

THE EUROPEAN UNION, THE ENLARGEMENT AND THE SOUTH-EASTERN EUROPE

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Abstract. Starting 1989, the countries of South-Eastern Europe and Central Europe promoted and developed political and economic relations with the European Union (E.U). The new wave of EU enlargement was meant to transfer into the South-Eastern and Central Europe the goals of peace, stability, and economic growth. The article analyzes the course of integration of South-eastern Europe in the EU and the essential changes that are required, the transition to the free market economy, the creation of a political system that will be based on rule of law and the respect the human and minorities rights, the political plurality and the multi-party system with democratic elections. The article states that the enlargement to the South-Eastern Europe is very important for the EU, an enlargement that represents a hope for the common European region of peace, cooperation, democracy and development.

1. INTRODUCTION

Immediately following the collapse of the political and economic system of social realism, the countries of the Balkans and Central and Eastern Europe (CEE) promoted their accession to Western European (and global) bodies of military, political and economic cooperation (NATO, Council of Europe, Organisation for Security and Cooperation in Europe, etc) and developed closed relationships with the European Union (EU). Thus, in conjunction with other factors, the new enlargement of

the EU arose, mainly aiming at transferring EU proposals for peace, stability and development² to the Balkans and to CEE. The enlargement towards the Balkans and CEE comprises a venture of unprecedented scale, given that accession of new states to European Communities in 1973, 1981, 1986 and 1995 was not of the scale and ambition of the accession for CEE countries in 2004, nor, and especially, the one exclusively planned for the Balkans³.

More specifically, the enlargement of the EU to the Balkans followed this

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² Enlargement, during the new EU period, is defined as the decision by the EU to open its gates to new members. See Stylianos, A. "The dilemma between deepening and enlarging the European Union and the future of the Euro", *Market Without Borders*, Vol. 7, Issue 2, Fall 2001, p. 90-106. (In Greek).

³ See. Welfens, P. J. *Economic Aspects of the Eastern Enlargement of the European Union*, Koln: *Bericht des BIÖst* Nr. 7/99, 1999. H. Siebert, *Reintegrating the Reform Countries into the World Economy*, Kiel Working Paper No. 829, Institute of World Economics, Kiel 1997; St. Fisher, S. Ratna and C. A. Vegh, *How Far Is Eastern Europe from Brussels?*, IMF Working Paper 98/53, Washington, D.C., 1998. Gligorov., V. Kaldor, I.- Tsoukalis, L. *Balkan Reconstruction and European Integration*, The Hellenic Observatory, The European Institute, LSE, The Centre for the Study of Global Governance, LSE and The Vienna Institute for International Economic Studies 1999. Specifically for the case of Kosovo, see EU special Council for General Affairs, *Council Conclusions-Kosovo*, Luxembourg (08-04-1999), <http://europa.eu.int/news/kosovo2-en.htm>.

course: in June 1993, during the European Council which took place in Copenhagen, the thirteen “associated countries” (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta and Poland, as well as the four Balkan states, Bulgaria, Romania, Turkey and Slovenia) were approved. In December 1994 (Essen Summit Meeting), the “pre-accession strategy” was drafted and foresaw the application of “European Agreements”, support by the EU during the transition period in the form of non-returnable subsidies through PHARE programme⁴, the enforcement of relevant legislation for the single market and a dialogue with all associated Balkan and CEE countries⁵. In December 1995, the European Commission submitted a report to the Summit Meeting in Madrid, where the advantages of enlargement-peace, stability and security, economic development and growth⁶ - were reported, while stressing the fact that the approval of total community legislation by all candidate countries is a necessary prerequisite condition. In July

1997, the European Commission presented “Agenda 2000”, which described the prospects for the development of the EU and its policies, the enlargement impact on the EU and the funding framework for the 2000-2006 period. One of the most fundamental issues examined and discussed within the framework of “Agenda 2000” was the reinforcement of pre-accession strategy in the agricultural sector, based on which the relevant preparation programme of candidate countries would be proposed⁷. In December 1997, during the Luxembourg Summit Meeting, the negotiation framework was finalised; negotiations eventually began in March 1998 with six countries: Cyprus, the Czech Republic, Estonia, Hungary, Poland and Slovenia, while in March 1999 (Berlin Summit Meeting) financial regulations regarding the enlargement were approved. In December 1999 (Helsinki European Council), parallel discussions began with Romania, Slovakia, Latvia, Lithuania, Bulgaria and Malta, on the condition that they could cover the distance

⁴ PHARE programme was initiated in 1989 after the collapse of the regimes of CEE countries, aiming at helping them reconstruct their economies. Initially, it covered Poland and Hungary, but it expanded, following the decision of the Essen Council (December 1994) and, thus, PHARE became the means of EU pre-accession policy, which aims at the accession of ten Balkan and CEE countries into the EU (Bulgaria, Estonia, Hungary, Latvia, Lithuania, Poland, the Czech Republic, Romania, Slovakia, Slovenia); today it also covers Albania, Bosnia-Herzegovina and Former Yugoslavian Republic of Macedonia. PHARE is the largest programme in the world that helps CEE and Balkan countries, providing technical assistance and support for investments. PHARE activities focus on two priorities: a) Reinforcement of the administration of countries to accede, so that they are in a position to apply community *acquis* and b) Compliance of their industries and the infrastructure of Balkan and CEE countries with community regulations through investment implementation. This effort is mainly focused on sectors where community regulations have become stricter, such as the environment, transport, product quality, working conditions, etc. The renewed PHARE, whose budget is Å 10 billion for the 2000-2006 period, will focus on two main priorities: a) reinforcement of institutional capacities and b) investment. The following table presents financial assistance through PHARE (for the 2000-2006 period. See Malkidis, Th. *The European Union and the Black Sea region*. Athens: Gordios 2004, p. 78. (In Greek). Also see the following table, which presents EU financial assistance through PHARE.

EU financial assistance to candidate countries from CEE and the Balkan peninsula. 2000-2006 period

Category	2000	2001	2002	2003	2004	2005	2006
PHARE	1.5	1.5	1.5	1.5	1.5	1.5	1.5

⁵ Pre-accession strategy, which had been designed and applied since 1994, aimed at providing support and promotion for investment in candidate countries, especially in the sectors of the environment, infrastructure, transport and agricultural modernisation. It also included two-way trade agreements, political dialogue and mechanisms for the convergence of their legislation and legal systems with those of the EU. The basic obligation for accession to the EU is approval of the community *acquis*, which entails application of community legislation, increase of administration efficiency, reinforcement of judicial systems and increase of security at the external borders of candidate countries. On their part, the 15 Member States took measures, through the Nice Treaty (1999), for the rational organisation of decision-making procedures.

⁶ Sakkoulidis, G. *Enlargement and South-East Europe*, Thessaloniki: EKEPP, 2003. (In Greek).

⁷ The agricultural sector comprised one of the most important and complex issues during negotiations for the reinforcement of pre-accession strategy, since they would have to be co-examined along the course of revision of the Common Agricultural Policy.

separating them from other countries, while in December 2000 (Nice), the leaders of EU Member - States reached an agreement concerning the reforms without which enlargement would not be possible. In June 2001 (Göteborg European Council), it was decided that negotiations could be completed in 2002, so that the new enlargement could take place in 2004, thus providing new Member - States with the possibility of presenting candidates in Euro-elections. In December 2001 (Laeken Summit Meeting), it was stressed that ten of the thirteen candidate countries would be ready for accession in 2004 - Slovenia among them - while the accession date for Bulgaria and Romania was set in 2007; it was mentioned that Turkish accession comprises a desirable target which will be specified during the European Council which will take place in December 2004. These decisions were confirmed in October 2002 by the European Commission and in December 2002 by the leaders of the Member-States during the Copenhagen European Council. On April 16, 2003, the accession treaty for ten CEE countries (the Czech Republic, Slovenia, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Cyprus) was signed in Athens, while relations between the EU and the Western Balkans were made official during the Thessaloniki Meeting (June 2003)⁸.

2. THE ACCESSION COURSE OF BALKAN COUNTRIES

Given that Balkan (as well as CEE) countries were not members of organisa-

tions of international trade and economic cooperation (World Trade Organisation, Organisation of Economic Cooperation and Development, etc), their new economic relations with the EU had to be based on two-way agreements. The EU reacted positively to the orientation of Balkan countries immediately after the change in the political, financial and social environment⁹, signing agreements for trade and economic cooperation, which were replaced by Association Agreements (European Agreements)¹⁰. Association Agreements presuppose observance of a number of political and economic terms and each party is called upon to respect the principles of mutual interests, policy, reciprocity, economic freedom, minorities and the principles of good neighbourly relations. Furthermore, the Agreements promote the transition to a market economy, the establishment of a political system based on the rule of law and the respect of human and minority rights, political polyphony and the multiparty system with free and democratic elections. The Agreements also require the application of the principles of the Final Act of the Meeting on Security and Cooperation in Europe - CSCE (today called the Organisation for Security and Cooperation in Europe - OSCE), the establishment of a new type of relationships of trade and economic cooperation, commitment concerning free trade and its regional and sectorial diversification so as to be in harmony with the World Trade Organisation, mutual interest and non-discrimination, as well as regional

⁸ *Of the Western Balkan countries, Croatia submitted an EU accession application in January 2003.*

⁹ *Voulgaris, G., (superv.), The day after the fall of "social realism", Thessaloniki: Paratiritis 1992. (In Greek). Deacon, (superv.), The New Eastern Europe. Athens: Gutenberg 1996. (In Greek).*

Haarscher, G. Telo, (superv.), After communism. Athens: Papazissis 1997. (In Greek).

Dokos, Th. Pierros, F. (superv.) The Balkans after the Kosovo war. Athens. I. Sideris Publications 2000. (In Greek).

¹⁰ *European Commission, Evaluation of the Phare 'Essential Aid' Programme for Bosnia-Herzegovina, Brussels 1998. See also 'Agreement Between the European Economic Community and the Republic of Albania, on Trade and Commercial and Economic Cooperation', Official Journal, No. L 343, 25-11-1992, pp. 2-9 and Cooperation Agreement between the European Community and the Former Yugoslav Republic of Macedonia', Official Journal, No. L 348, 18-12-1997, pp. 2-167.*

cooperation. The Agreements recognise that the final goal of associated countries of the Balkan Peninsula is accession to the EU and that association contributes towards the achievement of this goal.

Participating Balkan countries, in turn, offered the EU the clause of a favoured state, except for the special case of the deregulation of imports from neighbouring countries so as to develop regional integration, and instituted the convertibility of their currency when paying for their transactions with the EU. The economic cooperation of the EU with Balkan countries concerns issues such as industry, agriculture, mining, fishing, infrastructure, economic policy, technology and technical know-how transfer, energy, transport trade, research and development, tourism, the environment, the financial sector and PHARE programme.

The EU's enlargement policy, as it developed after the 1991 changes in the Balkans, pursues the following basic rules:

a) Specific and clear political and economic criteria through which candidate Balkan countries are required to respect democratic principles and apply the rules of a market economy.

b) Pre-accession reinforcement programmes to help bridge the wealth gap between candidate countries.

c) Encouragement of institutional changes in Balkan countries so that they can apply and put into effect the entire community legislation.

d) Changes in the EU Treaty, so that the operation of EU institutions is not hindered by the large number of new Member-States¹¹.

In 1993¹², the Copenhagen European Council defined for the first time specific criteria criteria, in effect, for CEE countries and one Balkan country which Balkan countries candidate for accession to the EU should meet. These criteria are:

- Political criteria: these are linked to the existence of stable institutions which guarantee democracy, the rule of law, human rights, respect for and protection of minorities.

- Economic criteria: these concern the sustainable operation of a market economy¹³, the possibility of facing the pressure of competition and adaptation to the action of the forces of the domestic market.

- The need of a candidate country to undertake its obligations as a member of the EU, that is, successful transfer and enforcement of community acquis through the national legislation, as it was instituted by the Madrid Council in 1995¹⁴. At the same time, candidate countries must create the prerequisites for accession through adaptation of administrative bodies so that the national legislation, which will converge with community legislation, is applied through proper administrative and judicial bodies.

Furthermore, the accession procedure includes a reinforced pre-accession strategy (European Agreements, structured political dialogue, harmonisation of

¹¹ *European Convention. Draft Treaty establishing a Constitution for Europe, Luxembourg: Office for Official Publications of the European Communities, 2003.*

¹² *In the treaty for the establishment of the EU, which came into effect in 1993, article 49 foresees that each Member-State that respects the principles of freedom, democracy, human rights and fundamental freedoms, as well as the rule of law, can submit an application to become a member of the EU. N. Maraveyas and M. I. Tsinisiselis (superv.), European Organisation. Theory and Policies, Athens: Themelio, 1995. (In Greek)*

¹³ *Lavigne, M., The Economics of Transition, From Socialist Economy to Market Economy. London: MacMillan Press 1995.*

¹⁴ *According to the conclusions of the Councils of Feira and Nice, the substantial enforcement of the acquis is a critical point for the progress of a country candidate for accession. Papastamkos G., Avgouleas, Liakouras P., Papers on International and European Affairs, International and European Economic Institutions, Athens: Sakkoulas, 2003. (In Greek).*

legislation, funding cooperation), accession negotiations, promotion of community legislation and monitoring process.

3. THE BALKANS AND THEIR WAY TOWARDS THE EUROPEAN UNION

The EU has underlined the importance of the Balkans for European integration, the importance of human resources for the economic development of the region and for sustainable development, regional cooperation, the need for specific and effective foreign policy in the Balkans. The EU believes that the region has natural resources, a large cultural and historical heritage, geopolitical and geoeconomic importance and, thus, its accession to the EU will provide a large advantage for Europe. Bulgaria and Romania, which, if all goes as planned, will accede in 2007, Turkey, which is expecting a date, as well as Albania, Serbia-Montenegro, the Former Yugoslav Republic of Macedonia (FYROM), Croatia and Bosnia-Herzegovina comprise important countries for the EU and the issue of its enlargement.

The relationship between Balkan countries and the EU presents certain historical characteristics and it is important to examine these from all aspects in order to comprehend their cooperation. These characteristics include:

A. Relationships of cooperation between countries of the region with Western Europe were defined and continue to be defined by international and domestic political parameters. Thus, during the period of bipolarity and the Cold War, that is, essentially during the period of the dichotomy of the European continent, special relationships of cooperation were instituted through association agreements with Greece (1961) and Turkey (1963), which evolved into accession for Greece and customs unification with Turkey¹⁵.

B. In 1983, the Cooperation Agreement between the EEC and the then unified Yugoslavia was put into effect, foreseeing economic, technical and funding cooperation, close relations in the sector of labour force and the operation of a Cooperation Council; there were also provisions for trade exchanges (non mutual preference regime for industrial products, reduction of levies for agricultural products, etc.). However, relationships with the rest of the countries in the region (Bulgaria, Romania, Albania) were rudimentary or non-existent, since up until the '70s, many EEC countries had no diplomatic relations with these countries. As a consequence of the cold war division, relations between Balkan and EU countries were rather fragmented. The Balkan peninsula did not comprise a unified political and financial entity exercising European community policy and differences in domestic political and economic structures of the region's countries, different policy orientations, variations in their level of development and national goals defined their cooperation with the EEC.

C. The end of the Cold War and the often violent regime changes in Yugoslavia and the Balkan region in general led to the creation of new states, while new data emerged concerning the cooperation of the region's countries with the EU, as well as the economies and societies of the region's countries.

Apart from different circumstances characterising each Balkan country, the EU identifies certain common problems faced by the region as a whole, such as problems concerning democracy, economic and social reform and development, minorities and refugees, legal order and justice, lack of efficiency, meritocracy and independence in public administration stemming from the

¹⁵ G. Petrakos (superv.): *Strategic Planning for the Development of the Balkans, Volos: Thessaly University Publications, 2000.*

serious crisis of the system of values, lack of political credibility, inability to design and implement policy, protection of the environment, human and social capital. Thus, following an EU proposal and the Dayton Agreement (Dayton 21.11.1995) concerning the end of the war in Yugoslavia, the World Bank and the European Bank for Reconstruction and Development examined a programme to reconstruct and rebuild this Balkan country. The Programme foresaw free-of-charge aid of \$5 billion for the 1996-1999 time period; the EU contribution was \$1 billion through PHARE and comprised a direct action plan aiming at providing humanitarian aid and reconstruction. At the same time, through "OBNOVA" EU initiative, the reconstruction of Bosnia-Herzegovina, Croatia, Serbia-Montenegro and Former Yugoslavian Republic of Macedonia (FYROM) were goals set during the same period¹⁶. Smaller goals of this initiative were and still are economic development, restoration and reinforcement of civic society and cooperation between the Republics of former Yugoslavia according to

the regional approach the EU implements in this region¹⁷.

Total EU aid¹⁸ to the region during the 1991-1999 period amounted to Å7,863 million, while aid provided by Member-States on a bi-partite basis amounted to Å7,101 million. European Investment Bank funding amounted to Å1,991 million, while, concerning the 2000-2006 period, Å6,2 million is expected to be provided especially to Romania and Bulgaria. Furthermore, according to "Agenda 2000" proposals, the European Council of Berlin (1999) adopted two new funding means concerning the Balkans: a) pre-accession agricultural assistance and b) structural assistance¹⁹. In regards to pre-accession support of agriculture, its reconstruction, the adaptation of candidate countries to Common Agricultural Policy (CAP) and the development of the agricultural sector²⁰, Å520 million will be provided during the 2000-2006 period, while Å1,040 million will be provided for structural policies in the sector of the environment and transport infrastructure.

¹⁶ European Communities (EC) Regulations 1628/96, 2240/97 and 851/98.

¹⁷ The European Bank for Reconstruction and Development provides direct funding for activities of the public sector, reconstruction and privatisation, as well as infrastructure necessary to support these activities. It also supports the establishment and reinforcement of institutions. Main types of funding include loans, participation and guarantees and the Bank emphasises co-funding so as to increase total investment resources, as well as technical cooperation. N. Moussis, *European Community, Institutions and Policies*, Athens: Papazissis, 1998. (In Greek).

¹⁸ Balkan countries which are candidate for accession also participate in community programmes concerning education, training and employment, as well as small and medium size enterprises, research and development.

¹⁹ The programme for agriculture is the Special Accession Programme for Agriculture and Rural Development (SAPARD) and for structural help is the Instrument for Structural Policies for Pre-Accession (ISPA) See 'Berlin European Council 24 and 25 March 1999: Presidency Conclusions', Press release, Luxembourg (25-03-99), Nr. sn 100. 33. CEPS, *A System for Post-War South East Europe*, Working Document No. 131, Brussels 1999, and Gros, *op.cit.* 34. W. Kostrzewa, P. Nunnenkamp and H. Schmieding, 'A Marshall Plan for Middle and Eastern Europe', *The World Economy*, Vol. 13, No. 122, pp. 27-49., from which the countries of the Western Balkans will also begin to benefit. See also the following table, which presents EU financial assistance through SAPARD and ISPA, pre-accession assistance, as well as total EU expenditure for enlargement (2000-2006 period). Malkidis, Th. *The European Union and the Black Sea region*. Athens, Gordios 2004, p. 78. (In Greek).

EU financial assistance towards candidate CEE and Balkan countries. 2000-2006 period.

SAPARD	0.5	0.5	0.5	0.5	0.5	0.5	0.5
ISPA	1	1	1	1	1	1	1
"Post-accession"			6	8	11	13	15
Total EU expenditure for enlargement	3	3	9	11	14	16	18

²⁰ European Commission, 'Structural Actions 2000-2006', pp. 126-147.

The list of subjects and aspirations for economic cooperation with Balkan countries which is included in all European Agreements is the longest included in EU association agreements with other countries. Economic cooperation is, of course, more important for Balkan countries because in the case of countries in transition, prerequisites will have to be built first (infrastructure, reform of the economy, improvement of human resources, modernisation of the state, investments, transfer of technology and technical know-how, stability and security, fight against organised crime and the shadow economy²¹) and then would the implementation of these reforms, which allow the utilisation of the advantages of financial and political integration, be allowed.

4. EUROPEAN UNION POLITICAL PHILOSOPHY CONCERNING THE ASSOCIATION OF BALKAN COUNTRIES AFTER 1999.

NATO's intervention in Kosovo in March 1999 exposed the weaknesses of policy up until then, as well as the many particularities of the region, more than in any other region of the European continent, particularities which existed even before the NATO military intervention began. The cost of the crisis for all Balkan countries and the involvement of the EU in the conflict enhanced the importance of the region for the stability, security and prosperity of the

whole of Europe. During the Emergency General Affairs Council in Luxembourg (April 1999), it was recognised that European stability and prosperity cannot be dissociated from developments in Balkan countries²², while this new EU political philosophy was expressed by the Commissioner competent for foreign relations at Washington Convention for the Reconstruction of the Balkans (September 1999), who stated that *"either Europe will export stability to the Balkans or the Balkans will export instability to the rest of Europe"*²³.

4.1. Stability Pact

When the Kosovo crisis began in 1999, the Balkan region became the focus of discussions at the level of the EU and other international organisations (International Monetary Fund, World Bank, etc.) and other mechanisms of multilateral cooperation and developmental aid (G 25 of the Organisation of Economic Cooperation and Development, G-8, the "Paris Club", etc.). The General Affairs Council in Luxembourg (8.4.1999) asked the Commission to immediately examine upgrading EU relations with Albania and FYR of Macedonia, which took on an official form by signing association agreements (27.4.1999). Furthermore, during both the Informal General Affairs Council on 8.4.1999 and the General Affairs Council of 27.4.1999²⁴, the need for a comprehensive

²¹ An attempt has been made to estimate the size of shadow economy in Balkan countries, which is quite difficult a venture, because: a) certain national statistics services are making an effort to include an estimation of unofficial activity registered in the GDP and any calculation of the ratio of unofficial GDP to official GDP may be significantly underestimated, b) it is not clear which is the appropriate method to measure the shadow economy and the measuring of unofficial activity is inevitably sensitive to the method applied. For example, the rate of the shadow economy in Bulgaria in relation to the GDP in 1995 is estimated at either 34% or 56.7%, depending on the method used; in Albania, the International Monetary Fund (2003) has doubts concerning the low official estimate of non-registered activities and notes that most financial activities could possibly be taking place in the shadow economy. Despite all technical estimation difficulties, it is obvious that unofficial activities play a larger role in the West Balkan countries than in CEE countries. See Papandropoulos, A. *The Shadow Economy in Southeast Europe*. Southeast European Times, 08/09/03.

²² See 'EU Special Council for General Affairs, Council Conclusions-Kosovo', Luxembourg (08-04-1999), <http://europa.eu.int/news/kosovo2-en.htm>.

²³ Paten, Ch Remarks, 'Conference on Economic Reconstruction in the Balkans', Washington, D.C., Sept. 24, 1999, www.seerecon.org/Calendar/patten.html 1999.

²⁴ A. Alp, 'The South East- Europe Co-operation Process: An Unspectacular, Indigenous Regional Co-operation Scheme', *Perceptions. Journal of International Affairs*, Vol. 5, No. 3, September November 2000, p. 43.

intervention in the form of a Stability Pact²⁵ - in the region after the crisis was stressed. The International Convention on the Balkans on 27.5.1999 in Bohn, with the participation of international organisations and international banks, as well as the developed countries of the world, aiming at stability and integration of the region's countries, resulted in the submittal of the proposal of the then German presidency of the EU for a Stability Pact for South-Eastern Europe²⁶.

The German plan recognised the importance of stability in the Balkans for the safety of the whole of Europe, while targets defined were avoiding conflict, creating the preconditions for the construction and establishment of democracy and the market economy, cooperation, as well as accession of the Balkan countries into NATO and the EU. The adoption of the Stability Pact (SP) took place during the Cologne International Convention (10.6.1999) with the participation of all concerned countries and organisations. The SP's main aspiration was to prepare and enforce bilateral and multilateral treaties and intra-state agreements, through which the structural political and economic deficits, as well as the region's conflicts would be overcome.

Participants in the SP for South-Eastern Europe are the European Commission, the Member-States of the EU and the following countries of South-Eastern Europe: Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, FYR of Macedonia, Hungary, Poland, Romania, Slovakia, Slovenia, the Republic of Yugoslavia, Turkey and Moldavia. Also, non-EU G-8 countries participate (the US,

Canada, Japan and Russia), as do Norway and Switzerland. Other participants include international organisations (UN, OECD, NATO, OSCE, the UN's Agency for Refugees, UNHCR), international financial institutions (World Bank, International Monetary Fund, European Bank for Reconstruction and Development, etc) as well as regional initiatives (Organisation for Economic Cooperation in the Black Sea Region, Central-European Initiative, Initiative for Cooperation in South-Eastern Europe, South East Europe Co-operation Process, etc.)

The SP comprises a political expression of commitment and a framework of international cooperation for the development of a common strategy of participants aiming at stability and development in the Balkans. It is not a new international organisation, nor does it have independent resources and programme implementation structures; its role is to coordinate and facilitate the application of all its partners' programmes. The highest political instrument of the SP is the Regional Table, over which the Special Coordinator presides and which is based in Brussels, with Thessaloniki as its alternative headquarters. The structure of SP comprises three Working Tables concerning the following issues: a) Democratisation Human Rights Return of Refugees b) Economic Reconstruction, Cooperation and Development c) Security Issues (Security and Defence Justice and Internal Affairs). During these Working Tables, the delegations of all countries and international organisations participate as equals and jointly set priorities in all activity sectors.

²⁵ According to the announcement of the Informal Council for General Affairs on 8/4/1999, "South-Eastern Europe needs a Stability Pact which will pave the way for a long-term process of political and economic stabilisation". *Kathimerini newspaper, Athens 4/4/1999. (In Greek).*

²⁶ Bierman, R. *The Stability Pact for South Eastern Europe- Potential, Problems and Perspectives*, Bonn: Center for European Integration Studies, Discussion Paper. C 56. 1999. Saccomanni, F. "The Stability Pact for Southeastern Europe: A New Approach to a Regional Problem", *The International Spectator*. Vol.35. No. 1, January- March 2000. pp.65-71. Report Submitted on behalf of the Political Committee by Durrieu and Micheloyiannis, *Latest Developments in South-eastern Europe*, Assembly of Western European Union, Forty-fifth Session, Document 1666, 9 November 1999. "Stability Pact for South Eastern Europe", *Eurobalkans*, Spring-Summer 1999, pp. 42- 46.

The SP is the first integrated approach for the Balkans based on an EU initiative; it aims at mobilizing and coordinating actions by the international community, it offers a forum, a dialogue and coordination framework; it reflects an expression of the new mentality for an integrated intervention in the region, merging existing support policies of states and international organisations²⁷.

4.2. European Agency for Reconstruction

The European Agency for Reconstruction was founded in 2000²⁸ and it is a body responsible for the materialisation of EU aid programmes (OBNOVA and CARDS) in the Balkans and especially in Kosovo and Serbia-Montenegro. It is an independent EU agency which submits its reports to the European Council and the European Parliament and it is supervised by its Board of Directors, which comprises members of the European Commission and representatives of EU Member-States. The Agency operates within the framework of EU commitment for stabilisation in the Balkans²⁹.

4.3. Western Balkan Stabilisation and Association Process (SAP)

SAP is an instrument exercising EU policy in the region of Western Balkans (Albania, Bosnia-Herzegovina, Croatia, FYR

of Macedonia, Serbia-Montenegro and Kosovo); its main goal is future accession of these states in European structures, an effort aiming at stabilisation and economic recovery of the region in all sectors. SAP's basic action axes are: a) to bring countries closer to the EU and b) this process should take place under conditions (eligibility) such as respect of international law, rule of law, democratic principles, human and minority rights, establishment of a free market economy, etc³⁰. The advantages SAP offers Balkan countries can be classified in order of significance: 1) Preferential trade regime in the form of independent trade measures. 3) Inclusion in CARDS funding programme. 3) Signing Stability and Association Agreements.

Basic features of the contents of the Stability and Association Agreements (SAA) are: institutionalisation of political dialogue, listing the obligations of the contracting country, eligibility, institutionalisation of regional cooperation, gradual establishment of zones of free transactions with the EU, including free circulation of employees, capital and services³¹; furthermore, there is a special chapter on cooperation in the sectors of Justice and Internal Affairs, education, the environment, tourism, investment, culture, transport, energy etc. The EU has signed SAA's with FYROM³² and Croatia³³ and negotiations have begun with Albania, while there have been similar contacts with Serbia-Montenegro and Bosnia-Herzegovina³⁴.

²⁷ Biermann, R. *The Stability Pact for South Eastern Europe - potential, problems and perspectives*, Centre for European Integration Studies, Discussion Paper, C 56, Bonn 1999.

²⁸ EC Regulation (2667/2000).

²⁹ The agency is not competent for the application of other community means such as humanitarian aid or long-term financial aid granted to Serbia, Montenegro and Kosovo.

³⁰ The eligibility has been set by the EU General Affairs Council (Conclusions of April 29, 1997 and final Zagreb bulletin, November 2000) and is a principle stating that community policy advantages will be granted as reward to Western Balkan countries provided they observe the requirements of Stability and Association Process.

³¹ Petrakos, G. , *The New Geography of the Balkans. Cross Border Cooperation Between Albania, Bulgaria and Greece*, Volos: Thessaly University Publications, 1996. (In Greek).

³² Completion of the ratification process of the Stability and Association Process signed on April 9, 2001 is pending.

³³ On February 21, 2003, an accession application for Croatia was submitted to the EU, while the ratification process of the Stability and Association Agreements signed in October 2001 continues.

³⁴ On January 31, 2003, negotiations for signing a Stability and Association Agreement between the EU and Albania began and are expected to last two years.

Ever since September 2000, the EU has granted countries of the Western Balkans a regime of asymmetric trade liberalisation, that is, it has unilaterally abolished tariffs on products from the region's countries imported to the EU in order to encourage their exports to the EU market and, thus, reinforce their economy. The EU grants financial aid through "CARDS" programme amounting to Å4.65 billion for the 2001-2006 period. Management of the aid for Serbia-Montenegro, including the aid for Kosovo and FYR of Macedonia, has been assigned to the European Organisation for Reconstruction.

Today, EU's immediate priorities concerning the Balkans are safeguarding peace and stability, establishing democracy, dealing with problems of legal order and justice, respecting minority rights, eradicating the refugee problem, fighting organised crime and problems in regards to the transition to the market economy. Specifically, the EU views the reinforcement of peace, stability and security the inviolability of borders is considered a necessary condition as a necessary prerequisite for the region's economic and social reconstruction and the establishment of democracy, which should comprise a permanent goal always to be pursued. Attaining this goal presupposes the necessary institutional framework for the development of democracy at all levels.

Regarding minorities, the EU considers it necessary to design a common policy which will support development in regions where there are minorities, which will contribute towards avoiding discrimination, will provide minorities with the possibility of maintaining their identity and promote social, financial and political integration of minorities within a broader state framework. Regarding the issue of

refugees, the significance of the problem is stressed and the EU is encouraged to act in a specific, decisive and effective manner. In order to fight organised crime, which is considered a top priority of the highest importance, the EU, and each one of the Member-States, will have to adopt an effective policy to fight it within the EU and across its borders.

In order to deal with the common problems of the Balkans created by their transition to the free market, the EU believes that the following are necessary: encouragement of the people of the region to improve their living conditions, coordinated efforts by the UN, international organisations, attempts to structure and restructure institutions. Furthermore, other necessities comprise new structures and bodies shaping intervention programmes with goals and competencies, such as adequacy of resources for the funding of developmental actions, cooperation schemes between the public and the private sector, cooperation schemes between international funding bodies, promotion of international and inter-sectorial cooperation between institutions, organisations and bodies of the region involved in the materialisation of actions in the region. Another necessity is the creation of a developmental plan for each country including a precise programme to promote connection to Inter-European Networks, in conjunction with existing programmes for the modernisation and improvement of existing networks and the establishment of a body to transform the regional approach into a regional programme of peace, reconstruction and development.

In conclusion, the EU's main aims today for the Balkan region can be grouped as follows:

1. Additional consolidation of peace, stability and development of

institutions of democracy and a market economy³⁵.

2. Promotion of the Stabilisation and Association Process in each country.

3. Upgrading of the Stabilisation and Association Process and adaptation to the enlargement process.

4. Initiation of the process for European Integration of the Balkans.

5. Cooperation on so-called "Horizontal Issues" (Organised crime, illegal transport, corruption and other matters of Justice and Internal Affairs, Refugees and marginalised persons in the interior of countries, Restoration of cultural and religious monuments and sites, Development of energy and transport infrastructure, Support for Investments, Collection of arms, Reinforcement of Free Trade).

6. Regional policy and Cooperation (Designation of trans-national priority plans and establishment of a Competent authority for each project, establishment of a Balkan zone of Free Transactions, institutionalisation of regional policy measures at an EU level, institutionalisation of regional policy measures in each regional government, as well as regional and sectorial operations), close communication with the Stability Pact for South-Eastern Europe and commitment of participating countries for a specific time chart.

5. CONCLUSION

The EU's new enlargement towards the Balkans comprises a crucial and historic turning point for Europe, as this enlargement ends the dichotomy brought about by the Cold War; undoubtedly, it cannot be compared to previous enlargements as to the

scale and differentiation of candidate countries³⁶. From Bulgaria and Romania, which will accede in 2007, to Turkey, which is expecting a date, and the countries of the Western Balkans which are less prepared.

The enlargement of the EU in the Balkans is considered a great challenge for the EU and a historic opportunity for the creation of a single political, financial and social area. The enlargement procedure will benefit both Member-States of the EU and candidate countries, it will improve the competitiveness of EU economy at a global level and will promote stability in the whole of Europe.

The EU is an organisation with experience in economic stability, the free market and the development of infrastructure; this experience is valuable for the new Balkan states. The EU has everything necessary to help Balkan countries make their own economic start and must undertake the responsibility of Balkan reconstruction if it desires a more effective policy in Europe. Today, the EU comprises the pole dominated by a nexus of principles and values, regarding democracy, social cohesion, political and social solidarity, culture, tolerance of corruption, freedom of thought. The Balkan enlargement comprises a strategic political goal of the EU, as its enlargement will favour exchanges and financial activities, will promote development and the integration of the European economy as a whole, while the accession of new Member-States will contribute towards increasing the importance and influence of the EU on the world scene³⁷.

The enlargement is one of the largest challenges for EU integration from a

³⁵ *The Delegation of the EU Police Force in Bosnia-Herzegovina, which was deployed in January 2003, comprises the first operational action under the auspices of the Common European Policy for Security and Defense.*

³⁶ *Opinion of the ESC. The Enlargement of the European Union Athens, October 17, 2000. (In Greek).*

³⁷ See <http://ue.eu.int/en/Info/eurocouncil/index.htm>, and for more information concerning the enlargement and the preparation of candidate countries for accession to the EU, <http://europa.eu.int/comm/enlargement/index.htm>.

political, financial and social aspect. The most important issues which must be dealt with during the enlargement process concern the democratic operation of institutions and public administration, consequences of accession for EU policies, existence of necessary resources for policy funding and, in general, necessity of proper management and development of an enlarged EU of 30-35 states, among which the Balkan states will comprise equal members.

On the other hand, the region's states consider that the political, social and economic development of the Balkans should aim at their integration within the EU, which will be a difficult, long-term course from a political, economic and social point of view.

However, the attempt to enlarge the EU towards the Balkans entails many hazards for stability, economic and social cohesion of the EU and its Member-States, if there are no preconditions for the preparation of both candidate countries and the EU and for forecasting and dealing with enlargement consequences³⁸. The EU enlargement process, with the accession of the Balkan states, comprises a harsh, difficult process, given that it entails the concession of legal and administrative competencies of each country to a single supranational authority, it presupposes a significant effort to adapt productive structures to a level of high challenges; it also involves social unrest, which could be caused by the reforms, given these countries' level in the social sector. Increased unemployment in almost all Balkan countries, delay in legislation and reduction of benefits in social

welfare, as well as labour inequalities support this position. However, facing the problems of the Balkan countries, with the exclusion of war-ravaged regions in need of humanitarian aid, does not allow for this kind of support. These countries need funding for investment in infrastructure, production and organisation of the state and public administration.

Aid granted by the EU to Balkan countries in the '90s, especially those bordering Kosovo, which are the poorest, is considered limited. For example, financial aid granted in 1999 aimed more at dulling the consequences of the Kosovo crisis and less at funding a reconstruction and development programme. The EU's experience in planning and implementing the Community Support Framework could be used as a model, the difference being that in the case of the Balkans, the aid granting terms and participation of contributing countries and organisations in fund management should be more intense. Furthermore, it should be mentioned that the aid must be scaled according to the countries' level of development and the scale of problems, so as to promote less developed states and regions³⁹. Funding the reconstruction and restructuring of Balkan countries should be based on a comprehensive plan so as to avoid overlapping, conflicting goals or discriminatory treatment, so as to avoid lack of coordination, bias, fragmentation and overlapping. In order to bear positive results, the aid must be supplemented in the interior of Balkan countries with an integrated and effective developmental policy and sound administration and must support domestic production. For this reason, the creation of

³⁸ Giannaras, Ch., *Greek Readiness for European Unification*. Athens: Livani 2000. (In Greek).

³⁹ Provision of a basic "aid packet" for six Balkan countries and for a period of five years (2000-2004) is proposed. Proposed financial aid for six countries amounts to Å21,425 million (Albania Å1,250 million, FYR of Macedonia Å1,825 million, Bosnia-Herzegovina Å3,800 million, Croatia Å3,075 million, Bulgaria Å3,634 million and Romania Å9,541 million). The case of Serbia-Montenegro (including Kosovo) is different due to grand scale damage. Malkidis, Th. *European Union and the Black Sea Region*. Athens: Gordios 2004, p. 67. (In Greek).

institutions and the organisation of Balkan countries must be emphasized, while local enterprises must be preferred over enterprises of contributing countries when it comes to commissions and contracts connected to fund inflow. It should also be taken into account that Balkan countries are called upon to restructure and adapt to a financial environment with an increased free circulation of goods, services and capital. Integration of the region's countries into the

new international environment entails opportunities and challenges to draw capital and attract investment, utilize advantages, import technology and challenges such as foreign trade competition, propagation of world crises and reduction of the possibility to exercise autonomous policy. All this should be taken into account during the design and application of EU policy for the reconstruction of the Balkan countries⁴⁰.

⁴⁰ *Foreign aid to the Balkans will continue perpetuating the regime of dependence which will alter the true image of the economy and society of many countries in this region. For example, concerning Turkey, G. Lin, the Vice-President of the World Bank, foresaw that the country will remain associated with the World Bank for at least another five to ten years. "In this country, more structural changes are necessary in almost all sector of the economy, the financial-credit system, the agricultural sector, the pension social system, the energy sector, education, public administration, while there is an important improvement in conditions and a significant rise of its developmental pace was recorded, mainly due to resuming transactions with Iraq". Southeastern Times 10/9/2003.*