraging, cannot yet be considered decisive in determining which position is likely to prevail in the short term.

Bosnia and Herzegovina

In many respects, the international presence in Kosovo is very similar to that in Bosnia and Herzegovina, where the High Representative's mandate has been extended further, thus making the schedule for the transfer of powers to full local ownership uncertain. The adoption of the police reform package in April 2008 has finally enabled Sarajevo to sign the SAA initialled in December 2007, but the lack of consensus on the constitutional division of powers is still a source of instability.

As things stand now, the path from 'imposition' to 'transformation' in Bosnia and Herzegovina is still littered with problems. The Union's influence over domestic politics is not strong enough to guarantee the stability of the state and ensure that it functions well. At the same time, the 'Bonn Powers' which confer authority on the High Representative have lost credibility, consensus within the Peace Implementation Council (that guides Dayton's implementation) has been waning, and Russia wants to see an end to the High Representative's mandate.

The Bonn Powers have, in any case, been a double-edged sword. On the one hand, they have helped establish important institutions and pass crucial laws, in particular during the early years of the peace process. On the other hand, they have fostered political dependency and contradicted various principles advocated by the international community, such as respect for

human rights (with respect to the dismissal of officials who could not appeal against the decision), transparency and the democratic process.

Therefore, the time might be ripe for a shift of these powers from the High Representative to the EU Special Representative (mandates which are currently given to one and the same person, as in the case of Kosovo). If nearby Kosovo remains calm, it is conceivable that within a short timeframe Bosnia will no longer be 'ruled' but guided, supported and advised by the EU Special Representative.

However, any prospective transition to local ownership is likely to highlight the need for constitutional changes if Bosnia and Herzegovina wants to become a fully functioning state. This means that the entities and parties need to reach agreement on a constitutional reform to be adopted by the Parliament in Sarajevo. The intensity of the 'war of words' between political leaders is likely to continue and to hamper this possibility, although the EUSR could help to steer this process and explicitly shift it from sheer state-building to (EU) *Member* State-building.

In sum, it may prove impossible to answer the 'empire' versus 'enlargement' dilemma in a clear-cut way, especially in the short term.

In some respects, the EU has already made a choice: both strategies are being used. But it also needs to develop an 'exit strategy' from such protectorates. It is closer to doing this in Bosnia and Herzegovina than in Kosovo, but in both cases, the path for transferring of powers from the international community to the Union and from the EU to local ownership needs to be clearly spelt out. At the same time, the process of signing and implementing the SAAs, and the steps towards acquiring candidate status and then opening accession negotiations, all need to be accelerated.

In other words, in the next few months, EU policy needs to focus on this transition from structural instability (requiring an 'imperial' presence) to the predictable technicalities of the accession process.

V. Regional cooperation

One area where the shift towards local ownership has made some progress is in regional cooperation. In February 2008, the Stability Pact (SP) for South Eastern Europe was 'transferred' from Brussels to the region itself, with the creation of the Regional Cooperation Council (RCC), based in Sarajevo.

The financial arrangements for the RCC confirm this rationale: one-third of its budget will be funded by the EU, one-third by the countries in the region and one-third by other donors (including the European Bank for Reconstruction and Development, the World Bank, Canada, Norway, Switzerland and the US). The financing of projects will also require stronger involvement of governments in the region, which will have to shoulder half the costs of projects to match the contributions from external donors.

The RCC will constitute the backbone of future regional cooperation. It was born from the Stability Pact itself, a German initiative launched in 1999 as a broad and comprehensive framework addressing security issues, economic development and political cooperation, and involving EU Member States, the European Commission, and countries in the Balkans (including Moldova).

Over the years, the Stability Pact evolved into an important cooperation initiative in the region, also incorporating the South-East European Cooperation Process (SEECP), a platform for political dialogue between the Balkan states.

Alongside the SP/RCC are a plethora of sub-regional initiatives that have some of the same objectives, from the Organisation of the Black Sea Economic Cooperation (BSEC) (which stretches from Albania to Azerbaijan) to more thematic fora for cooperation such as the Southeast European Co-operative Initiative (SECI), which focuses on fighting cross-border crime in the wider Balkans and some neighbouring countries, or the Adriatic-Ionian Initiative (AII) in the field of cultural and educational cooperation between countries on the shores of the Adriatic Sea.

A glance at the map, which underlines just how small the Balkan states are, is sufficient to understand why fostering regional cooperation has been singled out as an essential feature of international involvement in the Balkans since the Dayton Agreement.

During the 20th century, all the South-eastern European states with the exception of Albania (independent since 1912), had a history of belonging to broader imperial or federal structures until the outbreak of war at the start of the 1990s (although only Kosovo had never been a republic in its own right, just an autonomous province).

At the end of the 1980s, trade between the Republics that made up the former Socialist Federal Republic of Yugoslavia (SFRY) made it a highly integrated federation. Between 1970 and 1989, ‘exports’ from the individual Yugoslav Republics (with the exception of Serbia and Slovenia) to their SFRY ‘sisters’ were more important by far than ‘real’ exports from Yugoslavia, which amounted to less than 20% of the overall volume in 1987. In particular, they were much higher than trade with the neighbouring Balkan countries. In a way, pre-war economic integration between the SFRY Republics was comparable to that of Western Europe’s Common Market.

In the context of overcoming the legacies of war, the objectives of regional integration include countering nationalism, fostering good neighbourly relations, increasing prosperity and development and – on a more functional level – integrating a fragmented transport system, enhancing security in the region, and fighting organised crime, corruption and illegal trafficking. It could also facilitate the return of refugees, which has increased over the years but only to limited extent. There still are 500,000 refugees and Internally Displaced Persons from South-eastern Europe, according to United Nations High Commissioner for Refugees (UNHCR) [see Annex, Table 3].

The EU rationale

Especially since the Kosovo war, EU involvement in the region has been based on a two-pronged strategy, leading respectively to the Stability Pact (SP) and the Stabilisation and Association Process (SAP). In no other part of the world has the Union tied such strings to the need for cooperation between states – not even through the enlargement strategy established in the 1990s for Central Europe, where good neighbourly relations were encouraged but not set as a condition for integration into the Union.

The SAP has a strong regional dimension too. The regional and bilateral schemes were confirmed at the Zagreb Summit of November 2000, just a few weeks after Milošević’s defeat; at the Thessaloniki European Council in 2003; and again in March 2008, with the new European

Commission's Communication on 'Western Balkans: enhancing the European perspective'.

This is also supported financially: roughly 10% of Community Assistance for Reconstruction, Democratisation and Stabilisation (CARDS) funding in 2000-2006 was directed at supporting regional cooperation, a trend confirmed in the Instrument for Pre-Accession (IPA), which has earmarked more than €400 million for this purpose for 2007-2009 – although actual allocations fall far below this objective [see Annex, Tables 6 and 7].

The Stability Pact, in particular, has been instrumental in a number of achievements in the region, even if it was the EU's political weight and the implicit linkage between the accession process and regional cooperation which often ensured that the Balkan partners would sit around the table to work out concrete projects.

The rationale for regional cooperation is understood not just in Brussels, but also by citizens in the region, who can see for themselves the problems of infrastructure development, trade and economic growth, negative demographic trends, emigration and 'brain drain', organised crime and illicit trafficking, especially in view of the limitations on their ability to travel around the world. Albanians, for example, are barred from legally obtaining visas for nearly as many countries as conflict-ridden Afghanistan and Iraq [see Annex, Table 11]. Indeed, the citizens of the Balkans are amongst the most isolated in the world.

The steps made towards economic integration, however limited, have probably been the Stability Pact's most notable successes. In November 2007, all the South-eastern European states and Moldova joined the revived Central European Free Trade Agreement (CEFTA) which had been bereft of members since the 2004 and 2007 EU enlargements. CEFTA replaced the 32 so-called 'spaghetti bowl' bilateral arrangements in the region with a single framework that aims to cover 90% of total regional trade, introducing new rules which are in line with those of the World Trade Organization.

Still, the region is far from becoming a free trade zone, given the endurance of bilateral trade relations [see Annex, Table 16]. The significance and added-value of economic cooperation and other related initiatives lie more in their political dimension than in the volume of intra-regional trade *per se*.

Energy is one area in which regional cooperation has produced tangible results. The region's lack of capacity to meet growing demand, loss-making state companies, polluting thermo-plants, fragmented national markets, and insufficient diversification of resources, provided a strong incentive to search for secure energy supplies. The Energy Community Treaty which entered into force in 2006 is supposed to promote a new power-generation capacity in line with demand; a more balanced energy mix; the unbundling of production, distribution and end-sale; the diversification of supply routes and sources; energy efficiency; and mutual assistance in the event of disruptions.

For the countries in the region, the Energy Community provides a template for closer integration into the EU and sets the stage for attracting investments. The Union, as a signatory member of the Energy Community, also has a direct interest in fostering this initiative, as it sees the region as an entry- and transit-point for primary energy products and for diversifying its sources of energy supply.

Problems and challenges

By contrast, key issues such as health, demographic change, education and human rights have been the most difficult areas for cooperation, highlighting the still "long and winding road" to reconciliation in the region.

More generally, there is a potentially paradoxical dimension in this EU strategy, notably concerning the degree to which the Union can maintain momentum for regional cooperation in a *multilateral* framework, while at the same time setting out a *bilateral* process of integration through the SAAs and the prospect of accession.

The EU's power of attraction – exercised *de facto* primarily through bilateral incentives – might have a divisive impact on regional cooperation, which is nonetheless seen as necessary to make the Balkan countries future 'good' members of the Union.

These potentially contradictory processes are amplified by the likelihood of a 'regatta' rather than another 'big bang' enlargement. The region is already fragmented by different degrees of intensity in its relations with the EU [see Chapter Three and Annex, Tables 4 and 7]. With NATO enlargement to Albania (plus, of course, Croatia), this diversity may grow and such differentiation has an impact on very concrete issues such as access to Community funding or the

mobility of citizens. EU membership would, for example, entail abandoning the visa-free travel regime that exists in the region, except for Albania.

On the other hand, competition between the countries concerned also means that they are carefully observing and taking note of each other's progress. Such a virtuous process of mutual championing by experience and by watching neighbours 'over the fence' could provide stimuli to reform.

One major challenge for the EU will be to ensure that the ultimate 'carrot' of accession does not override the equally important priority of engaging the whole region to address common problems together.

A second problematic area is linked to the political settlement in the region. In all regional cooperation initiatives to date, Kosovo has been represented by United Nations Mission in Kosovo (UNMIK), accompanied by representatives of the Provisional Institutions of Self Government (PISG). Following its Declaration of Independence, however, Pristina is unlikely to accept UNMIK or the EU representing the country, while Belgrade has already made it clear that it will withdraw from any initiative which puts Serbia and Kosovo on an equal footing.

This will have an immediate impact on Balkan 'ownership' of the Regional Cooperation Council, and things could get even worse if the Kosovo situation has a ripple effect on Bosnia and Herzegovina or FYR Macedonia.

Critics also argue that, compared to the financial and political investment made in regional cooperation, the results are not spectacular. Many of the initiatives provide a forum for diplomats to talk, but fall short of delivering measurable results in developing the region as such. Plenty of Memoranda of Understanding are signed, but few agendas are effectively implemented. Countries seek to strengthen their bilateral relations with the EU, the US, NATO or any other relevant external actor rather than to advance regional cooperation. Well-meant practical initiatives are bound to come to a standstill when more political issues emerge, with mutual recriminations and retaliations blocking progress in many fields.

Yet 'Brussels' is not questioning the value of regional cooperation. Some of the initiatives might be 'just talk', but this is still seen as an achievement for the Balkans region. The added-value lies not so much in the number of projects that are implemented, but rather in the *process* that leads to their creation. This

supports the 'socialisation' of actors in a region which is otherwise quite isolated, providing confidence-building and partnership-shaping mechanisms which are an essential element of integration – as the European Community's founding fathers knew all too well.

In the longer term, if the Balkan countries want to become EU members, they will need a far greater understanding between themselves in order to reap all the benefits of membership, and to negotiate common positions and raise common concerns with the other Member States. In the short term too, regional cooperation via multilateral bodies and initiatives can allow the region to hang together even in the face of destabilisation.

To sum up, regional cooperation has positive effects at three levels.

In economic terms, it is essential to increase prosperity and growth by overcoming the deficiencies and liabilities stemming from the limited size of the local economies and the fragmentation of markets. By forming a larger economic zone through joint cross-border infrastructural development projects (in energy and transport), harmonising regulations and introducing free trade arrangements, the business environment for foreign investments will be substantially improved.

In political terms, it is a crucial ingredient for stability and a catalyst for reconciliation, good neighbourliness and better political relations in the region. It helps overcome nationalist thinking and intolerance by promoting mutual understanding and dialogue.

In security terms, too, the fight against organised crime, trafficking, corruption, and illegal migration can be much better addressed through cross-border cooperation, including coordinated border management.

Conclusions and recommendations

EU policy *vis-à-vis* the Balkans is conditioned by a set of distinct approaches. They can be complementary, or at least compatible with one another, but they also risk becoming contradictory, thus blurring the EU's overall 'message'.

This paper has identified three areas in which such approaches are a potential source of confusion and inconsistency.

The first concerns the relationship between the aim of controlling the region in order to contain the risks of instability deriving from its conflicts and crises, and the aim of transforming the region in line with European standards and values in order to make it fit for future EU membership.

Synergies between these two aims can be successfully pursued, as the 2004 enlargement demonstrated, but cannot be taken for granted. In the Balkans, these two distinct strands are apparent in the EU's policy aims: stability, through Common Foreign and Security Policy instruments on the one hand, and 'Europeanisation' through enlargement policy on the other.

The second set of competing ideas derives from the first, and concerns what the EU wants the Balkans to become. The 'protectorate' model is a recurrent feature of EU involvement in the region: it has been used in Bosnia and Herzegovina since 1996 (with limited success compared to the resources employed and the international structures present on the ground), and is now exemplified again by the deployment of the new missions in Kosovo – the International Civilian Office (ICO) and the EU Rule of Law Mission (EULEX). The changing mandates and powers of international representatives in the region offer evidence of this approach.

On the other hand, the 'enlargement' model is supposed to assist the democratic transformation of the countries concerned, with the process of institution-building designed to support the 'making' of an EU Member State. Progressive local 'ownership' of this transformation is a key element of such an approach, but is not easily compatible with the 'protectorate' approach.

Thirdly, and finally, there is a tension between the Stabilisation and Accession Process (SAP) – governed by bilateral mechanisms between Brussels and the individual country – and the processes of regional

cooperation and region-building that the EU is trying to foster, which are considered crucial for successful long-term integration and reconciliation.

These distinct approaches – encompassing Member-State building, state-building proper and region building – stem not only from problems specific to the region, but also from differences within the Union, especially between its Member States. This in turn affects the way in which EU ‘conditionality’ works (or not) with the countries in question.

On the one hand, doubts about the Union’s willingness to accept the Balkan countries make the Thessaloniki commitment of 2003 appear less credible, thus damaging its overall standing and weakening its hand in steering the process of transformation. On the other, countries in the region are still struggling with issues – sovereignty, territorial integrity, internal cohesion – that are often perceived as more important than EU membership. This further reduces the Union’s political leverage and effectiveness.

The dilemma for the EU, therefore, is how to employ its ‘transformative’ power in the Balkan region, where most countries have problems which are inherently different both from Central Europe (where the EU instruments were so successful in the last round of enlargement) and from Turkey, which is also participating in the current round of accession negotiations.

But despite the problems, doubts and ambiguities discussed in this paper, the Task Force is convinced that:

- The prospect of EU membership, with the accompanying process of ‘Europeanisation’, is the best hope for bringing stability, security and prosperity to the Balkan region on a durable basis. If one examines the reports, strategies and recommendations which have been made concerning the region, what other plausible solution is available? If one looks at the map of Europe, with the states of the Balkans surrounded by EU members, what other conclusion is possible?
- The countries of the region have the capacity to make the reforms and adjustments necessary for EU accession – provided that they mobilise and exercise political will. The experience of the Central European countries shows what can be done. Although the Balkans have more serious problems, their membership is both desirable and achievable, and first Slovenia and now Croatia have acted as pathfinders.

- The international community believes that the prime responsibility for handling the problems of the region lies with Europe. Russia and the US are still involved, for reasons of power politics, but they recognise that the EU's role is key. At stake is not just the future of the region, but also the Union's bid for a stronger role in world politics. If it cannot manage its 'backyard', it would be hard to develop as a global player.
- In the long run, the costs of containment and its political sustainability are higher than the costs of absorbing new members into the EU. Public opinion in Europe is not against enlargement to the Balkans, but it could become opposed to a protracted military presence in the region if it is not effective and if regional stabilisation does not reach the necessary turning point that will put the Balkans on track towards membership.

Against this background, the Task Force has identified a number of recommendations for policy-makers in the EU and in the region.

In terms of strategy:

1. The creation of 'protectorates' in the Balkans (Bosnia and Herzegovina, and now Kosovo) has been necessary for 'state-building' and stability, but it is not a satisfactory long-term option: in Sarajevo, it has generated dependency and stalled the reform process without increasing transparency and accountability; in Pristina, it is likely to be confronted with serious problems of enforcement. States which are not fully autonomous cannot join the EU, and are not even capable of making adequate preparations for membership.

The international community and the Union should develop a clearer 'exit strategy' from protectorate status – starting with stronger oversight and also appeal mechanisms – so that the states concerned can pursue their 'entry strategy' towards candidate status and EU accession more effectively.

2. In their dealings with the region, the EU and its Member States too often send mixed messages and apply double or even multiple standards. This weakens the credibility of the EU's commitment, made at Thessaloniki in 2003, to future membership for all countries of the region on an equal footing. It can also have a negative impact on the virtuous processes that conditionality can set in train.

The principle of ‘differentiation’ – whereby each country’s path towards membership is determined by its progress in preparing for accession – relies on equal and transparent application of the criteria. In managing the SAP and the conditions for accession, therefore, the EU should be both consistent and rigorous, regardless of the parties in power in the Balkans.

3. The EU should take care to follow this approach in dealing with Serbia. As the biggest state in the region, with good administrative capacity, it can make rapid progress towards EU membership. But the experience with Kosovo has fostered a perception among some Serbians that the European perspective conflicts with their national interest. To outside observers, it may seem unrealistic for Serbians to hope for a satisfactory future outside the Union, but it may take time for them to make up their minds.

In the meantime, the Union must exercise patience in its relations with Belgrade while maintaining a principled approach: it should apply the same criteria to Serbia as to the other Balkan countries, not make unjustified concessions and, more generally, avoid one country’s problems delaying others on their path to EU membership. Firmness on principles, coupled with attention and dedication, will eventually pay off.

4. Although the EU enlargements of 2004 and 2007 took place in groups, the principle of differentiation implies that countries may join one at a time, when they are individually ready. In fact, for the countries of the Balkans, individual accession seems likely, beginning with Croatia. While mentioning likely dates for eventual accession is currently not an option, the EU should try to manage the process in such a way that the more rapid advance of some countries should serve to encourage rather than delay the others.

In terms of approach:

5. It will be crucial to ensure that differentiated accession does not create new dividing lines in the Balkans. Travel, trade and cultural exchange within the region will be as important as with (and within) the EU. Fostering regional cooperation in the Balkans should be seen in this supportive and reinforcing sense.

The Union should promote a comprehensive regional framework designed to prevent the erection of new barriers with each new accession – for

instance, by encouraging (possibly through the Regional Cooperation Council) a Balkan Passport Agreement modelled along the lines of the Nordic Passport Union (which encompasses Denmark, Finland and Sweden along with non-EU members Norway and Iceland). Its aim would be to allow people to cross all regional borders with a simple ID, even if and when some of its members join the EU. The Nordic experience shows that this could also facilitate future integration into the Schengen area.

6. Integration incentives should be targeted better and offered sooner. Notably, visa liberalisation is a key 'carrot' for citizens of the Balkans: the European Commission must offer the necessary technical support to the countries concerned for the implementation of the relevant road maps, and EU Member States must ensure that visa restrictions are lifted once any one country meets the required benchmarks.

Travel is particularly important to help the younger generation and the business community to widen their horizons and to multiply opportunities. Capacity building should start now, for instance through further expansion of the Erasmus Mundi (designed to build international educational networks) and other programmes. The aid package for the Balkans could also eliminate the distinction between candidate and non-candidate countries, making those on the waiting list eligible for the same kind of funds earmarked for future EU members. In the meantime, Schengen visa fees could be waived for all Balkan citizens, as was recently promised to Serbs.

7. Most of the region's populations are in favour of following the EU path. However, while their political leaders have learned to use European rhetoric, they are often reluctant to make the necessary reforms. A mentality and attitude which waits for (and tries to extract) special concessions from Brussels cannot deliver 'Europeanisation'. Without relaxing its standards (conditionality is not an '*à la carte*' menu), the EU should make it clear that successful reforms will be followed by early and adequate rewards, to be granted even before accession negotiations are opened: it must be both rigorous and generous with its future members.
8. The EU should also develop better communication and direct messages to peoples and societies in the region, even bypassing state and political structures if and when necessary. Such communications should aim at ensuring that EU conditions and incentives are well understood by citizens

and not manipulated by political leaders to advance private or party interests. Appropriate funding to this end must be provided both directly and by facilitating the work of local media and NGOs and that of international foundations on the ground.

In terms of action:

9. The states of the region which have not yet done so should now make a formal application for EU membership. In the past, the European Commission and Member States have discouraged them, on the basis that a premature application could lead to rejection or, more recently, interfere with the Lisbon Treaty ratification process. As soon as there is certainty over the entry into force of the new Treaty, however, there is no reason to delay such a move any further.
10. For its part, the EU should respond to this by reaffirming the promise of membership. This should be followed by the rapid commencement of the 'screening' process, in which officials from the countries concerned examine the EU's *acquis* in detail with European Commission experts. Past experience has shown that this is a highly effective learning process, which informs and motivates national administrations – at the practical as well as political level – on the path to membership.
11. Before the EU signs the next Treaty of Accession – probably with Croatia – it should define a general framework for the institutional adaptations related to the accession of all the Balkan countries (principles and methods for determining the number of votes in the Council of Ministers, the number of seats in the European Parliament and so on). An overall approach of this kind – similar to that agreed in the Nice Treaty before the last enlargement – would confirm their prospect of membership and make it more visible and tangible straight away.
12. Last, but certainly not least, Slovenia – the current holder of the EU Presidency – has made relations with the Balkans one of the priorities for its six-month term. The team of countries which takes over the Presidency for 18 months from 1 July 2008 onwards (France, the Czech Republic and Sweden) should continue to give priority to encouraging the region on the path to EU membership, demonstrating that this commitment is fully shared by the Union as a whole.

Annex

1. Western Balkan countries: key facts

| Country with official abbreviation | Population | GDP per capita (PPP) | GDP real growth rate | FDI as percentage of GDP | Unemployment rate | Active population as % of total population of working age * |
|---------------------------------------|-------------|----------------------|----------------------|--------------------------|-------------------|---|
| Albania (AL) | 3,172,155 | € 4,670 | 5.8% | 3.3% | 13.8% | 57.8% |
| Bosnia and Herzegovina (BA) | 3,926,406 | € 6,630 | 6.2% | 5.8% | 31.1% | 51.4% |
| Croatia (HR) | 4,556,020 | € 12,400 | 4.8% | 7.5% | 11.2% | 49.1% |
| Kosovo | 2,419,235 | € 1,118 | 3.1% | 12.2% | 41.3% | n/a |
| FYR Maced (MK) | 2,036,376 | € 6,510 | 3.1% | 7.0% | 36.0% | 55.1% |
| Montenegro (ME) | 601,022 | € 6,180 | 4.0% | 23.7% | 30.3% | 49.9% |
| Serbia (RS) | 7,431,485 | € 7,210 | 5.7% | 13.8% | 20.9% | 51.0% |
| EU 27 | 494,051,868 | € 23,500 | 3.1% | 1.8% | 6.7% | 64.5% |

Sources: ISO Standards; UN Population Division, *World Population Prospects: The 2006 Revision Population Database*; The Vienna Institute for International Economic Studies (WIIW); Eurostat; International Labour Organization (ILO), LABORSTA; European Commission, DG ECFIN; UNDP, *Millenium Development Goals Report, 2005*; World Bank.

* The ILO and Eurostat apply different definitions of 'working age'. For the ILO, it starts 15 years old, whereas Eurostat defines it as aged between 15 and 64. For Western Balkans countries, ILO statistics are used; for the EU-27, Eurostat statistics are used.

2. Minorities

| Country | Percentage of minorities of total population | Largest 3 minority groups (total numbers and percentage of total population) | | |
|------------------------|--|--|---------|----------|
| Albania | 2.15% | Greek: | 59,000 | (2.00%) |
| | | Macedonian: | 4,700 | (0.15%) |
| Bosnia and Herzegovina | 0.80% | Montenegrin: | 10,071 | (0.20%) |
| | | Roma: | 8,864 | (0.20%) |
| | | Albanian: | 4,925 | (0.10%) |
| Croatia | 7.47% | Serb: | 201,631 | (4.50%) |
| | | Bosniak: | 20,755 | (0.50%) |
| | | Italian: | 19,636 | (0.40%) |
| Kosovo | 12.00% | Serb: | 133,000 | (7.00%) |
| | | Other: | 95,000 | (5.00%) |
| | | (Including Bosniak, Roma, Turk and Gorani) | | |
| FYR Macedonia | 35.80% | Albanian: | 509,083 | (25.20%) |
| | | Turks: | 77,959 | (3.80%) |
| | | Roma: | 53,879 | (2.70%) |
| Montenegro | 56.84% | Serb: | 198,414 | (32.00%) |
| | | Bosniak: | 48,184 | (7.80%) |
| | | Albanian: | 31,163 | (5.00%) |
| Serbia | 12.52% | Hungarian: | 293,299 | (3.90%) |
| | | Bosniak: | 136,087 | (1.80%) |
| | | Roma: | 108,193 | (1.40%) |

Source: Stefan Wolff, Pieter van Houten, Ana-Maria Angheloa, Ivna Djuric, *Minority Rights in the Western Balkans*, Report presented to the European Parliament, Committee on Foreign Affairs, Sub-committee on Human Rights.

3. Refugees and Internally Displaced Persons

| | Refugees on the territory | Internally Displaced Persons on the territory | Total |
|------------------------|---------------------------|---|---------|
| Albania | 105 | / | 105 |
| Bosnia and Herzegovina | 8,727 | 134,252 | 142,979 |
| Croatia | 2,003 | 3,516 | 5,519 |
| <i>Kosovo</i> | 399 | 21,000 | 21,399 |
| FYR Macedonia | 1,920 | 785 | 2,705 |
| Montenegro | 6,926 | 16,106 | 23,032 |
| Serbia | 97,940 | 206,504 | 304,444 |

Source: United Nations High Commission for Refugees: Estimate of refugees and displaced persons still seeking solutions in South-eastern Europe, 1 July 2007.

4. Progress of accession process

| Country | SAA initialled | SAA signed | Application for membership | Candidate status granted | Decision taken to start Accession negotiations |
|------------------------|----------------|------------|----------------------------|--------------------------|--|
| Albania | 31.01.03 | 12.06.06 | / | / | / |
| Bosnia and Herzegovina | 04.12.07 | / | / | / | / |
| Croatia | 14.05.01 | 29.10.01 | 21.02.03 | 18.06.04 | 03.10.05 |
| <i>Kosovo</i> * | / | / | / | / | / |
| FYR Macedonia | 24.11.00 | 09.04.01 | 22.03.04 | 16.12.05 | / |
| Montenegro | 26.09.06 | 15.10.07 | / | / | / |
| Serbia | 07.11.07 | 29.04.08 | / | / | / |

Source: *European Commission, DG Enlargement.*

* A Stabilisation and Association Process Tracking Mechanism was established in August 2006 to monitor relations between the EU and Kosovo under UN Security Council Resolution 1244.

5. Follow-up on Copenhagen criteria requirements

| | Political criteria | | | |
|-------------------------------|----------------------------|---------------------------|---|--------------------------------|
| | Democracy & rule of law | Human rights & minorities | Regional issues & international obligations | Corruption |
| Albania | Some progress | Some progress | Positive role | Remains widespread |
| Bosnia and Herzegovina | Progress slowed down | Limited progress | Active participation | Widespread and serious problem |
| Croatia | Continues to meet criteria | Move forward | Positive role | Widespread |
| Kosovo | Stability maintained | Major challenge | Active participation to permissible extent | Widespread |
| FYR Macedonia | Taken further steps | Improved | Positive role | Remains widespread |
| Montenegro | Good progress | Progress | Committed | Widespread |
| Serbia | Some progress | Need to be improved | Positive role | Widespread |

Economic criteria

| | Functioning market economy | Capacity to cope with EU market |
|-------------------------------|----------------------------|---------------------------------|
| Albania | Progress | Considerable reform needed |
| Bosnia and Herzegovina | Little progress | Major reforms needed |
| Croatia | Functioning | Able to cope in medium term |
| Kosovo | Little progress | Must further reform |
| FYR Macedonia | Well advanced | Reform efforts needed |
| Montenegro | Further progress | Major reforms needed |
| Serbia | Some progress | Must pursue reform |

European standards/EU legal order

| | Aligning legislation | Energy | Justice, freedom, security |
|-------------------------------|-----------------------------|---------------------|----------------------------|
| Albania | Progress | Limited progress | Progress in some areas |
| Bosnia and Herzegovina | Limited progress | Some progress | Some progress |
| Croatia | Some progress | Good progress | Efforts will be needed |
| Kosovo | Further progress | More efforts needed | More efforts needed |
| FYR Macedonia | Some progress | Good progress | Needs to intensify efforts |
| Montenegro | Some progress | Limited progress | More to be done |
| Serbia | Has administrative capacity | Some progress | Limited progress |

Sources: European Commission, DG Enlargement, Progress reports 2007 (all the terms used in these tables are those used by the European Commission in its progress reports).

European Commission: key findings of the progress reports on the candidate countries and the potential candidate countries.

6. Financial assistance received from EC (1991-2006)

| | PHARE + OBNOVA (1991-2000) | CARDS (2000-06) | IPA (2007-11) | ECHO (1991-2000) | Other EC support (1991-2000) |
|-----------------------------------|----------------------------------|--------------------|-------------------|---------------------|------------------------------------|
| (in million euro) | | | | | |
| Albania | 528.3 | 315.5 | 401.1 | 134.7 | 249.3 |
| Bosnia and Herzegovina | 842.7 | 502.8 | 440.1 | 1,035.0 | 282.5 |
| Croatia | 64.4 | 523.8 | 749.9 | 292.3 | 9.5 |
| Kosovo | 580.0 | n/a * | 395.0 | 140.5 | 62.3 |
| FYR Macedonia | 257.4 | 298.2 | 401.5 | 90.8 | 62.6 |
| Montenegro | n/a * | n/a * | 166.0 | n/a * | n/a * |
| Serbia | 240.9 | 2,559.8 | 976.8 | 408.6 | 40.8 |
| Region | 107.0 | 425.3 | 728.2 | 94.5 | 26.0 |
| Total | 2,620.7 | 4,625.4 | 4,553.5 ** | 2,196.4 | 733.0 |

Source: European Commission, DG Enlargement (see page 76 for details of acronyms).

* Number calculated in the figure for Serbia

** Including administrative costs

Other EU support includes macroeconomic assistance, democracy and human rights programmes, media support, food security and specific actions.

7. Instrument for pre-accession assistance (2007-2011)

| | Institution building & transition support | Cross-border cooperation | Regional development | Human resources | Rural development | Total | % |
|-------------------------------|---|--------------------------|----------------------|-----------------|-------------------|----------------|-------------|
| Candidate Countries Only | | | | | | | |
| (in million euro) | | | | | | | |
| Albania | 353.3 | 47.8 | / | / | / | 401.1 | 8.8 |
| Bosnia and Herzegovina | 415.3 | 24.8 | / | / | / | 440.1 | 9.7 |
| Croatia | 220.1 | 73.0 | 257.4 | 70.0 | 129.4 | 749.9 | 16.5 |
| Kosovo | 383.9 | 11.1 | / | / | / | 395.0 | 8.7 |
| FYR Macedonia | 190.4 | 26.6 | 104.9 | 34.1 | 45.5 | 401.5 | 8.8 |
| Montenegro | 143.2 | 22.8 | / | / | / | 166.0 | 3.6 |
| Serbia | 919.7 | 57.1 | / | / | / | 976.8 | 21.5 |
| Regional | | | | | | 728.2 | 16.0 |
| Adm costs | | | | | | 294.9 | 6.5 |
| Total | 2,625.9 | 263.2 | 362.3 | 104.1 | 174.9 | 4,553.5 | 100 |
| % | 75.4 | 7.6 | 9.3 | 2.8 | 4.9 | 100 | |

Source: Commission Communication, Instrument for Pre-Accession Assistance (IPA) Multi-Annual Indicative Financial Framework for 2009-2011, Brussels, 6 November 2007, COM (2007) 689 final.

8. Costs of EU missions (excluding Member States' contributions)

| | (in million euro) |
|------------------------------|-------------------|
| EUFOR ALTHEA for 2004-2007 * | 215.1 |
| EUPM for 2002-2008 | 127.1 |
| EUPOL PROXIMA | 37.5 |
| EUPAT | 1.5 |
| Mission CONCORDIA | 6.2 |
| Total | 387.4 |

EUFOR ALTHEA and EUPM are ongoing missions; EUPOL PROXIMA, EUPAT and Mission CONCORDIA have been terminated.

* Costs only include common costs. Personnel and other items are paid for on a “costs lie where they fall” basis.

9. Human development index 2005

The Human Development Index, published by the United Nations Development Programme, includes 177 countries, ranked according to life expectancies at birth; adult literacy rates; combined gross enrolment ratio for primary, secondary and tertiary education; and GDP per capita measured in Purchasing Power Parity (PPP). Variables are measured on a scale from 0 to 1, 0 being the lowest and 1 the highest.

All Western Balkans countries are listed as highly developed countries, with a value higher than 0.800. There are no human development indices for Kosovo, Montenegro and Serbia because of a lack of data.

| Country | Ranking | Life expectancy-index | Education index | GDP index | Human development index value |
|------------------------|---------|-----------------------|-----------------|-----------|-------------------------------|
| Greece | 24 | 0.898 | 0.970 | 0.910 | 0.926 |
| Slovenia | 27 | 0.874 | 0.974 | 0.902 | 0.917 |
| Hungary | 36 | 0.799 | 0.958 | 0.866 | 0.874 |
| Croatia | 47 | 0.839 | 0.899 | 0.813 | 0.850 |
| Bulgaria | 53 | 0.795 | 0.926 | 0.752 | 0.824 |
| Romania | 60 | 0.782 | 0.905 | 0.752 | 0.813 |
| Bosnia and Herzegovina | 66 | 0.825 | 0.874 | 0.710 | 0.803 |
| Albania | 68 | 0.853 | 0.887 | 0.663 | 0.801 |
| FYR Macedonia | 69 | 0.814 | 0.875 | 0.714 | 0.801 |
| <i>Kosovo</i> | n/a | n/a | n/a | n/a | n/a |
| Montenegro | n/a | n/a | n/a | n/a | n/a |
| Serbia | n/a | n/a | n/a | n/a | n/a |

10. Migration and remittances 2000-2005

| | Annual net migration in numbers | Emigrants as percentage of total population as of 2006 | Remittances for 2004 (million of US dollars) | Remittances as percentage of GDP |
|-------------------------|---------------------------------|--|--|----------------------------------|
| Albania | - 20,000 | 27.5% | 889 | 11.2% |
| Bosnia and Herzegovina | 8,000 | 37.7% | 1,824 | 23.1% |
| Croatia | 20,000 | 16.0% | 1,222 | 3.6% |
| FYR Macedonia | - 2,000 | 18.2% | 171 | 3.2% |
| Serbia and Montenegro * | - 20,000 | n/a | 4,129 | 18.0% |

Source: United Nations, Department of Economic and Social Affairs, Population Division International Organisation for Migration, Regional Office in Budapest.

* Including Kosovo.

11. Visa restriction index 2006

The Henley Visa Restriction Index is published by Henley and Partners. Countries and territories of the world are ranked according to how many other states their citizens can visit without requiring a visa. The index includes 195 countries.

| Country | Ranking | Number of countries citizens can travel to without visa |
|------------------------|---------|---|
| Finland | 1 | 130 |
| Germany | 4 | 129 |
| The Netherlands | 15 | 126 |
| Greece | 22 | 120 |
| Cyprus | 29 | 113 |
| Poland | 34 | 106 |
| Slovenia | 35 | 105 |
| Czech Republic | 43 | 98 |
| Croatia | 52 | 84 |
| Bulgaria | 54 | 83 |
| Romania | 61 | 73 |
| Serbia and Montenegro | 128 | 32 |
| FYR Macedonia | 133 | 31 |
| Bosnia and Herzegovina | 152 | 25 |
| Albania | 184 | 17 |
| Afghanistan | 195 | 12 |

12. Corruption Perceptions Index 2007

This index, compiled by Transparency International, ranks 180 countries according to the perceived level of corruption inside each country. It measures the overall extent of corruption (frequency and/or size of bribes) in the public and political sectors. Countries receive a CPI score between 1 and 10, with 1 the highest level of corruption and 10 the lowest. The least corrupt country is ranked number 1, and the most corrupt 180.

On the complete Index, Denmark, Finland and New Zealand share first place, with Somalia and Myanmar ranked lowest. This table includes all South-eastern European countries and a cross-section of EU Member States.

| Country rank | Country | 2007 CPI score |
|--------------|------------------------|----------------|
| 16 | Germany | 7.8 |
| 27 | Slovenia | 6.6 |
| 39 | Hungary | 5.3 |
| 41 | Italy | 5.2 |
| 56 | Greece | 4.6 |
| 64 | Bulgaria | 4.1 |
| 64 | Croatia | 4.1 |
| 69 | Romania | 3.7 |
| 79 | Serbia | 3.4 |
| 84 | Bosnia and Herzegovina | 3.3 |
| 84 | FYR Macedonia | 3.3 |
| 84 | Montenegro | 3.3 |
| 105 | Albania | 2.9 |

13. Failed States Index 2007

This index of 177 countries compiled by the Fund for Peace ranks states according to the degree they are “failed”. The degree of failure is measured by 12 indicators on a scale from 1 to 10, with 1 being the lowest and 10 the highest. The higher a country is ranked, the less it is a failed state. In the complete index, Sudan is judged the most failed state in the world, followed by countries such as Iraq, Afghanistan, Somalia and Zimbabwe, and Norway the least failed. The twelve indicators are:

Social indicators

1. Mounting demographic pressures.
2. Massive movement of refugees or internally displaced persons creating complex humanitarian emergencies.
3. Legacy of vengeance-seeking group grievance or group paranoia.
4. Chronic and sustained human flight.

Economic indicators

5. Uneven economic development along group lines.
6. Sharp and/or severe economic decline.

Political indicators

7. Criminalisation and/or delegitimation of the state.
8. Progressive deterioration of public services.
9. Suspension or arbitrary application of the rule of law and widespread violation of human rights.
10. Security apparatus operates as a “state within a state”.
11. Rise of factionalised elites.
12. Intervention of other states or external political actors.

| Country & ranking | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | Total |
|----------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------------|
| Bosnia (54) | 6.1 | 8.0 | 8.3 | 6.0 | 7.2 | 6.0 | 7.6 | 5.6 | 5.3 | 7.3 | 8.3 | 8.8 | 84.5 |
| Serbia (66) | 6.0 | 8.0 | 7.7 | 5.5 | 7.7 | 6.5 | 7.5 | 5.0 | 6.1 | 6.3 | 8.0 | 6.8 | 81.1 |
| FYR Maced (95) | 5.4 | 4.7 | 7.1 | 7.0 | 7.4 | 5.9 | 7.3 | 5.1 | 5.3 | 6.1 | 6.4 | 6.4 | 74.1 |
| Albania (111) | 6.5 | 2.7 | 5.4 | 7.5 | 6.1 | 6.8 | 7.4 | 6.2 | 5.4 | 5.5 | 5.4 | 5.6 | 70.5 |
| Romania (126) | 5.5 | 3.8 | 5.2 | 5.2 | 6.1 | 5.7 | 6.1 | 5.2 | 4.8 | 3.4 | 4.5 | 5.4 | 60.9 |
| Croatia (127) | 5.3 | 6.5 | 6.0 | 5.0 | 5.7 | 5.7 | 4.2 | 4.1 | 4.5 | 3.9 | 3.9 | 5.7 | 60.5 |
| Bulgaria (128) | 5.4 | 4.1 | 4.2 | 5.9 | 6.2 | 4.3 | 5.7 | 5.0 | 4.7 | 5.4 | 3.9 | 5.5 | 60.3 |
| Montenegro (136) | 5.4 | 4.1 | 5.8 | 2.5 | 4.3 | 4.0 | 4.5 | 3.6 | 5.6 | 4.8 | 6.0 | 5.0 | 55.6 |
| Slovenia (155) | 4.0 | 1.7 | 3.4 | 3.5 | 5.4 | 3.2 | 3.2 | 3.5 | 3.5 | 3.0 | 1.1 | 2.0 | 37.5 |

14. Imports in South-eastern Europe

| Imports as % of total (2005) | | Importing Countries | | | | | |
|------------------------------|---------|---------------------|----------|---------|-----------|---------|----------|
| Exporting Countries | Albania | BiH | Bulgaria | Croatia | FYR Maced | Romania | Serbia * |
| Albania | / | 0.0 | 0.0 | 0.0 | 0.2 | 0.0 | 0.2 |
| Bosnia and Herzegovina | 0.1 | / | 0.0 | 2.4 | 0.3 | 0.1 | 3.3 |
| Bulgaria | 2.5 | 0.3 | / | 0.9 | 8.1 | 1.0 | 3.9 |
| Croatia | 0.9 | 22.7 | 0.3 | / | 2.9 | 0.2 | 3.6 |
| FYR Maced | 0.9 | 0.6 | 0.2 | 0.8 | / | 0.0 | 5.2 |
| Romania | 1.0 | 0.9 | 3.5 | 1.5 | 4.9 | / | 2.7 |
| Serbia * | 0.7 | 10.9 | 0.3 | 0.9 | 10.5 | 0.2 | / |
| Russia | 2.3 | 1.2 | 9.9 | 9.0 | 0.6 | 6.8 | 15.2 |
| Turkey | 8.6 | 2.1 | 6.8 | 1.3 | 6.1 | 41. | 1.8 |
| EU-25 | 70.4 | 58.2 | 56.8 | 65.2 | 57.9 | 68.4 | 51.2 |
| EU-4 | 59.4 | 29.1 | 34.9 | 36.6 | 35.4 | 38.6 | 30.5 |
| CEE 5 | 3.8 | 22.2 | 7.4 | 14.8 | 13.3 | 11.9 | 9.4 |
| SEE 7 | 6.1 | 35.4 | 4.3 | 6.5 | 26.8 | 1.4 | 18.8 |

Source: Vienna Institute for International Economic Studies.

* Including Montenegro and Kosovo.

EU-4 includes Germany, Austria, Greece and Italy.

CEE 5 includes the Czech Republic, Hungary, Poland, Slovak Republic and Slovenia.

SEE 7 includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania and Serbia and Montenegro.

15. Exports in South-eastern Europe

| Exports as % of total (2005) | | | | | | | |
|------------------------------|---------------------|------|----------|---------|-----------|---------|----------|
| Importing Countries | Exporting Countries | | | | | | |
| | Albania | BiH | Bulgaria | Croatia | FYR Maced | Romania | Serbia * |
| Albania | / | 0.1 | 0.4 | 0.2 | 1.1 | 0.1 | 0.4 |
| Bosnia and Herzegovina | 0.0 | / | 0.1 | 14.7 | 1.7 | 0.2 | 18.0 |
| Bulgaria | 0.0 | 0.0 | / | 0.5 | 1.6 | 2.1 | 1.3 |
| Croatia | 0.2 | 16.6 | 1.3 | / | 6.3 | 1.0 | 4.4 |
| FYR Maced | 0.8 | 0.3 | 2.2 | 0.9 | / | 0.6 | 8.8 |
| Romania | 0.0 | 0.9 | 3.5 | 1.0 | 0.1 | / | 1.7 |
| Serbia * | 2.6 | 14.5 | 3.6 | 4.4 | 27.8 | 1.0 | / |
| Russia | 0.3 | 0.3 | 1.9 | 1.3 | 1.5 | 0.6 | 5.9 |
| Turkey | 3.1 | 0.5 | 10.1 | 0.8 | 2.4 | 7.7 | 1.9 |
| EU-25 | 84.1 | 58.0 | 55.3 | 62.0 | 52.7 | 68.4 | 50.1 |
| EU-4 | 71.6 | 33.5 | 32.9 | 40.6 | 40.0 | 40.6 | 35.2 |
| CEE 5 | 0.7 | 19.2 | 3.6 | 11.7 | 2.7 | 8.2 | 6.1 |
| SEE 7 | 3.6 | 32.4 | 11.2 | 21.8 | 38.6 | 4.9 | 34.6 |

Source: Vienna Institute for International Economic Studies.

* Including Montenegro and Kosovo.

EU-4 includes Germany, Austria, Greece and Italy.

CEE 5 includes the Czech Republic, Hungary, Poland, Slovak Republic and Slovenia.

SEE 7 includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania and Serbia and Montenegro.

16. Participation in regional cooperation

| State | CEI 1989 | CEFTA 1992 | BSEC 1992 | SECI 1996 | SEECF 1996 | Stab. Pact 1999 | All 2000 | BSF 2006 | RCC 2008 |
|--------------------------------|-------------|---------------|--------------|--------------|---------------|-----------------------|-------------|-------------|-------------|
| No. of parties involved | 18 | 7 | 12 | 12 | 11 | 9 * | 8 | 10 | 45 |
| Albania | X | X | X | X | X | X | X | | X |
| Bosnia and Herzegovina | X | X | | X | X | X | X | | X |
| Bulgaria | X | | X | X | X | X | | X | X |
| Serbia | X | X | X | X | X | X | X | | X |
| Montenegro | X | X | | | X | X | X | | X |
| FYR Macedonia | X | X | | X | X | X | | | X |
| Croatia | X | X | | X | X | X | X | | X |
| Romania | X | | X | X | X | X | | X | X |
| Moldova | X | X | X | X | X | X | | X | X |
| Kosovo under UNMIK 1244 | | X | | | | | | | X |

Source: Franz-Lothar Altmann (see page 76 for acronyms).

* The Stability Pact contained 9 members, 1 observer and supporters.

17. International presence in the Balkans

Albania

Delegation of the European Commission to Albania
OSCE presence in Albania

Bosnia and Herzegovina

EUFOR Mission Althea in Bosnia and Herzegovina
EUPM in Bosnia and Herzegovina
Office of the United Nations High Representative and EU Special Representative to Bosnia and Herzegovina
Delegation of the European Commission to Bosnia and Herzegovina
NATO Headquarters Sarajevo
OSCE Mission to Bosnia and Herzegovina

Croatia

The Delegation of the European Commission to Croatia
OSCE office in Zagreb

Kosovo

EU Special Representative to Kosovo
EULEX Mission in Kosovo
UNMIK
KFOR
OSCE Mission in Kosovo
European Commission Liaison Office to Kosovo

FYR Macedonia

EU Special Representative to Macedonia
NATO Headquarters Skopje
OSCE Spillover Monitor Mission to Skopje
Mission of the European Union to the Former Yugoslav Republic of Macedonia

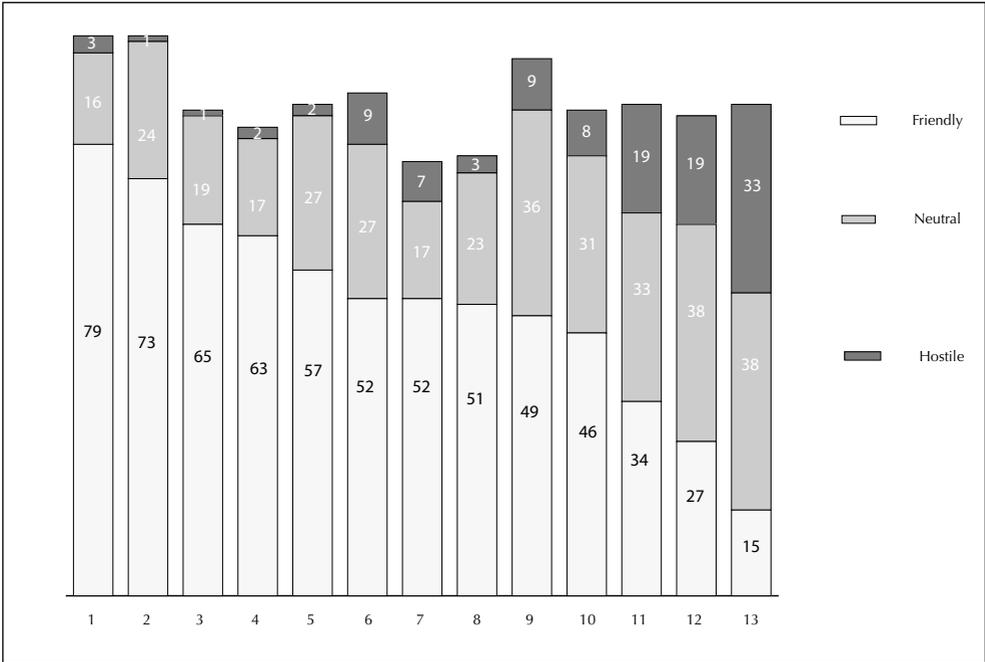
Montenegro

The Delegation of the European Commission to Montenegro
OSCE Mission to Montenegro

Serbia

The Delegation of the EU to Serbia
OSCE Mission to Serbia

Graph 1. Western Balkans: EU seen as friendly or hostile?



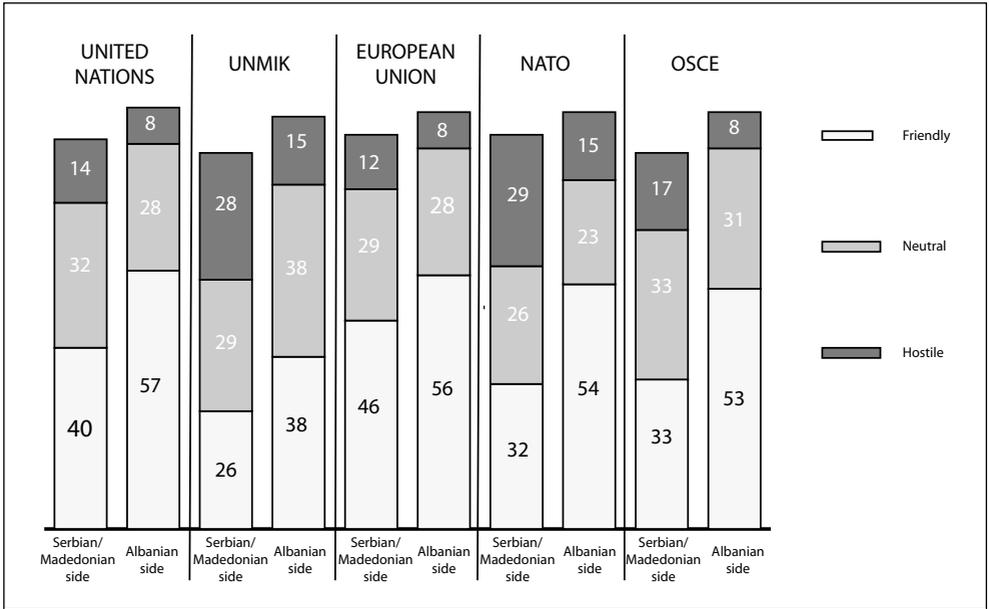
Source: *The Gallup Balkan Monitor, The Gallup Organisation Europe.*

Explanation:

The data is broken down not only by country, but also by entity, ethnicity and religious affiliation.

1. FYROM (Alb): Albanians living in Macedonia.
2. Kosovo (Alb): Albanians living in Kosovo.
3. Albania: Albanians living in Albania.
4. Crna Gora: Albanians living in Montenegro.
5. Bosnia: mostly Bosniacs living in the region of Central Bosnia.
6. Serbia (min): non-Serbs living in Serbia.
7. Crna Gora (Majority): Montenegrins and Serbs living in Montenegro.
8. Herzegovina: mostly Croats living in the region of Herzegovina.
9. FYROM (Macedonians): Macedonians living in Macedonia.
10. Croatia: Croats living in Croatia.
11. Serbia: Serbs living in Serbia.
12. Republika Srpska: mostly Serbs living in Republika Srpska.
13. Kosovo (Serbs): Serbs living in Kosovo.

Graph 2. Kosovo: the EU considered the most empathetic mediator



The difference between the judgment regarding each of the players is the smallest in the case of European Union: both sides consider the EU to be friendly to their cause.

Source: The Gallup Balkan Monitor. The Gallup Organisation Europe. This is the first in-depth survey of the total Western Balkan region, based on a representative sample of 1,000 respondents per country. It provides strategic insights into the socio-political, socio-economic, and multicultural dimensions of the Balkans. For more information on the Gallup Balkan Monitor, please visit www.gallup-europe.be or contact The Gallup Organisation Europe at +32-2-734-54-18 / contact@gallup.be

List of acronyms

| | |
|-----------|--|
| AII | Adriatic-Ionian Initiative |
| BSEC | Black Sea Economic Cooperation |
| BSF | Black Sea Forum |
| CARDS | Community Assistance for Reconstruction, Development and Stability |
| CEFTA | Central European Free Trade Agreement |
| CEI | Central European Initiative |
| CFSP | Common Foreign and Security Policy |
| CPI | Corruption Perceptions Index |
| ECHO | European Commission Humanitarian Aid Department |
| ESDP | European Security and Defence Policy |
| EUFOR | European Union Force |
| EULEX | European Union Rule of Law Mission in Kosovo |
| EUPAT | European Union Police Advisory Team |
| EUPM | European Union Police Mission |
| EUPOL | European Union Police Mission |
| EUPT | European Union Planning Team |
| EU-RA | EU Regional Approach |
| FDI | Foreign Direct Investment |
| FYROM | Former Yugoslav Republic of Macedonia |
| GDP | Gross Domestic Product |
| ICO | International Civilian Organisation |
| ICTY | International Criminal Tribunal for the former Yugoslavia |
| ILO | International Labour Organisation |
| IPA | Instrument for Pre-Accession |
| KFOR | Kosovo Force |
| LABORSTA | Database of Labour Statistics |
| NATO | North Atlantic Treaty Organisation |
| OECD | Organisation for Economic Co-operation and Development |
| OSCE | Organization for Security and Co-operation in Europe |
| PISG | Provisional Institutions of Self Government |
| RCC | Regional Cooperation Council |
| SAA | Stabilisation and Association Agreement |
| SAP | Stabilisation and Association Process |
| SECI | Southeast European Cooperative Initiative |
| SEECF | South-East European Cooperation Process |
| SFYR | Socialist Federal Republic of Yugoslavia |
| Stab Pact | Stability Pact for Southeast Europe |
| UNDP | United Nations Development Programme |
| UNHCR | United Nations High Commissioner for Refugees |
| UNMIK | United Nations Mission in Kosovo |
| WIIW | Vienna Institute for International Economic Studies |

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