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Rethinking the European Union's Strategy in the Western Balkans

Seventh working meeting of the 'Forum on New Security Issues: Shared Interests and Values between Southeast Europe and the Transatlantic Community' launched by ELIAMEP in 2002 and supported by the German Marshall Fund of the United States

WORKSHOP REPORT

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“Rethinking the European Union’s strategy in the Western Balkans”

Workshop Report

Introduction

At a time critical for both the Western Balkans and the Transatlantic community, the Hellenic Foundation for European & Foreign Policy (ELIAMEP) and the Bertelsmann Stiftung organized, in cooperation with The Balkan Trust for Democracy, a workshop aimed at *Rethinking the European Union’s Strategy in the Western Balkans*.

Launched in 2002 and supported by the German Marshall Fund of the United States, this seventh working meeting of the *Forum On New Security Issues: Shared Interests and Values Between Southeast Europe and the Transatlantic Community* took place in Thessaloniki on the 5th and 6th of May 2006. The meeting was organized with the support of Eurobank EFG (Athens) and the Stability Pact for Southeastern Europe (Thessaloniki).

Bringing together a group of approximately 50 policy makers, academics, NGO representatives and journalists from many EU member states, Southeast Europe and the United States, it aimed at critically assessing EU policy towards the Western Balkans, evaluating the perceptions of the US and Russia vis-à-vis developments in the region, and presenting the expectations and requirements of the countries of SEE. In addition, two highly interactive working groups placed particular emphasis on discussing interim plans as well as what is feasible and acceptable in the field of economics and on issues relating to status and statehood.

EU Policy Towards the Western Balkans: A Critical Look

Often perceived as the EU’s unfinished business, it is often all too easy to be critical of EU policies towards the Balkans, even more so in the current political context of ‘reflection’ and economic malaise.

It was stressed, however, that it is important to distinguish between two different faces of EU involvement in the Western Balkans. The first is political, the second is technical. The former is constrained mainly by developments within the EU25 and increasing reference to the EU's 'absorption capacity,' and it necessarily constrains the latter. Moreover, a great deal of the enlargement focus is directed towards Turkey and the EU has become stricter and more demanding towards Bulgaria and Romania given the Union's institutional and political 'enlargement fatigue.' In the case of the latter, it was argued that the technical aspects of EU involvement in the Western Balkans are more concrete and also more promising, and that the EU Commission is willing to pursue these aspects further. For example, the facilitation rather than the liberalization of movement of people was noted as a necessary step that the Commission has been working on.

It was equally underlined that EU accession remains the ultimate priority of all the countries in the region. The question posed is how far can the EU accommodate its internal requirements with the process of strengthening accession for those countries?

The French and Dutch referenda results, the apparent reluctance of EU public opinion to support further enlargement without a strict application of standards, or even without a referendum, the questions as to what kind of Union is being constructed and at what costs (economical, political, cultural, institutional) were identified as the main matters of concern. The question of whether and to what extent public opinion should define political decisions was debated, as was the problematic accession of multiple microstates for a functioning EU. This was considered in the context of a grand vision for Europe and the need to balance between a legitimate debate on the political future of the EU and populism.

Greater strategy on behalf of the EU was clearly called for along with making the EU perspective more credible and therefore building a new consensus for enlargement in the Balkans. Though it was confirmed that Salzburg reaffirmed the EU's commitments in Thessaloniki, it was also highlighted that there was growing impatience on both sides with regard to meeting commitments and conditions. In effect, public support for the EU is waning across the Balkans and frustration

with the EU visa regime is increasing while the principle challenge for all the countries is to meet the EU goal posts that are unavoidably moving.

In conclusion, it was argued while there is scope to rethink the EU policies, there is no alternative to the EU strategy for the region. And, that the main issue to be addressed was how to move forward with status issues, achieve sustainable solutions that balance effectively between multi-ethnicity and an inevitable rearrangement of boundaries.

US, Russia and Other International Actors: Perceptions and Expectations

This session focused principally on the perceptions and expectations of third actors as regards the integration of the Balkan countries into the EU and transatlantic security community.

Contrary to Russia, there was a self-confessed lack of understanding of the Western Balkan region by the US. A unitary view of European democracy prevails in the US perspective, and this includes the Balkans. The success of the Balkan project was identified as important for future EU-US joint projects and it was reiterated that the US wholly supports the region's full and rapid integration, with NATO first and then the EU. With regards the Kosovo case, the argument was made that it should be viewed as a unique case and not as a precedent for other regions.

Concerning Russian involvement in the region, these are typically attributed to: 1) ideology, 2) economics, 3) military presence, 4) Slavic brotherhood, and 5) religious commonality (Christian Orthodox Church). During the discussion these motivations were deconstructed to argue that Russia is currently more interested in developing relations with the EU in the Balkans. Russia does have a residual influence in the region and is prepared to use it to contribute to managing tensions in the Balkans (and in the Caucasus) and to avoid its marginalization in Europe. Thus, it was argued that Russia continues to favour EU enlargement and stability for the Balkans while it was also underlined that Russia remains a big power and should be an integral part of any decision particularly given its support for the principle of territorial integrity. The questions raised were: How would Russia react if Kosovo were to be granted "independence with limits"? How is Russia

reacting to the EU's increasing presence in the Caucasus? And, what is the role of Gazprom in the Balkans?

Views from the Region: Perceptions and Strategic Requirements

Overall, it appears that the region saw their hopes for EU accession rise (with Croatia starting accession negotiations, Serbia and Montenegro SAA negotiations, FYROM acquiring candidate status, etc) and then saw the momentum gradually diffused (after the ECT referenda, with the freezing of negotiations with Serbia, etc). By the end of 2006, the Commission will report of the Balkans accession path, on the nature of the EU and its absorption capacity.

Against this background the status of each country was assessed in economic and political terms as well as their institutional capacity to effectively deal with the reforms and integrate the *acquis communautaire*. It was highlighted that any 'watering down' of EU commitments towards the region may lead to a halting of reforms within SEE. At the same time, it was emphasized that accession criteria should be applied fairly, non-compliance should not be 'forgiven' though at the same time, accession criteria should not be used as delaying tactics.

Across all countries, the need to draw a clearer accession path with dates was repeated, while a continued, active involvement of Greece- due to its geographic position and its crucial investment in the region- in supporting the EU accession path of all the countries was called for. The discussion closed concentrating on aspects of the "integration fatigue" that many countries face in SEE and on certain symbolic gestures that would constitute significant improvements – for example, visa facilitation, student exchanges, etc.

What is Desirable, Feasible, and Acceptable? Assessing Interim Plans

Working Group I: Economics

In the last four years, there has been successful macroeconomic development in the Western Balkans, with a stable growth of over 4%, comparable to the Black Sea region. A

noticeable fiscal stability coincides with a low debt and budget surpluses in Bosnia Herzegovina, FYROM and Serbia, and growing foreign exchange rates, as well a curbing of inflation to an average of 2% was observed. Further, there has been evident progress in structural reforms, and Serbia enjoys a successful privatization in its business sector. Similarly, though Bosnia falls slightly behind in privatization, the presence of EU banks as well as progress in the energy sector is the cause of risk reduction, sovereignty rating and police reform in the region.

Nevertheless, problems persist. With high labour costs the incentives for foreign investment in the region are restricted, and consequently unemployment and current account deficits are high (and increasing). The challenges in the region are two-fold and encompass BiH as well as Kosovo mainly due to a disturbingly high level (70%) of largely youth unemployment, limited economic growth and low levels of investment. As a result, the great competitive advantage the region has in the energy sector goes largely unused (in BiH for example, the energy sector accounts for 4-% of its GDP, and there is a high potential of hydropower in Albania, Montenegro and BiH).

More worrying is the fact that there is a noticeable lack of appetite for reform in the region. This could perhaps signal a major crisis in Bosnia, even though its financial sector is fully privatized and works better than others. FYROM, being overly conservative in terms of fiscal management also endures the lack of initiative in the energy sector reinforces bad management. Secondly, there is a dominant corruption agenda which needs to be addressed. However, as this is deeply incorporated in the way of doing business in the region it cannot be corrected overnight.

The EU's policy priorities, therefore, should concentrate on creating appropriate visa regimes and a success story, perhaps through developing the energy sector or regional trade. With specific focus on Kosovo and Bosnia, further investment should be encouraged and economic challenges should be addressed while additional incentives have to be provided for the region's economies to pick up. Though the status issue of Kosovo should be resolved, one should bear in mind that the economic challenged faced by the region will continue for a period of at least five to seven years and finally, much of the responsibility for the region's economic development lies with the local business community.

Working Group II: Status and Statehood

Decisiveness and speedy resolution of pending status issues was called for while the need for cooperation between EU, USA and ideally Russia was stressed as absolutely crucial.

Regarding the State Union of Serbia and Montenegro, the discussion concentrated on the 21st May referendum and the result of Montenegro's vote as well as the extent to which this might complicate the outcome of the status negotiations of Kosovo. At the centre of the discussion was the need to manage minority-majority relations in all countries and to protect religious and patrimonial sites. No part of the Balkans is to be excluded from the EU, so in this sense the perspective may be considered a given, however, there are democracy, citizenship and minority rights requirements that will have to be met beforehand.

Moreover, it was noted that Kosovo's status will be defined within the UN context even though the EU is an active, participating part of the status process. In this sense, the EU does not aspire to replace UNMIK. It has a responsibility to facilitate the status settlement, prepare the institutional capacity and be a leading actor in facilitating the implementation of democratic procedures, minority rights, etc. The EU's role in providing support and training in justice and police matters was particularly noted.

Reference was made to extremist and nationalist backlashes that may result from the status negotiations. The implications this may have for Serbia and the ways in which this may trigger knock-on reactions in FYROM, in Montenegro, and in Bosnia were also identified as important challenges ahead.

As regards Bosnia, it was felt that an opportunity had been missed with the constitutional fall-out and that although things were largely normalized the country was functioning more as three ethnic entities rather than one multi-ethnic state.

Conclusion

The Balkans remain a priority for the EU and its Member States, however, given the current popular reluctance towards further enlargement strict adherence to the accession criteria has to be observed. This is perceived as necessary both for the EU accession process to remain credible and for political constraints within the EU 25. The current debates on the nature of the EU and its future directions are legitimate and need to be pursued further keeping in mind that the EU cannot define itself solely on the basis of its foreign-policy priorities. The commitment made on the part of the EU towards the Western Balkans in Thessaloniki was reiterated and it was repeated that the EU's strategy remains firmly anchored on the region's EU perspective. At the same time it was noted that delivering dates was very unlikely, that the accession process has become more accountable, and that the international environment is unavoidably being reflected in the Balkans. Thus, there is a generalised feeling that conditionality is becoming stricter and tougher, and that the goal-posts are shifting. Understandably, the region tired with political and economic reforms is experiencing a malaise about this, an integration fatigue and decreasing political commitment.

There is no alternative to the Balkans' integration into the EU, so the current challenges must be addressed in a constructive manner. It would be wrong to fall into a double-bluff of the region pretending to reform and the EU pretending to recognize inexistent reforms. None of the actors would benefit from such a development in the long-term.

Given that the EU is in need of an internal assessment there is a window of opportunity for the region's leadership to demonstrate local responsibility. The Western Balkans have every interest to address the region's weaknesses (economic and political) and this year constitutes an opportunity to clarify status issues and successfully implement the state-building agenda declared in Thessaloniki thereby making a leap closer to EU accession.