

The next Europe: Southeastern Europe after Thessaloniki

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The Next Europe: Southeastern Europe after Thessaloniki

Summary

The European Council and the Balkan Summit in Thessaloniki failed to deliver the necessary consistent implementation strategy for the European integration of the Balkans. At the same time, the euphoria related to the successful completion of Eastern enlargement seems to nurture the illusion that this role model of integration suffices to cope with the stability risks and the developmental deficits of the Balkans. In their latest analysis that looks beyond the political statements of Thessaloniki, the Bertelsmann Foundation and the Center for Applied Policy Research champion a rethinking and renewal of Balkan strategies. The arrangement should contain as many pre-accession instruments as practicable, as much stabilisation policy as needed and as much economic-development assistance as possible.

Since 2000, the Bertelsmann Foundation and the Center for Applied Policy Research have studied potentials and limitations of a "European perspective" for the Western Balkans. Integration strategies were assessed and designed in cooperation with the Planning Staff of the German Foreign Ministry and leading think tanks from the region. On the basis of the conclusions from Thessaloniki, the following paper analyses the regional state of affairs and identifies strengths and weaknesses of current European Balkan policies.

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The Balkans 2003

With EU reform, migration, Iraq and transatlantic relations high on the political agenda, the Balkans were never expected to feature prominently during the deliberations of the heads of state at the Thessaloniki European Council on 19 and 20 June 2003. Thanks to the Greek Presidency and the geographic proximity of Europe's troubled southeast, the Presidency's Conclusions provide some clues on European strategies beyond Eastern enlargement 2004. The next day, the same city provided the right ambience for the EU-Western Balkans Summit and a solemn re-confirmation of Europe's commitment to the integration of the Western Balkans.

Late last year, Athens declared Southeastern Europe a "key priority" of its EU Presidency. Meanwhile, the European rift brought to the fore by the Iraq war has spoiled the euphoria of the accession of the ten countries, celebrated in Athens on 16 April. The recent controversies concerning the more far-reaching proposals of the European Convention have sobered ambitions for a truly Common Foreign and Security Policy. Thus, half a year later, the Greek promise "to keep the Balkans high on the agenda" has become a tall call by itself. Yet, recent developments in the region and the projected consequences of Eastern enlargement require a determined rethinking and renewal of European strategies for Southeastern Europe.

An optimist might argue that the region has not witnessed any new outbursts of ethnic violence and that the main state-building arrangements set up by Americans and Europeans have been upheld: the 1995 Dayton Agreement for Bosnia-Herzegovina, the 1999 UNSC Res. 1244 for Kosovo, the 2001 Ohrid Agreement for Macedonia and the 2002 Belgrade Agreement for the FRY. Regional co-operation is picking up pace, e.g. in the form of a system of bilateral free-trade agreements initiated by the Stability Pact. The Stabilisation and Association Process (SAP), moreover, has gained acceptance as the EU's main strategy for the eventual integration of the Balkan region. Croatia's application for "graduation" from the SAP to candidate status in February 2003 is a clear

indication of the reform stimulus provided by the European perspective.

A pessimist would point to the assassination of Prime Minister Zoran Djindjic on 12 March 2003 as a sad reminder of both the all-pervasiveness of organised crime in the Balkans and the utter fragility of political consolidation. Numerous unresolved issues of nation and state building – the Kosovars striving for independence, the tug of war between Slavic and Albanian Macedonians, local Serbs' unwillingness to come to terms with the state of Bosnia-Herzegovina and the unforgotten idea for a referendum on Montenegrin independence – keep the European crisis managers on high alert. Croatia's "graduation", moreover, would make shambles of regional cooperation in the Western Balkans. Prospects that other countries will be able to sign a Stabilisation and Association Agreement (let alone, graduate from the SAP) in the near future are dim.

The optimist and the pessimist would nevertheless agree that since the end of the Kosovo War in June 1999, "Europe" has gradually replaced the USA as the key player in the region. The EU High Representative masterminded the new state of Serbia and Montenegro, while the EU has taken over police and peace-keeping missions in Bosnia and Macedonia respectively. The EU, the European Investment Bank, the European Bank for Reconstruction and Development and the 15 member states contribute the lion's share of assistance. The Stability Pact that includes the UN, the USA and Russia, has meanwhile become complementary to the EU's Stabilisation and Association Process.

In sum, the past half-year has underscored the necessity to reconfirm and enhance the European perspective for the Western Balkans as a whole and to concretise the integration roadmap for Croatia as a forerunner. The paradigm shift from stabilisation and reconstruction to regional co-operation and European integration has to be completed. On the other hand, reform progress and political normalisation in most of the region fail to meet the expectations – despite massive assistance and the ultimate incentive of the European perspective. For most states and state-like entities, stabilisation remains the prime agenda. Thus, the key question remains whether Europeanisation and stabilisation are either complementary or conflicting policy agendas.

Thessaloniki, June 2003

The Presidency Conclusions of the Thessaloniki European Council focus on the historical process of deepening and widening European integration. Beyond the accomplishments of Eastern enlargement, six key issues are addressed:

1. Enhanced relations with Russia as a strategic partner in the fight against terrorism and in a world dominated by the USA as an increasingly unilateralist power;

2. The possible opening of accession negotiations with Turkey in 2004;
3. The 2003 concept of a Wider Europe which includes Europe's new neighbours across the Mediterranean, the Middle East and the western CIS states of Russia, Ukraine, Belarus and Moldova;
4. The awkward situation of Cyprus, half a member of the EU;
5. The accession of Romania and Bulgaria, planned for 2007 and facilitated by a special "roadmap"; and
6. The enhancement of the SAP for the Western Balkans and the clarification of the procedure for a transfer from "aspiring" (SAP) to EU accession country.

As the European Council did not go all the way in shifting the paradigm from stabilisation to European integration, the Presidency's Conclusions summarily indicates adjustments within and around the Stabilisation and Association Process. The Presidency's Conclusions turn a blind eye on non-EU institutions such as the Stability Pact and avoid referring to its heavy-handed interference in Serbia-and-Montenegro state building. The Conclusions praise the policing and military missions in the region as a European achievement without reference to the underlying regional stability risks. Following the optimist's logic, the Conclusions rather eulogise the Stabilisation and Association Process on the European side and the development of "regional ownership" on the part of the Balkan states. The heads of state underline their promise by "enhancing" or "enriching" the SAP in the form of a strengthening of the accession dimension, the copying of some accession instruments and some additional funding for social and economic cohesion in the region.

In the summit declaration of 21 June, the "EU-Western Balkans Forum" as a political forum flanking the SAP and bilateral "European Partnerships" were announced. With its two-thronged objective of stimulating regional co-operation and strengthening the political dimension of EU-Western Balkans relations, the forum might further erode the Stability Pact's role as a comprehensive strategy. (The Greek Presidency used the ill-omened phrase "reflect on the functioning of" for both the European Agency for Reconstruction and the Stability Pact.) Next to this biannual forum for multilateral dialogue, the European Partnership (modelled on the National Programmes for the Adoption of the Acquis in the accession process) highlights the bilateral "privileged relationship" and promises tailor-made benchmarks and incentives.

The declaration of the heads of state at the EU-Western Balkans reads like a solemn profession of faith ("democracy, the rule of law, respect for human and minority rights, solidarity and a market economy") and an equally solemn renunciation of evil practices ("extremism, terrorism and violence, be it ethnically,

politically or criminally motivated”). The overall impression is not quite one of *partners* working out a “shared agenda” and the best approaches to joint problems.

Neither the Presidency’s Conclusions nor the EU-Western Balkans Summit the next day were deemed the time and place for technicalities and procedural details. At least some of those had already been hammered out in the “The Western Balkans and European Integration” paper by the European Commission (May 2003), adopted with some modifications at the General Affairs Council in Luxembourg on 16 June as “The Thessaloniki Agenda for the Western Balkans. Moving Towards European Integration.” The Thessaloniki Agenda specified the promised “strengthening of the accession dimension of the SAP”: twinning programmes, access to TAIEX (Technical Assistance Information Exchange Office) and *acquis* monitoring as well as a tuning of CARDS and SAP assistance to the *acquis*.

Compared to the highly critical and blunt assessment of progress made in the Balkans over the past few years (e.g. in the SAP annual report), the confirmation of the “European perspective” by the European Council was lukewarm at best: “The future of the Balkans is within the European Union”. The conditionalities were highlighted and some observers will have noticed that the term “European Integration Partnership” proposed by the Commission was changed in “European Partnerships” in the Thessaloniki Agenda. Two proposals made by regional leaders and international experts – and partly adopted by the Greek Presidency – were dropped in Thessaloniki: To transfer the SAP and the Western Balkans from DG External Relations to DG Enlargement and to provide additional funding for social and economic cohesion in the region. The 200 million Euro of additional assistance promised for the next three years is not too impressive (compared to 4.65 billion Euro in the 2000-2006 budget). The assessment of the effectiveness of CARDS assistance and SAP policy priorities seems not to have changed the strong focus on issues like good governance, the fight against organised crime and corruption, administrative capacity-building, border control and reform of the judiciary. In view of 20%-40% unemployment rates, the signing of the European Charter for Small Enterprises, however, remains a poor substitute for a policy for social and economic cohesion. The Thessaloniki Agenda seems to have identified “political will” as a largely independent variable as far as the structural causes of reforms deficits are concerned, but a dependent variable as far as European incentives and conditionalities are concerned.

Probably the most tantalising statement in the Declaration is the acknowledgement that the SAP “will remain the framework for the European course of the Western Balkan countries, *all the way to their future accession*.” This suggests that countries like Croatia, even if they “graduate” from SAA to candidate status would stay within the SAP (and under DG External

Relations!). Even if assistance and instruments similar to those of Eastern enlargement are made available for them, they would never join Romania and Bulgaria in the same process. Thus, the heterogeneous region could be kept together even if Croatia becomes a candidate country before Bosnia has even passed the feasibility study for an SAA. This awkward set-up again suggests that a real (long-term) trajectory towards European integration is not yet on the political agenda.

In sum, the EU agenda after Thessaloniki did not fully follow through on the necessary far-reaching consequences of a strategy of European integration. At the same time, paradoxically, in dealing with the specific burdens and deficits of the region the EU relies too much on the European perspective alone.

The European Agenda

The actual accession of eight post-communist states, Malta and Cyprus in May 2004 by and large reinstates the traditional dividing line between “Europe” and the “Balkans”. Even though Romania, Bulgaria and Slovenia are to join NATO, the territory formerly under Ottoman rule will be *de facto* excluded from EU membership for the time being. The laggards of Eastern enlargement, Romania and Bulgaria, have set themselves the ambitious goal of joining the EU-25 in 2007. The European Commission has promised its full support for this endeavour, but without watering down the conditions and 2007 merely remains a target date. Croatia expects to have a green light from Brussels by early 2004 and hopes to complete the adoption and implementation of the *acquis* no later than its two eastern neighbours (December 2004). For the other countries of the Western Balkans, the promise of the 1999 Stability Pact “to draw the region closer to the perspective of full integration into EU structures” will remain a solemn promise for the time being. The Feira European Council (June 2002) offered a less Aesopian formula for the European perspective – “the fullest possible integration into the political and economic mainstream of Europe.” Yet, actual membership is generally estimated to be at least another ten years down the road.

The crux of the matter is the fact that the perspective of EU integration is essential for the region’s future, but is not a panacea for all its structural problems. In fact, Eastern enlargement is a role model, but a success is not guaranteed for the next enlargement process. Due to structural historical legacies and ten years of warfare and ethnic conflict, the preconditions for post-communist transition are substantially less favourable than they were in East-Central Europe. The long process towards EU integration opened with the 1999 Stabilisation and Association Process. The integration process is partly driven by the urge to stabilise the region and *coincides* with (rather than succeeds) the main thrust of socio-economic transformation. By the time the Copenhagen Criteria were written down and

the first Europe Agreements were signed in the mid-1990s, in East-Central Europe most macro-economic indicators were already pointing upwards again, towards sustainable development. In the Western Balkans today, unemployment, inflation and de-industrialisation have reached levels Estonia, Slovakia or Poland have never ever witnessed. Thus, the challenges of stabilisation, transformation and integration have to be handled all at the same time and the EU consequently finds itself in multiple roles: initiator, driving force, assessor, mediator and final destination.

In recent months, the EU took heart and tackled two of the above dilemmas head-on. Although neither initiative directly concerned the Western Balkans, there are lessons to be learnt from both of them for future EU Balkan strategies. In March 2003, the European Commission drafted a strategy for relations with its future neighbours to the East and to the South. These countries from Morocco to Israel and from Moldova to Russia were made part of a "Wider Europe", but the new category of "neighbours" implies that EU accession is not an option, no matter in what timeframe or in what stages. Once this "golden carrot" of EU membership is off the table, the EU hopes to offer its neighbours attractive special, privileged relations in the economic sphere and concerning the "four freedoms." It remains to be seen when the governments of the neighbours will be ready to relinquish the mantra of an illusory EU perspective and settle for privileged relations conditional on concrete reform efforts. It also remains to be seen whether the EU and its soon 25 members will be able to all adhere to this policy principle. Evidently, the communication of the Commission is first and foremost a message to Ukraine and Moldova, two weak states characterised by much debate on EU perspective without any reform progress towards democracy or a functioning market economy to match this rhetoric. The inclusion of the African neighbours across the Mediterranean has a certain consistency and charm, but is rooted in lobbying by Southern European EU members. It is equally logic and consistent that the Western Balkans are not mentioned in the Wider Europe communication, although Albania and Moldova may have more in common than Israel and Belarus. The idea of a "silver carrot" may be relevant for the Balkans and the long interlude between EU perspective and EU membership. Enhanced bilateral relations and functional cooperation with the EU *outside* the logic and dynamics of the enlargement process can be mutually advantageous. It still can be conditional on reform progress and may be used to improve local preconditions for development without, however, further eroding regional ownership.

A second EU initiative that went equally unnoticed in the media concerned the roadmap for Romania and Bulgaria, prepared for the Copenhagen European Council (Dec. 2002). Status matters: the new EU members are likely to attract more foreign investment and will have access to the various EU funds for social and economic cohesion. Thus, to avoid that the decision to postpone the accession of Romania and

Bulgaria will exacerbate the gap between the ten acceding states and the two latecomers, the EU has come up with the roadmaps. Romania and Bulgaria will receive additional pre-accession assistance to match their reform efforts to become members in 2007. (In Thessaloniki the target date of 2007 was confirmed.) Well-defined specific benchmarks in the roadmap are linked to a phase increase of assistance (to +40% by 2006). Additionally, Romania and Bulgaria will in many respects be treated as if they already were members and be allowed to participate in a number of Community programmes, agencies and committees. By making the partitions between different statuses somewhat permeable, the EU intends to meet the counterproductive consequences of its conditionality – widening gaps and increasing disparities. The same logic could be applied to the divide between the 12 acceding and accession countries, on the one hand, and the 5 associated countries, on the other hand.

Key Recommendations

Assessing the "Thessaloniki Agenda" and the outcome of the "double" summit in Thessaloniki, it seems that the European "grand design" for the Balkans is far from complete. The EU perspective certainly is the ultimate and dominant agenda for the region. It would be a fallacy though to expect Southeastern enlargement to be similar to Eastern enlargement. The key challenge the region poses is being the *last* case of EU and the *first* case of "Wider Europe" at the same time. Thus, one set of recommendations concerns the European agenda; another set the specifics of macroeconomic deficits in an instable region; and a last set of recommendations addresses functional cooperation that is not integration-driven.

European Agenda - Thessaloniki will make the Stabilisation and Association Process more similar to the EU accession process by initiating the "European Partnerships" and by opening some pre-accession instruments for the "associated" countries of the Western Balkans. Yet, the two processes will remain formally separated, even though commissioner Patten responsible for the SAP systematically hires redundant experts from DG Enlargement, now dealing with Romania and Bulgaria only. The solemn restating of the promise of an "EU perspective" in Thessaloniki will fail to dissipate local misgivings about "enlargement fatigue" in an EU-25 and other imponderabilities in current world politics. The first European Council of the twenty-five in June 2004 offers a similarly appropriate setting for a far more powerful symbolic act – the transfer of the SAP from DG External Relations to DG Enlargement. The distinction between "associated" and candidate countries would remain, but the "mirroring" of enlargement instruments and expertise could be arranged far more effectively.

A true European perspective also requires the ratification and full implementation of the signed

Stabilisation and Association Agreements as well as entry and exit procedures. Exit procedures would define concrete targets and trajectories for countries that are moving from SAP to candidate status. Entry procedures would provide an initial SAP stage with lower conditions (and benefits) that would allow laggards like Bosnia-Herzegovina or Kosovo to enter the process. Rather than to develop an intermediate “acquis light” for the SAP countries, depending on reform progress in specific policy fields, acquis screening and expertise ought to be available in the SAP too.

Macroeconomic Deficits and Regional Instability –

The priorities and resources of the SAP in its current form, however, are typically defined by issues like administrative capacity-building, reform of the judiciary, border control and the fight against organised crime and corruption. Shortcomings in these policy fields predominate in the latest Progress Reports on Latvia and Slovakia as well as in the recent annual reports on Macedonia and Albania. The unsustainable macroeconomic deficits ranging from aid dependency, high unemployment and low direct foreign investment are not addressed with similar vigour and resources. Most of the SAP benefits are in the areas of trade and investment and cannot be used to the full without macroeconomic stability. Substantial commitments for social and economic cohesion are needed as a basis for both long-term stabilisation and a true European perspective. EU harmonisation policies have been highly effective and successful for the emerging market economies of East-Central Europe, but may distort reform processes in less developed weak states in Southeastern Europe. Managing the transition towards sustainable economic growth is the key challenge of today. A critical assessment of the effectiveness of the different SAP and CARDS instruments is more than welcomed: The states of the region have failed to allocate substantial parts of the available resources in recent years, whereas the key problem of programmes to create employment so far had a low priority and received minimal funding. A managed introduction of the four freedoms and most of all the liberalisation of the visa regime within the Balkan enclave as well as with the EU could be a major asset (and incentive). Aid dependency as a permanent risk could be countered by co-financing and national programmes for the use of budget resources and EU funding with well-defined objectives and allocations.

Functional Cooperation – The distinction between countries with and without an EU perspective and the enclave character of the small Balkan region necessitate forms of mutually beneficial cooperation outside and beyond the framework of EU integration. In a range of policy fields, the nexus between EU conditionality and benefits seems irrelevant or even counterproductive. Pan-European transport corridors, energy networks or environmental issues and for instance the inclusion of the Western Balkans in EU educational programmes are prime examples of options for functional cooperation that is not integration-

driven. The same applies to the Thessaloniki proposals to improve parliamentary cooperation as well as political cooperation by inviting the countries of the Western Balkans to associate themselves with EU declarations, Common Positions of Common Foreign and Security Policy. In the Thessaloniki Agenda functional cooperation is either defined as cooperation *within* the region or concerns issues of political representation like CFSP or inter-parliamentary dialogue. In a multilayered Europe, levels of cooperation for the Balkans (or for new neighbours even) could be introduced that are not EU-focussed or acquis-driven – not as a confession of powerlessness but as a way to improve functional cooperation.

In Sum

In sum, the pessimists seem to have won the day in Thessaloniki. Two and a half years have passed since the first EU-Western Balkans Summit in Zagreb – two and a half years without Milosevic – but the Balkans’ track record in terms of stability and reform is disappointing from the perspective of EU leaders. Within the EU, enlargement sceptics, net contributors and the architects of the current architecture of SAP and Stability Pact seem to have successfully resisted Greek impulses to rethink and renew European strategies for the Balkans.

In a weighing of the pros and cons of the Thessaloniki Agenda, the cons concern the absence of a concept for social and economic cohesion and against increasing disparities between Western Balkans and the accession states, the missed opportunity to transfer SAP to DG Enlargement, the prioritisation of advanced governance issues and the push for intra-regional cooperation rather than functional cooperation in a broader European framework. The pros of Thessaloniki are the introduction of benchmarking, interim incentives in the SAP (visa regimes, customs union), a regular political dialogue, the enriching of the SAA’s accession dimension as well as some tentative elements of non-acquis driven cooperation. All in all, a Balkanic outcome.

DOCUMENTS

Thessaloniki European Council (19 and 20 June 2003) Presidency Conclusions

WESTERN BALKANS

40. The European Council, recalling its conclusions in Copenhagen (December 2002) and Brussels (March 2003), reiterated its determination to fully and effectively support the European perspective of the Western Balkan countries, which will become an integral part of the EU, once they meet the established criteria.

41. It endorsed the Council conclusions of 16 June on the Western Balkans, including the annex "The Thessaloniki Agenda for the Western Balkans: moving towards European integration", which aims at further strengthening the privileged relations between the EU and the Western Balkans, also drawing from the enlargement experience. The Union's thus enriched Stabilisation and Association Process will remain the framework for the European course of the Western Balkan countries all the way to their future accession.

42. The European Council looked forward to the EU-Western Balkans Summit meeting of 21 June as a major opportunity for the two parties to push ahead with their common goals. The Declaration that will be adopted there, together with the Thessaloniki Agenda, should provide a sound basis for directing the reform efforts of the Western Balkan countries in coming closer to the Union, and the enhanced EU support to their endeavours.

43. The European Council also endorsed the Council Conclusions on the 2003 Annual Review of the Stabilisation and Association Process.

EU-Western Balkans Summit (Thessaloniki, 21 June 2003) Declaration

We the Heads of State or Government of the member States of the European Union, the acceding and candidate states, Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Serbia and Montenegro, as potential candidates, and the President of the European Commission, in the presence of the President of the European Parliament, the Secretary General of the Council/High Representative, the Special Representative of the UN Secretary General in Kosovo, the Special Co-ordinator of the Stability Pact for South-Eastern Europe and the High Representative for Bosnia and Herzegovina, meeting in Thessaloniki, agreed today on the following:

1. We all share the values of democracy, the rule of law, respect for human and minority rights, solidarity and a market economy, fully aware that they constitute the very foundations of the European Union. Respect of international law, inviolability of international

borders, peaceful resolution of conflicts and regional co-operation are principles of the highest importance, to which we are all committed. We vigorously condemn extremism, terrorism and violence, be it ethnically, politically or criminally motivated.

2. The EU reiterates its unequivocal support to the European perspective of the Western Balkan countries. The future of the Balkans is within the European Union. The ongoing enlargement and the signing of the Treaty of Athens in April 2003 inspire and encourage the countries of the Western Balkans to follow the same successful path. Preparation for integration into European structures and ultimate membership into the European Union, through adoption of European standards, is now the big challenge ahead. The Croatian application for EU membership is currently under examination by the Commission. The speed of movement ahead lies in the hands of the countries of the region.

The countries of the region fully share the objectives of economic and political union and look forward to joining a EU that is stronger in the pursuit of its essential objectives and more present in the world.

3. The endorsement yesterday by the European Council of 'The Thessaloniki agenda for the Western Balkans: Moving towards European Integration' represents a new important step in the privileged relationship between the EU and the Western Balkans. Its content shall be considered as our shared agenda, and we all commit to its implementation. The countries of the region will focus their efforts on meeting the recommendations this agenda refers to.

4. We acknowledge that the Stabilisation and Association process (SAP) will remain the framework for the European course of the Western Balkan countries, all the way to their future accession. The process and the prospects it offers serve as the anchor for reform in the Western Balkans, in the same way the accession process has done in Central and Eastern Europe. Progress of each country towards the EU will depend on its own merits in meeting the Copenhagen criteria and the conditions set for the SAP and confirmed in the final declaration of the November 2000 Zagreb summit. The Western Balkan countries highly value the annual review mechanism of the SAP, based on the Commission's reports, and commit themselves to implement its recommendations.

The Western Balkan countries welcome the decisions by the EU to strengthen its Stabilisation and Association policy towards the region and to enrich it with elements from the experience of enlargement. They welcome in particular the launching of the European Partnerships, as well as the decisions for enhanced co-operation in the areas of political dialogue and the Common Foreign and Security Policy, parliamentary co-operation, support for institution building, opening of Community programmes. They take note of the ongoing discussions for an increase in the budgeted Community financial support to the region through the CARDS programme.

5. We support the full implementation of Resolution 1244 of the UN Security Council on Kosovo and the 'standards before status' policy of UNMIK; we remain committed to the Dayton/Paris Agreements and we encourage full implementation of the Ohrid and Belgrade agreements. The EU and the SAP countries fully support the International Criminal Court, recalling relevant EU decisions. The Western Balkan countries pledge full and unequivocal co-operation with the International Criminal Tribunal for the former Yugoslavia. Its work, on all open issues, including the transfer to The Hague of all remaining indictees, should be allowed to progress without delays. Providing justice for war crimes is a legal, political and moral imperative to which we are all committed.

Sustainable return of refugees and internally displaced persons is critical for ethnic reconciliation and an index of democratic maturity; it remains high on our priority agenda. We stress the role of education, culture and youth in promoting tolerance, ensuring ethnic and religious coexistence and shaping modern democratic societies.

Fragmentation and divisions along ethnic lines are incompatible with the European perspective, which should act as a catalyst for addressing problems in the region.

The recent launching of the EU police Mission in Bosnia and Herzegovina and of the operation "Concordia" in the former Yugoslav Republic of Macedonia are tangible proofs of the EU's commitment to the region.

While the EU is strengthening its commitment in Southeast Europe, notably in police and security operations, continued engagement of other international actors is necessary. We all highly value the close co-operation between the EU and the US and NATO in the region, within the framework of UN Resolutions, as well as the role of other international organisations and financial institutions operating in the area. We encourage close co-ordination of their activities.

6. Organised crime and corruption is a real obstacle to democratic stability, the rule of law, economic development and development of civil society in the region and is a source of grave concern to the EU. Combating it constitutes a major priority. The SAP countries commit themselves to define and implement the measures foreseen in the follow up process to the London conference of November 2002 and described in the Thessaloniki Agenda. Particular attention will be given in combating trafficking in human beings. The countries of the region also commit to concrete measures, in accordance with the Thessaloniki Agenda and the documents of the Ohrid May 2003 conference, respectively, in order to cope effectively with illegal immigration and improving border security and management, aiming at achieving European standards.

7. We acknowledge the importance the peoples of the Western Balkans attach to the perspective of liberalisation of the EU's visa regime towards them.

We recognise that progress is dependent on implementing major reforms in areas such as the strengthening of the rule of law, combating organised crime, corruption and illegal migration, and strengthening administrative capacity in border control and security of documents. The Western Balkan countries welcome the intention of the Commission to hold discussions, within the framework of the Stabilisation and Association Process, with each of them, regarding the requirements for how to take these issues forward in concrete terms.

8. Economic prosperity is essential to long term stability and democracy in the region. Persistent efforts and structural reforms are required to establish functioning market economies and to achieve sustainable development and to ensure employment.

We recognise the importance of developing modern networks and infrastructures in energy, transport and telecommunications in the region, consistent with the Trans-European Networks. We encourage further mobilisation of international support in these areas, notably through the European Investment Bank and other International Financial Institutions, and private investment.

The SAP countries welcome the decisions by the EU to consider further measures for enhancing its trade with them, to extend the Internal Energy Market to the region as a whole and to establish a regular economic dialogue with each country of the region.

Considering that small and medium-sized enterprises are a key source of jobs, innovation and wealth and are essential for the functioning of competitive market economies, the SAP countries hereby commit to the policy principles enshrined in the European Charter for Small Enterprises, as well as to participate in its implementation.

9. We reiterate that rapprochement with the EU will go hand in hand with the development of regional co-operation. The countries of the Western Balkans and, where applicable, other regional participant countries, commit to promote concrete objectives and initiatives, along the lines prescribed by the Thessaloniki Agenda, in the areas of regional free trade, visa-free movement within the region, collection of small arms, creation of regional markets for electricity and gas, development of transport, energy and telecommunication infrastructures, environment and water management, research technology and development, cross-border co-operation and parliamentary co-operation.

We reconfirm our support to the Stability Pact for South-Eastern Europe in its complementary role to the Stabilisation and Association Process and in implementing its agreed core objectives. We invite it to focus in particular on the tasks suggested in the Thessaloniki Agenda. We support regional co-operation initiatives such as the South-East European Co-operation Process (SEEC), the Adriatic-Ionian Initiative, and the Central European Initiative. We encourage further co-operation between the European

Commission, the Stability Pact and the SEECP, which is gradually becoming the voice of the region.

10. Since our Zagreb meeting in November 2000, considerable progress was made towards stability, democracy and economic recovery in all countries of the Western Balkans, as well as in regional co-operation and good neighbourly relations between them, to the benefit of their peoples and of Europe as a whole. All the countries of the region have also made good progress in advancing towards the EU. A comparison with three years ago reveals the road that has been covered. At the same time, the Western Balkan countries, aware that there is much and hard work ahead, commit themselves to intensify the pace of reforms. The European Union pledges full support to their endeavours.

We have agreed to meet periodically at our level, within the framework of a EU-Western Balkan forum, in order to discuss issues of common concern, to review progress of the countries of the region in their road to Europe, and to exchange views on major developments in the EU. Annual meetings of foreign ministers and ministers responsible for Justice and Home Affairs will be held as appropriate. Acceding and candidate countries will be fully involved. We welcome the intention of the incoming EU Italian Presidency to organise the first meetings of this kind, by the end of the year. Other ministers can also meet when appropriate.

For Further Reading

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www.cap.uni-muenchen.de/bertelsmann/soe.htm

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- *The EU and Its Changing Neighbourhood: Stabilisation, Integration and Partnership*, May 2003

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- *CARDS Assistance Programme to the Western Balkans. Regional Strategy Paper 2002-2006*, Oct. 2001
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- *The Stabilisation and Association Process for South East Europe. Second Annual Report*, COM, March 2003
- *The Western Balkans and European Integration*, COM, May 2003
- *2518th Council meeting, General Affairs and External Relations. Luxembourg, 16 June 2003*
- *Thessaloniki European Council (19 and 20 June 2003) Presidency Conclusions*, June 2003
- *EU-Western Balkans Summit (Thessaloniki, 21 June 2003) Declaration*, June 2003

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www.swp-berlin.org/fgs/fogruppe03.html

- *Regionale Kooperation in Südosteuropa*, May 2002.
- *The EU and the Balkans: From Association to Membership?* May 2003

Vienna Institute for International Economic Studies, Vienna

www.wiiw.at

- *Enhancing Relations between the EU and Western Balkans*, April 2003 - in coop. with BeCEL, Belgrade