Conference Report
of the Round Table

INTEGRATING THE BALKANS
Regional Ownership and European Responsibilities
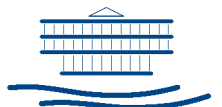
Berlin, July 15-16, 2002

A conference in the framework of the Balkan Forum, organised by the Bertelsmann Foundation and the Center for Applied Policy Research in co-operation with the Policy Planning Staff of the German Federal Foreign Office

Auswärtiges Amt

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Content

1 Introduction

Revisiting our debates at the second Berlin conference on July 15-16, 2002, and contrasting both the participants' arguments and the paper to last year's, a fundamental change becomes apparent. The title of the respective discussion papers – Negotiating the Balkans in 2001 and Integrating the Balkans in 2002 – capture this change of perspective.

The current situation in the region has improved substantially and the risk of external armed conflicts is rather low. But the possibility of disruptions through intrastate conflicts with external implications remains. Under this tacit premise, the countries in the region have made an important geopolitical step forward: From being stability risks at the margins of the EU they are now moving towards achieving the status of EU candidate countries.

This change is recognised within the EU. In the longer-term perspective, there is to be no Western Balkans enclave in the process of European integration. Integrating "South Central Europe" has become part of the notion of a „completion" of Europe. Yet, there is no reason to lean back contently. We have just entered the second round in a high jump tournament. There is much more to achieve and – with every next round – jumping will become more demanding and plenty of personal records are to be expected. It is, therefore, necessary to be absolutely clear. In this round not causing harm does not suffice.

One essential condition for advancing on the integration roadmap will be the quality and the output of state action. Step by step the conditionalities of integration will cover up the conditionalities of assistance and reconstruction through the Stability Pact and other schemes. The criteria will go far beyond basic requirements of stability and transformation. In order to construe a tangible perspective for membership negotiations, states in the region need to quickly master reconstruction while increasing regional co-operation accompanied by efforts of reconciliation, which will become more important the further the process advances.

In the economic field, the functionality and output of states will be indicated by the stimulus it provides for business development. Business needs space to expand and flourish. Politics and the state need to set clear rules and secure law enforcement from taxes to trade laws to regulations for companies. This has also to include measures against organised crime. Domestic as well as regional capital markets need to be developed. More importantly, responsibility and efficient structures of governance constitute the basis for economic measures and their backing in society as a whole. This takes more than formal democracy – a stable political framework in which the rules of the game are stronger than political coalitions and party interests.

Part of an economic strategy - one planned and carried out by the stakeholders themselves – is a regional approach. Not merely in normative terms, but based on clear-cut functional assignments. As producer countries in the region need access to markets, a stable region closer to the EU will help. As consumers of investment the region needs scale. Therefore, the main service is regional free trade in addition to asymmetric access to the EU common market.

For politicians in the region the road ahead requires the use of governance in the modern sense of European integration – implying both rights and duties, i.e. responsiveness to regional development goals, compliance with existing agreements. The other side of the picture concerns resisting the temptation to invoke support and assistance through weakness and conflicts. Eventually, the productivity of EU assistance and integration strategies depends on civic conduct in internal affairs.

Integrating the Balkans is a tough agenda for everyone involved in "South Central Europe". Conversely, regional co-operation is not an exit argument for the EU. Functional forms of co-operation do not hamper individual countries' prospects for EU membership, but rather have added value for the reform process, irrespective of EU integration, or contribute directly to the fulfilment of the EU's criteria.

In sum, it would be a fallacy to assume that the agenda of integration has superseded last year's agenda of negotiation or that it is now the EU's turn: The EU may face some complicated questions realigning its various strategies and institutions for the Balkans to the integration perspective. The EU's counterparts in the region, however, are called upon to accomplish the change from stabilisation to co-operation and integration by constructive and responsible political action.

I hope our second Berlin conference has been helpful in clarifying of strategic challenges and in bringing together policy agendas of actors in the region and within the EU alike.

Josef Janning
Vice President of the Bertelsmann Foundation, Guetersloh
Director of the Bertelsmann Group for Policy Research
at the Center for Applied Policy Research, Munich

2 The Round Table in Berlin, July 15-16, 2002

On July, 15-16, 2002, the Bertelsmann Foundation organised a round table in Berlin to debate the strategy paper Integrating the Balkans, written at the Center for Applied Policy Research, the research partner of the Bertelsmann Foundation in Munich. The objective of the roundtable was to offer a framework for a thorough and frank discussion of options and obstacles for a comprehensive negotiation process in the Balkans with key actors from the region.[1] The strategy paper and the conference constituted the first synthesis of the Balkan Forum, a series of meetings of academic experts on Balkan affairs and conflict resolution with the Policy Planning Staff of the German Federal Foreign Office in Berlin.[2]

The fact that so many representatives of diverging and contrary positions on the future of the region, the FRY and/or specific states and state-like entities heeded the invitation of the Bertelsmann Foundation demonstrates that a window of opportunity for negotiated arrangements does exist. In terms of political culture, broad acceptance of other positions and interests as relevant factors to be taken into account informed the dialogue in Berlin: The ethnic claim of the Albanians and the historic claim of the Serbs to Kosovo are both valid, albeit at odds. Both sides expressed willingness to take this very insight as a point of departure for a future arrangement. Typically, past-oriented arguments referring to historic events and the atrocities of the last ten years were the exception in the intense and controversial dialogue.

The report gives an impression of the general atmosphere and summarises the presentations and debates during the four panels of the round-table conference, offering a fair and balanced recapitulation of the discussions on the key issues without, however, claiming to be complete and exhaustive.

[1] Please note that the conference was held under Chatham House rules.

[2] For more information on the Balkan Forum (downloads of the experts' reports and the strategy paper) as well as on other joint Southeast European activities of the Bertelsmann Foundation and the Center for Applied Policy Research, see the respective websites: www.cap.uni-muenchen.de/mitarbeiter/meurs.html and www.bertelsmann-stiftung.de/project.cfm?lan=de&nid=125&aid=1443.

Conference Program

Monday, July 15, 2002

7:00 pm   **Welcome and Introduction**

Josef Janning
Vice President, Bertelsmann Foundation, Guetersloh;
Director, Bertelsmann Group for Policy Research, Center
for Applied Policy Research (CAP), Ludwig-Maximilians-
University, Munich

Achim Schmillen
Head, Policy Planning Staff, Federal Foreign Office,
Berlin

7:45 pm   **Welcome Dinner**

Presentation of Discussion Paper: „Integrating the Balkans"
Josef Janning

Tuesday, July 16, 2002 (German Foreign Office-Europasaal)

9:00-10:45 am   **Panel A: EU Integration**

Chair:
Alojz Peterle
Chairman of the Committee for European Affairs, National
Assembly of the Republic of Slovenia; Member of the
Praesidium, Convention on the Future of the European
Union, Brussels

Introduction:
Franz Lothar Altmann
Head, Research Unit Southeast Europe, German Institute
for International and Security Affairs (SWP), Berlin;
Executive Member of the Board, German Association for
East European Studies, Munich

Comments:
Romana Vlahutin
Head of Department for Political Analysis, Ministry of
Foreign Affairs of Croatia, Zagreb

Vladimir Gligorov
Professor; Staff Economist, The Vienna Institute for
International Economic Studies (WIIW), Vienna

Stojan Cerovic
Columnist, Head of Managing
Board „Vreme", Belgrade

Reinhard Priebe
Director Western Balkans, External Relations,
European Commission, Brussels

10:45 am	**Coffee Break**
11:15-1:00 pm	**Panel B: Regional Co-operation**

Chair:
Erhard Busek
Special Coordinator of the Stability Pact
for South-Eastern Europe, Brussels

Introduction:
Frank Herterich
Member, Policy Planning Staff, Federal Foreign Office,
Berlin

Comments:
Jadranko Prlic
Deputy Minister for Foreign Trade and Economic Relations
of Bosnia and Herzegovina, Sarajevo

Aleksandar Bakalov
Counsellor, Government Expert for Southeastern Europe
Regional Cooperation, Bulgarian Ministry of Foreign
Affairs, Sofia

Jelica Minic
Assistant Federal Minister, Sector for Economic Affairs and European Integration, Federal Republic of Yugoslavia, Belgrade

Diego A. Ruiz Palmer
Head, North Atlantic Council Operations Section, Crisis Management and Operations Directorate, NATO International Staff, NATO Headquarter, Brussels

1:00 pm	**Lunch**
2:15-4:00 pm	**Panel C: Negotiating the Balkans**

Chair:
Rita Suessmuth
Professor; Vice-President OSCE Parliamentary Assembly and Head of OSCE Ad Hoc Committee on Kosovo, Macedonia and Serbia, Vienna; Member of Deutscher Bundestag, Berlin; Member of the Board of Trustees, Bertelsmann Foundation, Guetersloh

Introduction:
Florian Bieber
Senior non-resident Research Fellow, European Centre for Minority Issues, Belgrade

Comments:
Zarko Korac
Professor; Deputy Prime Minister of the Republic of Serbia, Belgrade

Ranko Krivokapic
President, Social Democratic Party (SDP); Member of the Montenegrin Parliament, Podgorica

Nikolaus Graf Lambsdorff
Senior Political Advisor to Special Representative of the Secretary-General and Head of United Nations Interim Administration Mission in Kosovo (UNMIK), Pristina

4:00 pm	**Coffee Break**
4:15-6:30 pm	**Panel D: Integrating the Balkans**

Chair:
Michael Schaefer
Ambassador; Commissioner for Stability Policy in South-Eastern Europe, Federal Foreign Office, Berlin

Introduction:
Wim van Meurs
Senior Researcher, Center for Applied Policy Research, Munich

Comments:
Bajram Rexhepi
Prime Minister, Provisional Institutions of Self Government in Kosovo, Pristina

Genc Pollo
Chairman, New Democrat Party; Member of the Albanian Parliament, Tirana

Branko Lukovac
Former Minister of Foreign Affairs of Montenegro, Podgorica

Ljubomir D. Frckoski
Professor of International Law, Faculty of Law, Skopje

Stefan Lehne
Director for Western Balkans, Eastern Europe and Central Asia, Directorate General External and Politico-Military Affairs, General Secretariat of the Council of the European Union, Brussels

Conference Participants

Franz Lothar Altmann   Head, Research Unit Southeast Europe, German Institute for International and Security Affairs (SWP), Berlin; Executive Member of the Board, German Association for East European Studies, Munich

Hans-Peter Annen   Head, Stability Pact for Southeast Europe, Federal Foreign Office, Berlin

Aleksandar Bakalov   Counsellor, Government Expert for Southeastern Europe Regional Cooperation, Bulgarian Ministry of Foreign Affairs, Sofia

Florian Bieber   Senior non-resident Research Fellow, European Centre for Minority Issues, Belgrade

Laurence Broyd   Head of Central European and Eastern Adriatic Research Group, Foreign and Commonwealth Office of the United Kingdom, London

Fletcher Burton   Deputy Principal Officer, U.S. Office Pristina

Erhard Busek   Special Coordinator of the Stability Pact for South-Eastern Europe, Brussels

Stojan Cerovic   Columnist, Head of Managing Board "Vreme", Belgrade

Mihnea Constantinescu   Director General for Political Affairs, Ministry of Foreign Affairs of Romania, Bucharest

Steven Erlanger   Berlin Bureau Chief and European Diplomatic Correspondent, New York Times, Berlin

Caroline Fetscher   Reporter/Correspondent, Der Tagesspiegel, Berlin

Michael Fluegger   Deputy Head, Western Balkans Task Force, Federal Foreign Office, Berlin

Ljubomir D. Frckoski   Professor of International Law, Faculty of Law, Skopje

Vladimir Gligorov   Professor; Staff Economist, The Vienna Institute for International Economic Studies (WIIW), Vienna

Heather Grabbe   Research Director, Centre for European Reform, London

Johannes Haindl   Head, Task Force Western Balkans, Federal Foreign Office, Berlin

Frank Herterich   Member, Policy Planning Staff, Federal Foreign Office, Berlin

Josef Janning   Vice President, Bertelsmann Foundation, Guetersloh; Director, Bertelsmann Group for Policy Research, Center for Applied Policy Research (CAP), Ludwig-Maximilians-University, Munich

Gregor W. Koessler   Head of Cabinet, Stability Pact for South Eastern Europe, Brussels

Zarko Korac	Professor; Deputy Prime Minister of the Republic of Serbia, Belgrade
Ranko Krivokapic	President, Social Democratic Party (SDP); Member of the Montenegrin Parliament, Podgorica
Nikolaus Graf Lambsdorff	Senior Political Advisor to Special Representative of the Secretary-General and Head of United Nations Interim Administration Mission in Kosovo (UNMIK), Pristina
Stefan Lehne	Director for Western Balkans, Eastern Europe and Central Asia, Directorate General External and Politico-Military Affairs, General Secretariat of the Council of the European Union, Brussels
Luc Levy	Balkans Advisor, Policy Planning Staff, Ministry of Foreign Affairs of the Republic of France, Paris
Branko Lukovac	Former Minister of Foreign Affairs of Montenegro, Podgorica
Wim van Meurs	Senior Researcher, Center for Applied Policy Research (CAP), Ludwig-Maximilians-University, Munich
Ivan Milic	International Secretary, Democratic Party of Socialists of Montenegro, Podgorica
Jelica Minic	Assistant Federal Minister, Sector for Economic Affairs and European Integration, Federal Republic of Yugoslavia, Belgrade
Cornelius Ochmann	Project Director Central and Eastern Europe, Bertelsmann Foundation, Guetersloh
Alojz Peterle	Chairman of the Committee for European Affairs, National Assembly of the Republic of Slovenia; Member of the Praesidium, Convention on the Future of the European Union, Brussels
Genc Pollo	Chairman, New Democrat Party; Member of the Albanian Parliament, Tirana
Reinhard Priebe	Director Western Balkans, External Relations, European Commission, Brussels
Jadranko Prlic	Deputy Minister for Foreign Trade and Economic Relations of Bosnia and Herzegovina, Sarajevo
Nenad Radosavljevic	Senior Advisor on Return to SRSG Office, UNMIK, Pristina
Bajram Rexhepi	Prime Minister, Provisional Institutions of Self Government in Kosovo, Pristina
Matthias Rueb	Correspondent for South-Eastern Europe, Frankfurter Allgemeine Zeitung, Budapest

Observers

Christine D. Althauser Counsellor, Policy and Advisory Staff, German Federal Ministry of Defence, Berlin

Milovan Bozinovic Ambassador of the Federal Republic of Yugoslavia, Berlin

Ilir Dugolli Chief of Cabinet, Office of the Prime Minister of Kosovo, Pristina

Ulrike Grieshofer Project Officer, European Stability Initiative (ESI), Berlin

Bjoern Kuehne Member, Stability Pact for Southeast Europe, Federal Foreign Office, Berlin

Gorgi Misajlovski Minister Counsellor, Embassy of the Republic of Macedonia, Berlin

J. Dimitry Panitza Chairman, Free and Democratic Bulgaria Foundation, Sofia

Milan Ramljak Professor; Ambassador of the Republic of Croatia, Berlin

Michael Schmunk Former Chief of German Liaison Mission Kosovo, Pristina

Hasan Sekizkoek 1st Secretary, Embassy of the Republic of Turkey, Berlin

Sidik Spahic Minister Counsellor, Embassy of Bosnia and Herzegovina, Berlin

Laure Tripier Counsellor, Embassy of the Republic of France, Berlin

Adrian Cosmin Virieta Ambassador of the Republic of Romania, Berlin

Jonas Wechsler 2nd Secretary, Political Section, Embassy of the United States of America, Berlin

Peter R. Weilemann Director of International Cooperation, Konrad-Adenauer-Stiftung, Sankt Augustin

Anton Wirth Senior Official for Balkan Region, GTZ – Gesellschaft für Technische Zusammenarbeit, Eschborn

3 Conference Report

The strategy paper *Integrating the Balkans* had been designed to lead off and structure the discussions on the complexity of current Balkan issues and European strategies. Therefore, each of the four panels mirrored a thematic section with a number of key arguments from the strategy paper. The report summarises the subsequent discussion, identifying commentators by name, country and/or nationality whenever relevant and appropriate, but without distinguishing between opening statements by the speakers and contributions by other participants. The italics at the beginning of each panel's summary reiterate the relevant key arguments from the strategy paper.

Panel A: European Integration: Prerequisites and Consequences

The dominance of the EU integration perspective for the region implies a number of commitments and challenges, both on the EU side and on the side of the region. Evidently, integrating Southeastern Europe is far more challenging than integrating East Central Europe, if only because of the internal heterogeneity of the Balkans region. The heterogeneity relates to the weakness of some states, unresolved status issues and structural deficits in modernisation. Therefore, the key question is how to stimulate regionality in order to prevent less advanced countries from backsliding, while upholding fair conditionality based on individual merits and offering adequate timeframes and assistance strategies for the more advanced countries in the region. The prospect of a protracted association phase after 2004 makes this question all the more urgent, both for the EU and for the individual countries of the region.

Introducing the panel, Franz-Lothar Altmann highlighted the distinctions between the current round of Eastern enlargement approaching its conclusion and a next round of Southeastern enlargement. Compared to East Central Europe, Southeastern Europe is characterised by delayed transformation, structural deficits in modernisation, weak states as well as political volatility and over-politicisation, with the international community accepting an additional role by guaranteeing basic security and providing state functions in Kosovo and Bosnia. Unlike the current candidates, the region is characterised by a high degree of heterogeneity and fragmentation in terms of states and nationalities. Consequently, in addition to the integration perspective of the Stabilisation and Association Process with the CARDS assistance program, the EU has introduced a regional approach to deal with the structural interdependencies within the region as far as political stability and economic development are concerned. Unlike the experience of East Central Europe, where the EU could afford to see regional co-operation emerge mainly as a consequence or a follow-up process to EU pre-accession and integration, in Southeastern Europe regional co-operation is a precondition and a framework condition for each country's process of reform, association and, eventually, EU integration. The strategic question for the EU, resulting from the above regional specificities and heterogeneity, is how to sustain the political commitment of the region's elites for a (too) long period of time of 10 to 15 years, bearing in mind that white spots or failed states would destabilise the entire neighbourhood.

Several participants, echoing the strategy paper, stated that EU accession is not an "obsession" but rather a strategic objective shared by all countries of the region: The reforms undertaken in the framework of the integration process would have been indispensable regardless of the EU perspective. In the ensuing debate, the issue of heterogeneity and its consequences for models of regional co-operation was discussed, with Croatia as a particularly prominent case. It was noted that there is no point in pushing the countries of the region to artificial forms of regional co-operation and the EU has admittedly a less than perfect record in this respect. A Croatian participant similarly predicted that the drive for regional co-operation will grow naturally with progress in reforms and in EU integration. Recurring ideas of a "Southeast European Union" or an instant customs' union have made Southeast European particularly wary of the whole concept of regional co-operation in the past, suggesting second-rate membership or alternatives to the EU set of standards and norms. Furthermore, regional co-operation ought to be distinguished from reconciliation: Functional forms of co-operation will come natural to states once they have reached the necessary level of institutional capacities. From thereon, business communities and society will guarantee the much coveted "ownership" by insisting on functional forms of regional co-operation. Only functional co-operation with regional ownership will advance rather than hamper individual states' process of reform and integration. A western representative added that as a consequence, functional forms of regional co-operation will and should include both member states and non-members, both candidates and potential candidates.

As far as links between the unresolved status questions and EU integration are concerned, diverging views were expressed by the participants. A Croatian representative argued that the accession of Cyprus is the best proof that there is no exclusive connection between status and accession and that therefore separating the two would be the most sensible solution, as the developmental deficits of some contrast to the transition prospects of others. The opposite claim that state functionality without full sovereignty is hardly a realistic option would be reiterated also on other panels. As Vladimir Gligorov pointed out, Brussels currently nurtures the hope that non-sovereign state-like entities will act "responsibly" and enter the EU as post-modern states without ever having been functional modern states before. On the other hand, as a western participant noted, a further state fragmentation in the region is counter-intuitive from the perspective of increasing (economic) co-operation and integration. Both for the EU and for many in the region, status questions and other political issues still have priority over coherent strategies for economic development, so blatantly missing so far. Furthermore, in the specific cases of Kosovo and Bosnia-Herzegovina the presence of external administrators precludes the EU from even applying the political Copenhagen Criteria to these states and state-like entities. As Reinhard Priebe pointed out, the EU cannot sign an Stabilisation and Association Agreement (SAA) with the UN! Typically, a western participant noted, the EU objects to a further fragmentation of states in the region and must do its utmost to prevent Kosovo and Bosnia from becoming laggards in the reform process. Conversely, Reinhard Priebe underlined that the states of the region are to respect their international obligations – including the Dayton Agreement, the International Criminal Tribunal for the former Yugoslavia (ICTY) and UNSC Resolution 1244 – to avoid delays in the integration process as the EU cannot be swayed to treat them as parallel, but separate processes. In the past, the EU has not always been strict enough in this respect, shunning sanctions for non-respect of international obligations.

Meanwhile, despite inherent institutional intransparency and strategic complexity, a workable complementarity has been achieved between the crisis management of the EU's Common Foreign and Security Policy (CFSP), the EU's SAP integration perspective and the Stability Pact (SP). The Stabilisation and Association Process was applauded as the appropriate EU strategic instrument, offering the countries of the region a perspective of membership based on individual merits and if not "ownership", at least full "responsibility" for the reform process and individual performance. Yet again, the SAP too comes up against the heterogeneity of the region as it is focussed on the needs of the laggards in the region. While some of the weaker states may lack the functional state institutions to qualify for an Stabilisation and Association Agreement or even pass the hurdle of the feasibility study, more advanced states like Croatia may find the instrument of assis-

tance offered by the SAA inadequate and require the more advanced assistance offered by the candidate status. Despite heterogeneity, a Croatian representative argued, all countries are moving in the right direction. Therefore, some of them may need SAA-minus, others SAA and the most advanced EU candidate status. Thinking of a post-2004 enlargement agenda, it has to be noted that the countries currently passing through the SAP most likely will need a much shorter candidacy phase afterwards, as key reforms have already been implemented. Similarly, Heather Grabbe argued that the EU was never meant to be a developmental organisation or a crisis management institution. Its regulatory impetus imposes regulations and economic models for advanced industrialised states on countries in transition, while all the reform efforts have to precede accession with all its benefits. Particularly in the case of the Balkans and SAP interim benefits as rewards for reform progress are needed, without prejudicing eventual membership. Differentiated functional integration might be suitable for policy areas like Justice and Home Affairs or CFSP that have never been tried for export before. Typically, the EU fails to present uniform, codified standards of its own for a number of key issues in East Central Europe and the Balkans, ranging from minority protection and human rights to governance policies. Therefore, another participant argued the case for a much more consistent and transparent EU roadmap to replace the absolute distinction between candidates and third countries. Such a roadmap ought to lay out stages with explicit benchmarks linked to well-defined interim benefits or penalties. Evidently, these interim benefits in trade, regulatory alignment, aid or visa regimes ought neither to prejudice nor to jeopardise EU accession.

Governments in the region should not, a participant warned, be hypnotised by the bureaucratic steps in the Stabilisation and Association Process, but should rather focus on reform achievements, despite the unknown overall duration of the integration process. Correspondingly, Europe should persistently avoid timetables and similar promises, e.g. for Romania and Bulgaria after the first round of enlargement 2004.

Vladimir Gligorov reformulated the key question of the panel by reminding the participants that the EU has so far demonstrated a clear preferences for integrating countries in groups, if only for procedural and pragmatic reasons. There is no precedent for a single-country accession as envisaged by Croatia. If the EU is indeed unwilling to accept Balkan countries one by one, the problem of laggards preventing more advanced countries from joining opens up a serious agenda for regional debate. Without giving up the momentum of conditionality provided by the regatta principle of enlargement for the sake of a regional convoy principle, once accession becomes imminent, pragmatic considerations do come into the equation. In fact, all Southeast European countries – besides the special case of Slovenia – have failed to join the EU in the 2004 round and will all be left out, albeit with a different bilateral agreement with the European Union.

Erhard Busek pleaded the case of a revisiting of Balkan history by the West, as the commonly known history is determined by violence and poverty, whereas the Balkans have made significant positive contributions to Europe as we know it. With some irony, a Serbian participant noted that the shared objective and perspective of EU integration ought to be reason enough to take a more positive look at the region itself. Renaming the Balkans into Southeastern Europe does not solve the problem and even the expression "return to Europe" suggest leaving the region behind, which is evidently impossible. This reminder connected the first panel to the second on regional co-operation as a prerequisite for and/or a consequence of EU integration.

Panel B: Regional Co-operation: From Stabilisation to Integration

Regional co-operation, ownership and regionality are often treated as panaceas for the inequality of massive international regulation and structural deficits in the region. Whereas the "directive" of regional co-operation is often misunderstood in the region as a hollow political slogan or even a delaying strategy running counter to the objective of EU integration, Western initiators of regional co-operation on many occasions ended up supporting too many competing forms of co-operation. Nevertheless, functional interest-driven forms of co-operation cannot be detrimental to the objective of EU integration and do make sense for the region, irrespective of EU integration, while being instrumental in meeting EU criteria for all countries involved.

Erhard Busek highlighted both tangible results and deficits of regional co-operation in the Balkans so far. The Stability Pact has initiated regional centres for small arms and light weapons in Belgrade and for the fight against organised crime in Bucharest - an important step in the right direction and an indication that regional co-operation needs a justification and a dynamism in its own right, not just as a auxiliary to EU integration. Regional co-operation faces entrenched resistance and vested interests not only within state bureaucracies, but also on the regional level. Despite the fact that their accession will change the framework for co-operation, at least in the meantime Romania and Bulgaria have a substantial role to play. Presumably, after the free-trade agreements the region will move towards a free economic area. The Stability Pact is an auxiliary to the SAP geared towards EU integration and also deals with a number of issues that are not covered by or are even partly unsuited for the bilateral, conditional set-up of the SAP, e.g. regional co-operation as well as education and cultural issues or reconciliation initiatives.

Introducing the panel, Frank Herterich referred to the previous debate on the justification of regional co-operation and its strenuous relation with the EU integration process. Unlike EU integration, regional co-operation is not a consensus in the Balkans. Many perceive regional co-operation either as an idealistic model of reconciliation or as a detour postponing actual EU accession. Therefore, it is worth noting that the objective of functional regional co-operation is neither a return to Yugoslav modes of co-operation, nor a ruse to delay integration, but a question of modernisation, which should not be postponed until all countries of the region will be members of the EU. To achieve a critical mass of stability, markets and capital, co-operation will have to precede and flank the EU integration process. Therefore, regional co-operation ought not to imply synchronisation and equalisation to the tempo and level of the weakest. Here the problem of heterogeneity reappears: Whereas current forms of regional co-operation constitute a previously unknown level of openness for some states, they may be perceived as constraints by other, more advanced neighbours. Alexander Bakalov underlined this dilemma: Regional co-operation requires both the definition of common interests and full respect for differences. Thus, developmental differences within the region define the limits of regional co-operation, which might otherwise become counterproductive for the more advanced states.

Also from a perspective of regional co-operation, it is of crucial importance to prevent Kosovo and Bosnia from becoming laggards in reform, black holes in co-operative structures: A solution has to be found for the fact that Kosovo and Montenegro lack the international status to be accepted by international financial insti-

tutions (IFIs) and to join different regional groupings. Jadranko Prlic illustrated these disparities within the presumed region: In the triangle Belgrade-Zagreb-Sarajevo regional co-operation is indeed an issue, whereas the other two triangles (Belgrade-Podgorica-Pristina and Tirana-Skopje-Pristina) are indeed preoccupied with quite different issues. So far, good neighbourliness, acceptance of borders and eventually regional co-operation have been hampered not so much by a lack of political will, but rather by a lack of capacities. Co-operation does not come natural to this region and many obstacles (e.g. visa regimes, infrastructure deficiencies, trade tariffs, etc.) persist. Therefore, sustainable co-operation presupposes the incentive of a shared EU perspective.

Systemising the multitude of initiatives for regional co-operation in an analytical framework, Jelica Minic distinguished institutionally between multi- and bilateral forms and functionally between sectoral and issue-specific forms of co-operation, whereas only the last form is intrinsically a bottom-up approach. In numbers and relative weight, top-down multilateral (Euro-Atlantic) initiatives like the Stability Pact and top-down regional initiatives like the South-East European Cooperation Process (SEECP) predominate. In all plurality and diversity of initiatives, "authentic" multilateral initiatives *from* the region itself are still extremely scarce, SEECP being probable the one single exception to this rule. Although ownership of regional co-operation remains a shortfall of the Balkan region, the Stability Pact has played and continues to play a crucial role in fostering a trend in this direction. Quite surprisingly, security policies have been among the most successful fields of co-operation, both regionally and in the framework of Euro-Atlantic integration. Nevertheless, in contrast to the state of affairs of 1999 after the Kosovo War, much has been achieved and a drive for co-operation has replaced many conflict potentials thanks to the perspective of EU integration. Yet, the challenge for the region of becoming providers rather than consumers of security, individually and collectively, remains.

In the subsequent discussion focussing on visa and border regimes, Croatian and Serbian participants exchanged arguments on the advisability and motives for the continuation of a visa regime. Other participants underlined that progress in regional co-operation requires political will and sometimes political courage. Abolishing visa regimes may be a case in point as all agreed it would have a beneficial effect on regional trade and human communication. This again raised the issue of public opinion and the deficit of top-down initiatives of regional co-operation as fora for political dialogue bypassing the concrete interests of the citizens. Several discussants highlighted the importance of cross-border projects and small bottom-up projects to remedy this flaw in the typical forms of regional co-operation. Eventually, regional co-operation and free travel across the region would be highly relevant in the normalisation process, instilling a sense of the region and shared interests in the citizens of the Balkans.

Panel C: Negotiating the Balkans: Status Issues and Robust Mediation

September 11th and its geopolitical consequences have only enhanced the validity of regional negotiation processes and the priority of the functioning of states over their sovereign status, as championed in last year's paper Negotiating the Balkans. The increasingly assertive and decisive role of the EU in crisis management and the handling of status-related issues, however, raises new questions concerning the nexus between crisis management and integration strategies. Short-term intervention for the sake of stability is at odds with the longer-term objective of

democracy and functional government – a prerequisite for the process of European integration. The requirements for admission to the Stabilisation and Association Process and the basic criteria of EU integration make a sustainable exit strategy for the protectorate situations and an arrangement (at least a pragmatic and workable interim agreement) for the unresolved status questions mandatory. Squaring progress in the Stabilisation and Association Process throughout the region with the current stalemate in the status-related issues for some part of the region is the challenge both European and regional leaders face.

Highlighting the tensions between crisis-management and integration strategies, Florian Bieber referred to the known cases of agreements, successful in ending a conflict, but less conducive to consolidating states capable of embarking on the road to Europe as the long-term stabilising framework. Bosnia and Kosovo both have government institutions too weak to become partners in the Stabilisation and Association Process, whereas the envisaged new state of Serbia and Montenegro also is a rather awkward counterpart in SAA negotiations. Therefore, future conflict-management arrangements have to be designed with the subsequent SAA in mind. Renegotiating these arrangements later would be counterproductive, although in the case of existing arrangements – like in Dayton-Bosnia or in Kosovo – a modification adapting the arrangement to new circumstances including SAA negotiations should not be ruled out.

As a Serbian participant noted, despite its mixed record during the past 10 years, international and European mediation in the region will be indispensable for some time to come. As basic stability has been achieved, the assessment of state functionality, human rights and civil-society arrangements within states and between states constitute a next step. So far the EU has not provided clear guidelines, due to its own diversity and lack of norms in some of these areas. Along the same lines, a Montenegrin participant underlined the positive aspects of the recent Belgrade Agreement: the fact that it had been brokered by the EU rather than the US, the renewed confidence between Belgrade and Podgorica based on the constitutional charter negotiated without mediation as well as a fresh common-sense approach to real problems on the basis of this "pragmatic interim arrangement" prioritising functionality over sovereignty. His caveats for further progress included the need for the EU to speak with one voice in the region and the need for more freedom for the countries involved to conduct real negotiations for sustainable rather than imposed solutions.

In the subsequent discussion, concrete dilemmas of the unresolved status issues for progress and integration were posed: Kosovo's missing access to the international financial institutions and the particular challenge for Kosovo's provisional government of complying with the benchmarks in bilateral relations with Belgrade. Regional co-operation by default has to include all neighbours and the same applies for the regional network

of bilateral free trade agreements: The signing of such an agreement, though, is still a reserved power and Kosovo still lacks the administrative and political capacity for such international responsibility.

The debate indicated that resolving the status questions is no longer seen as an independent variable and an absolute prerequisite for a functioning state. Quite on the contrary, many participants shared the paper's approach of "functionality over sovereignty". Recent cases of "pragmatic interim arrangements" indicate that final status is no longer perceived as one absolute *decision* between autonomy and full independence, between secession and integration. Rather, final status is an incremental *process* shaped by pragmatic solutions to real problems of functionality, as a Greek participant phrased it. Conversely, the IFIs and the EU's Stabilisation and Association Process are not (yet) ready to negotiate with anything but full-fledged sovereign states of the classic model. Democratic legitimacy and the capability to meet international obligations are vital for the functionality of any state. A distribution of state functions or sovereignty between local democratic institutions and the international community in the case of the protectorates, as Vladimir Gligorov noted, may in sum be able to provide for all the necessary state functions *formally*, but whether the outcome is actually *functional* in reality is quite another matter. Thus, as a German participant noted, the formula "standards before status" gives a clear priority to establishing functioning structures of constitutional states before resolving the status questions. But it should not be misunderstood as if the concept of "functional state" could substitute the solution of the status question. In fact it paves the way to resolving the constitutional questions.

Apart from the synchronisation of the requirements of conflict-management and European integration, the actual progress of integration may also contradict regional stabilisation and co-operation, e.g. by drawing EU outer-borders under the Schengen regime right across the region. In order to prevent new dividing lines and disparities, creative pre-emptive strategies have to be designed, although an participant from Brussels reminded the audience that cross-cutting Schengen borders are a recurring, but temporary phenomenon in the entire process of EU enlargement.

Local or regional "ownership" is a much-used slogan, but the actual "domestication" of agreements and the phasing out of international agencies still awaits implementation. A strengthening of state institutions is required: Shouldering responsibility for agreements and processes of local consensus-building cannot be substituted by the international community. A strengthening of state institutions also implies tackling the issue of parallel structures like they exist in Mitrovica in the case of Kosovo or to some extent in Herzegovina in the Bosnian case. A German participant reiterated this point on consistent strategies e.g. in the case of Kosovo and Mitrovica by pointing to recent statements by Carl Bildt qualifying EU strategies as "unreal" and mere "holding operations".

Yet another status-related and unresolved complex of questions concerns refugee return and reconciliation. Several participants drew attention to these questions: Some progress has been made in the triangle Zagreb-Belgrade-Sarajevo as far as the infrastructure for the return of refugees and internally displaced persons is concerned. Erhard Busek indicated that a phasing out of UNHCR activities in this field by the end of 2003 might be too early, requiring further international and regional activity. He also reminded the participants that the international community tends to overlook refugees and minorities that do not imply obvious stability risks. Along similar lines, several participants championed the idea of a Helsinki Plus charter for minority protection, possibly in the framework of the Zagreb Process and based on the recognition that almost every majoritarian state-nation in the region constitutes an ethnic minority in one or more other countries of the region. The advantage would be to take minority protection out of the bilateral, politicised context. Enhancing the reciprocity and an awareness of generic minority issues would be a substantial step forward. Regional standards and monitoring of human and minority rights might have pitfalls of their own, not the least the question how to include regional minorities in countries neighbouring the Western Balkans. A process in that direction would be an admittedly difficult, but essential part of nation and state building as well as regional stabilisation.

Panel D: Integrating the Balkans: European Responsibilities and Regional Ownership

The first round of Eastern enlargement by 2004 will exacerbate the strategic and institutional incongruence in Europe's policies for the Balkans and, eventually, "Southeastern enlargement." The inherent tension between the regional approach of the Stability Pact and the conditionality of the Stabilisation and Association Process will come to a head in a region characterised by (increasing) heterogeneity and disparities. While the more advanced countries pass through the Stabilisation and Association Process with candidate status as a realistic objective, the laggards are struggling to qualify and enter the same process or may even resign themselves to the status of failing states and regional stability risks. Especially the protectorates and the entities without final status lack a perspective in the Stabilisation and Association Process towards EU integration. Therefore, the EU faces the questions how to prevent drop-outs without diluting the conditionality of the process and how to define interim benefits within the Stabilisation and Association Process without squandering the leverage of EU membership. A credible process of Southeastern enlargement will require the strategic and partly institutional convergence of the Stabilisation and Association Process, the Stability Pact and CFSP crisis management under an appealing and credible label by 2004.

Introducing the panel, Michael Schaefer identified a triad of preconditions for the ultimate objective of EU membership as a must for Southeastern Europe. The first element concerns the "responsible sovereignty" of functioning, constitutional states. Responsible sovereignty referred both to the domestic legitimacy and to reliable, constructive relations with all neighbours. Evidently, the incremental process of finding answers to the status questions has to be based on a dialogue and eventually negotiations between responsible states in the region. The second element concerns pragmatic and functional forms of regional co-operation: Although the international community may play a role in initiating some forms of co-operation, only co-operation deemed productive and relevant by the regional partners will be sustainable. SEECP has the potential to become a key player in regional co-operation, but a Stability Pact with a stronger political dimension and selected priorities still has a role to play, particularly in the initiation and implementation. The third element, the Stabilisation and Association Process, is the cornerstone of EU integration, but it has to come to terms with the diverging speeds of the countries of the region with some countries approach candidate status, while others have not yet signed an SAA. The inclusion of Kosovo in the Stabilisation and Association Process, moreover, requires creative thinking because of its special status. Nevertheless, strict but fair conditionality is a must: Any debates on "double standards" or "second-class membership" are out of the question – a task for EU public diplomacy to explain its strategic decisions and objectives. The need for a comprehensive Balkan strategy encompassing crisis management, regional co-operation and EU integration implies flexible responses to diverging starting positions without casting doubt on the fundamental principles of regional stability: respect for international obligations, human and minority rights, non-use of force, inviolability of borders and state integrity, and the rule of law.

Revisiting the above issues of multiple EU instruments for the region and protracted process from now to actual accession, Wim van Meurs noted that the order of precedence of strategies and instruments has changed considerable since 1999: At that time, the Stability Pact was the main instrument to move the region away

from instability, the Stabilisation and Association Process more of an afterthought. By now, the Stabilisation and Association Process has become a full-fledged instrument and the Stability Pact is becoming a complementary instrument to move the region towards EU integration. The complementary role of the Pact concerns regional dialogue and co-operation, civil society and legacies of past conflicts such a refugee return and reconciliation. Recombining Stability Pact, Stabilisation and Association Process and crisis management into a comprehensive plan for "Southeastern enlargement." Despite the fact that this next enlargement is now a foregone conclusion, a comparison with Eastern enlargement highlights the qualitatively larger deficits in modernisation and transition, the greater disparities within the region and the fact that all states of the region will be excluded from membership for some time to come. Therefore, the EU has to create interim incentives along the way without opting for virtual or partial membership: This would mean sacrificing quality and conditionality to speed and thereby make the EU a hostage of regional instability risks. Instead, intermediary stages within the Stabilisation and Association Process might provide functional forms (security issues, visa regimes or Justice and Home Affairs) of co-operation preceding EU membership. Otherwise the logic of EU conditionality would create and ever-smaller, increasingly instable region.

Deploring the decade lost in terms of economic and social recovery, regional confidence-building and reconciliation as well as Europeanisation, a participant from Podgorica reminded the audience of the recent qualitative steps forward: By now, no credible opposition and no viable alternatives to EU integration exist in the region, even though the timeframe of the process remains unclear. As a Serbian participant noted: a commitment to Europe is first and foremost a choice of principle against the nationalism of the past. Conversely, unlike some years ago, Europe has now firmly and credible committed itself to integrating the region. A Macedonian participant added a more pessimistic view by pointing to "counter-trends": the dominance of ethnic discourse in elite politicking, the distances between ethnic communities within multicultural states, weak or failing states and administrations lacking control over part of the territory or key sectors like the army, simulated reforms, organised crime and corruption, etc.

As a way of dealing with a protracted period of associate or candidate status for some of the countries of the Western Balkans, a Serbian participant suggested to rethink the binary division between members and non-members and the creation of interim phases with tangible economic and other benefits. An Albanian participant used the credibility of the European integration process as an argument against imposing new Schengen borders within the region and in favour of abolishing visa regimes within the region as well as between the countries of the region and the European Union.

Adding a broader perspective, an European speaker defined the Europeanisation of the Balkans as a combination of increased stability in the region, a shift in US priorities after September 11th and a complementary strengthening of EU capabilities in crisis management, as demonstrated in by the Ohrid and Belgrade Agreements. (Yet, an Albanian participant cautioned the EU not to overestimate its capabilities in security issues without US support.) The truism that the EU has no exit strategy, only an entry strategy for the countries of the region point to the need to address some deficits of the Stabilisation and Association Process in its current form: Once all countries have signed an SAA, bridging the gap to actual EU accession and keeping up the reform momentum may require additional bi- or multilateral incentives and elements of integration prior to full accession. Evidently, a connection will have to be established between the Stabilisation and Association Process and the pre-accession process – a logical consequence of conditionality and differentiation. Balancing individual merits of the advanced and the catch-up process for the weaker countries will be the main challenge here. On the other side of the scale, the protectorates will be increasingly Europeanised in security and political terms, but they cannot be excluded from the Stabilisation and Association Process. The status issues should be seen not so much as obstructions to EU integration: Rather than thinking in 19th-century terms of sovereignty, the assumption that the final status Kosovo will be *in the EU* should be taken as a starting point to take the edge off the dialogue on status questions.

A Kosovar participant highlighted the recent achievements of the Provisional Government as well as the progress made in privatisation and economic reconstruction aimed at making Kosovo a functional states along the lines of Steiner's benchmarks. The same speaker, however, also stressed the adverse effects of Kosovo's undefined status for relations with IFIs, for regional co-operation with Serbia and for EU integration. Thus, regional co-operation should also include entities like Kosovo or Montenegro – without prejudice to the final status issue: the Stability Pact is a prime example of this approach. At the same time, the reserved powers of UNMIK and the requirement of state functionality draw attention to the situation in Mitrovica as anomaly. Several discussants provided examples of the tension between responsible self-government (both domestically and in the region) and the reserved powers of the Special Representative in Pristina: An unresolved status is a source of uncertainty for the populations, the elites and the region as a whole.

Summary

Amazement at the politeness and consensual character of many a debate compared to last year's conference induced Zarko Korac's remark that any conference on the future of the whales in the ocean might be more controversial. Comparing the 2001 and 2002 meetings, Branko Lukovac similarly referred to the high level of consensus on the approach of the discussion paper as well as on future policies in and for the region.

In dealing with the problems of a much tormented region, the roundtable demonstrated the diverging levels of stability that the countries of the region have achieved in their process of transformation and integration into the European Union. However, the discussions also showed

• a far-reaching convergence of visions directed towards European integration,

• the imperative of building stable states, rooted in democracy, the rule of law and good governance, as cornerstones of regional stability,

• the necessity to sustain the momentum of the accession process to the EU over a longer period by defining steps, each of which provides specific conditionalities and benefits,

• the task to focus regional co-operation on projects adressing shared needs of the people, with mobility being one of the main needs,

• the latent danger of instability arising from the unresolved constitutional or status questions.

Yet, many unresolved key question lurk below the surface: On the one hand, the status arrangement as a prerequisite for functioning states and the EU's Stabilisation and Association Process as well as, on the other hand, the adjustment of the enlargement process to a region characterised by widely diverging levels of progress.

4 The Balkan Forum

The following experts participated on a regular basis in the first round of consultations of the Balkan Forum in Berlin. In behalf of the Bertelsmann Foundation and the Center for Applied Policy Research, we would like to thank them and other experts, who participated on an *ad-hoc* basis, for their expertise and engagement. In the first round, individual experts contributed short papers for the sessions of the Balkan Forum and full reports on specific issues and aspects of regional co-operation and European integration. The strategy paper is based on insights from these papers and reports as well as the subsequent discussions in the Berlin sessions of the Balkan Forum.

Experts

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Reports

Both the short papers and the full reports are available at the CAP web site (http://www.cap.uni-muen-chen.de/bertelsmann/soe.htm) or at the web site of the Bertelsmann Foundation (http://www.bertelsmann-stiftung.de/project.cfm?lan=de&nid=33&aid=1443). Some reports are in English, others in German.

5 Strategy Paper - Integrating the Balkans

INTEGRATING THE BALKANS
Regional Ownership and European Responsibilities

Post-conference update – July 30, 2002

Last year's roundtable *Negotiating the Balkans*, organised by the Bertelsmann Foundation and the Center for Applied Policy Research in co-operation with the Policy Planning Staff of the German Federal Foreign Office in Berlin on August 22-23, was characterised by the optimism related to the democratic victory of pro-European reform governments throughout the region. The optimism was qualified by the outbreak of inter-ethnic violence in Macedonia in spring. This unanticipated conflict was barely contained by the fragile, EU brokered Ohrid Agreement, signed just days before the conference. Since then, existing agreements have been upheld and new agreements have been brokered. Kosovo's Constitutional Framework for Provisional Self-Government and the Belgrade Agreement for Serbia and Montenegro are recent examples of interna-tionally mediated arrangements to defuse potential stability risks and to enhance the functioning of states. Evidently, the *implementation* of these agreements has suffered serious setbacks. The risk of armed conflicts *between* states and state-like entities in the regions now seems remote. Yet, the potential for clashes between ethnic groups *within* states or political controversies *between* states have not diminished significantly. Without the pressure of the shared perspective of EU membership, the political will and commitment in the region to negotiate bilateral and multilateral arrangements for unresolved issues – as envisaged in last year's discussion paper – would dwindle.

In-between Legacies of Instability and Perspectives of Integration

Today, regional co-operation and the perspective of EU membership are taking shape. The evolving network of bilateral free-trade agreements and the SEECP political dialogue of the Sofia Process are cases in point for regional commitment. Meanwhile, the EU's 1999 promise to "draw the region closer to the perspective of full integration of these countries into its structures" has become the Stabilisation and Association Process (SAP), designed much along the lines of the Europe Agreements for Eastern enlargement in the 1990s. Whereas the CARDS program provides "pre-association" assistance, the Stabilisation and Association Agreements (SAAs) define the criteria, objectives and strategic priorities for each country. The Stability Pact was once designed as a comprehensive strategy bringing together all relevant international organisations and donors for the *sta-bilisation* of the region. Now, the Pact is increasingly remoulded along the lines of *complementarity* and will become an auxiliary to the EU association process for the countries of the region.

For a Europe increasingly considering the Balkans as its responsibility and as part of its *finalité*, two epochal decisions are on the horizon; the NATO summit in Prague in November with the accession of up to seven new members and the European Council in December with the conclusion of accession negotiations with all East European candidates except for Romania and Bulgaria. This means that all of Southeastern Europe is *included* in the prospective *finalité* of European integration, but *excluded* from actual membership for a protracted peri-od of time. The expected duration of this "association" phase poses new challenges to Europe and the region alike. The challenges concern the balancing of national, regional and European priorities as well as the mana-gement of political and public expectations. A balance has to be struck between the regionality of the Stability Pact and the conditionality of EU association; between exporting stability and importing instability; between state-formation and nation-building; as well as between European responsibilities and regional ownership.

In the medium term the challenges range from unresolved status issues in and around the Belgrade-Pristina-Podgorica triangle to potential ethnic conflagrations within states or state-like entities, e.g. between Macedonians and Albanians in Macedonia or between Bosnians, Serbs and Croats in Bosnia and Herzegovina.

The Balkans has induced Europe to build up its engagement in terms of institutions, policy strategies as well as diplomatic and military capabilities. The current peacekeeping and policing missions in Bosnia and Herzegovina, Macedonia and Kosovo tax the emerging capabilities of the European CSDP in its first operating area. Europeans have assumed a leading role in the mediation between Belgrade and Podgorica as well as between Belgrade and Pristina, on the one hand, and in the governing of Kosovo and Bosnia as international protectorates, on the other. The structural and institutional dilemmas of the projected trajectory towards EU integrations require political will and a strategic vision.

The objective is to create the preconditions for human security, well-being and prosperity for each and every individual in the region. Each of the often-cited principles and ideas has to derive its rationale and justification from this ultimate objective. This applies to the concepts of regional stabilisation, state functionality and national self-determination as much as to those of regional co-operation and *even* European integration. All key disputes involve the prioritisation and differentiation of these partially contradictory concepts for the region. Even though European integration has become the shared ideal for the individuals, communities, states, and nations as well as for the region as a whole, it is not self-evident. In the logic of this strategy paper, the structural deficits and more recent legacies of the Balkans make the functioning of states (i.e., rule of law, good governance, separation of powers, human and minority rights, etc.) the *conditio sine qua non*. European integration merely is the Archimedean point of its future development. Without codification and implementation of human and minority rights, national self-determination becomes meaningless. Without regional stability, the inward and outward consolidation of states remains a chimera. Regional co-operation is a direct precondition and indirect prerequisite for European integration, but its value for prosperity and stability will remain - independent of or even beyond EU accession.

The roundtable addresses the above issues in four panels. First, a reflection on the consequences of the dominance of the European perspective for the region and the commitments involved, both on the part of the EU and on the part of its Southeast European partners. Secondly, regionality and regional ownership should be redefined and differentiated as functional prerequisites for political and economic development. In Southeastern Europe, co-operation is all too often understood as a sidetrack for the (indefinite) postponement of integration or as a pseudo-criterion of EU accession for appearances only. So far regional co-operation has been driven by the international community and has not (yet) become a self-sustaining endeavour in regional ownership. Thirdly, the issues of regional arrangements for status and non-status issues with international mediation as debated at last year's roundtable *Negotiating the Balkans* are revisited. This strategy paper upholds the argument that the functioning of states and state-like entities is the pivotal prerequisite, the *conditio sine qua non* for any sovereignty-related arrangements, not the other way around. Credible interim arrangements and a process towards a final-status arrangement have to be designed in order to prevent the status issues from stifling all progress as well as to facilitate the expansion of co-operation and the tackling of recurring stability risks generated by disruptive forces in the region. Fourthly, the final panel envisages a synthesis of the above issues of European integration, regional co-operation and status issues from the vantage point of the future Balkans as an integral and increasingly integrated part of Europe. Apart from the optimistic scenario of a linear, albeit protracted process towards EU membership, the synthesis also addresses the imponderabilities of structural deficits and regional specifics: Without political will and stamina on both sides, this European project could easily end in a quagmire of simulated reforms, shunned risks and diluted conditionalities.

European Integration: Prerequisites and Consequences

In Southeastern Europe and in the countries of the Western Balkans in particular, transition towards pluralist democracy and market economy occurs in parallel to the evolving perspective EU integration. The links between transition and EU integration are much more pronounced here from the very beginning than they were in East Central Europe ten years ago. Delayed transition and weak states with a history of inter-ethnic and inter-state conflict have made the region a key concern for the process towards stability, integration, and

prosperity in Europe as a whole. By now, the logic and momentum of European integration have made the inclusion of the Balkan states a foregone conclusion, a strategic inevitability.

Once certain basic preconditions have been met and armed conflicts between states have become a remote risk in this region too, the conditionalities and normative prescriptions of EU membership become the framework of reference for the transformation of politics, civil society and the economy in each country of the region. The preconditions based on Helsinki 1975 and Copenhagen 1993 – recognition of borders, renunciation of violence, stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities - have been met (with some notable exceptions though). Subsequently, the EU has installed the Stabilisation and Association Process, designed in analogy to the Europe Agreements of Eastern enlargement and offering bilateral contractual relations with the perspective of full membership in a European Union with 30 or more members. Now, the Copenhagen Criteria have become the framework of conditionality as well as the basis for annual assessments and policy prioritisations.

The initial situation in Southeastern Europe now is quite different from the basis for political and economic transition in East Central Europe at the time of the Copenhagen European Council. The term "economic reconstruction" is a euphemism, as structural deficits in economic modernisation, infrastructure, and state administration loom large behind the immediate consequences of the conflicts of the past ten years. The weakness of the states in the region implies not only a distinct problem of aid absorption and aid addiction, but also an over-politicisation and a macro-political volatility detrimental to reform. Paradoxically, despite the weakness of the state, economic development for some time to come depends largely on political strategies and frameworks.

In order to take into account the qualitatively different initial situation, the more pronounced regional heterogeneity and its fragmentation in terms of states and nations, a Stability Pact providing massive, low-conditionality assistance to bridge the developmental gap seconds the Stabilisation and Association Process providing asymmetric trade liberalisation to stimulate economic production. Additionally, unlike East Central Europe, the international community provides guarantees for security in the form of military and policing forces throughout the region as well as diplomatic crisis management. In the experience of Eastern enlargement, regional co-operation was a consequence rather than a precondition for EU integration. However, for reasons of political and economic scale, development level, the tendency to national insularity, and political instability regional co-operation is a must for the Balkans.

The promise of EU accession for the countries of the Western Balkans has become credible and concrete - particularly after the enlargement of 2004. Yet, a longer association phase of 10 to 15 years under the Stabilisation and Association Process seems to be the most plausible scenario. Bridging this transitional period requires not only good management of expectations on the part of the EU decision-makers and its counterparts in the region, but also tangible results in human security as well as in political and economic reform.

Preventing the EU from becoming a hostage of the destabilising potentials of the region and of its own promise requires a strict, but fair conditionality with incentives and sanctions. The conditionality has to be responsive to the developments on the ground, without giving the impression that the production of stability risks pays off more readily than any uphill reform endeavour. The promise of EU accession is irrevocable as an Archimedean point, but the mere passing of time does not replace or soften its conditions. Thus, the European commitments in reform assistance cannot be separated from the requirement of a constructive and responsible approach to stability risks in Southeastern Europe. Ultimately, the political will and commitment of the regional leaders determines the success or failure of the European package consisting of a bilateral (pre)association process, regional co-operation and pro-active crisis management.

Regional Co-operation: From Stabilisation to Integration

Regional co-operation, regionality and regional ownership have to become magic words to solve the ine-quality of massive international assistance and structural regional deficits, to resolve the tension between an accelerating process of European integration and a persistently volatile and unstable region to the Southeast. Regionality rather than conditionality constitutes the paradigm of the Stability Pact for Southeastern Europe. In the wake of the Pact, a whole range of new institutions and gatherings have dedicated themselves to achieving regional co-operation and to establishing regional ownership in their respective fields, some of them *bottom-up*, most of them *top-down*.

The track record of regional co-operation is impressive as far the number of meetings, declarations and initiati-ves is concerned. Real but intractable structural problems like corruption and organised crime or environmental pollution are on the agenda of most initiatives, resulting in duplication and a waste of resources. Conversely, initiatives to exploit the obvious chances for co-operation, e.g. free trade, road (re)construction or border and visa regimes, face major hurdles due to lack of political will and flexibility. The impression remains that (sub)regional or cross-border co-operation is most effective when it takes place on a pragmatic, local and inte-rest-driven level - without getting entangled in national politics. Most of the new institutions, networks and initiatives may still be unknown to the citizens of the region. Multiple channels and fora for regional dialogue with different groupings and themes do have their merits, but there is an evident trade-off with the limited human resources of the state institutions involved. Conversely, *functional* co-operation requires an institutional and operational division of labour, not a random multiplication of initiatives. Even in civil-society initiatives, *plu-rality* is not tantamount to *pluralism*, institutional proliferation not a measure of success.

Evidently, both politicians and the public are inclined to (mis)interpret the "directive" of regional co-operati-on by the European Union and by the Stability Pact as a rhetorical trick or delaying tactics in the integration process. There is widespread anxiety in some countries of the region that Brussels perceives the Western Balkans as a *group* in which the slowest candidate determines the pace of the integration process for all.

However, regional co-operation is not a zero-sum game. As regional co-operation promotes political stability and economic development, it *cannot be* detrimental to the shared EU perspective for the region. Functional forms of regional co-operation will never have a negative impact on the process towards EU integration for any country, albeit the actual catch-up effects may differ from country to country. Local cross-border co-operation and civil-society networking contribute to a de-mystification of ethnic prejudices and a gradual normalisation of relations. More directly, economic growth can only be achieved when the region of small and smallest states banks on economies of scale by integrating a market of 25 million for producers and inve-stors and by gradually erasing barriers to the free flow of persons, goods and capital within the region. The fact that most countries trade mainly with EU countries by no means devalues this priority. Uniform systems for tariffs and visa regimes are a first important step in the right direction. Transport infrastructure, energy grids and tourism are regional by default. Most forms of regional co-operation do make sense from a purely regional perspective, no matter if and when EU accession will take place. The experience of the EU member states and the ten accession states indicates that the value of regional co-operation and solidarity even increa-ses *with* accession. Many forms of functional regional co-operation actually accelerate and facilitate the pro-cess of fulfilling the preconditions for EU association and eventual accession for all countries of the region, in addition to improving the actual preconditions for stability and prosperity in the region in the meantime.

Nevertheless, the elusiveness of the panacea "regionality" as well as the tension between multilateral regio-nal co-operation and the bilateral conditionality of the relations with the EU call for a qualification and dif-ferentiation of the concepts of regionality and ownership. The European Union and the Stability Pact should define and promote clear priorities in terms of *functional* forms of regional co-operation that are advanta-geous for each state in the region, both in terms of national interests and of the long-term EU perspective.

Because of the protracted process towards EU membership, regional co-operation needs a dynamism and justification in its own right.

From the perspective of EU integration as the Archimedean point and dominant framework for the Balkan region, a new congruence of multilateral regional co-operation and bilateral EU association agreements will have to be designed and implemented to make timeframes synchronous and strategies complementary. The Stability Pact for South Eastern Europe, the quintessence of regional co-operation and ownership for the Western Balkans, was originally designed as a uniquely comprehensive approach to move South Eastern Europe towards *stability* and away from its structural deficits in modernisation and its endemic track record of ethnic and territorial conflicts. Today, three years later, those who consider the Pact a failure have not this original objective in mind, but rather a more far-reaching endeavour. In the long-term endeavour of turning South Eastern Europe into a region of stability and prosperity as an integral part of an integrating Europe, however, the Stability Pact can only be one out of several stepping-stones, albeit an important one.

With the fundamental changes that *have been* achieved in the region over the past three years the window of opportunity has been opened for the consolidation of functioning states, for regional co-operation and for European integration. The European Union and its Stabilisation and Association Process have become the main framework for the region. The Stability Pact becomes its auxiliary, shouldering a number of *complementary* tasks that are incompatibly with the set-up of the SAP. Complementarity, however, does not imply that the Stability Pact were to cover each imaginable task not dealt with in the framework of the SAP. As ownership is key, the Stability Pact should restrict itself to prioritising well-designed incentives and framework conditions rather than strive for comprehensiveness or the co-ordination and inclusion of all relevant initiatives and networks. The Tetovo crisis has proven that the Stability Pact and its Special Co-ordinator have a role to play in pro-active and re-active crisis management. Many legacies of the crisis and war-ridden 1990s have to be resolved before or parallel to the SAP. Thorny issues with a clear regional dimension concern the return and/or reintegration of refugees and internally displaced persons as well as the process of reconciliation between ethnic communities and between states.

One complementary task already taken on by the SP with remarkable success is instigating a regional dialogue on functional forms of co-operation in regional ownership (e.g. in military and security affairs or free-trade agreements) by providing a framework and incentives. The bilateral, conditional relations of the Stabilisation and Association Agreements are evidently inadequate for the instigation of a regional dialogue and the stimulation of regional co-operation. In regional co-operation defined by *functionality*, some initiatives may be sub-regional, while others cross the borders of the Balkans or Southeastern Europe as defined by the process of EU integration. Flexible forms of cross-regional, regional, sub-regional and cross-border co-operation actually profit from the fact that the vast majority of its inhabitants does not accept „the Balkans" as a regional unity or an identifier. Whereas the heterogeneity of contractual relations - ranging from Romania's Europe Agreement to Croatia's Stabilisation and Association Agreement or Albania's Trade and Co-operation Agreement – directly hampers regional co-operation, the EU's apparent unwillingness to deal with (sub)regional groupings that are not congruent with the logic and divides of Eastern and Southeastern enlargement may well be counterproductive and a signal easily misunderstood.

Negotiating the Balkans: Status Issues and Robust Mediation

The paper to last year's roundtable *Negotiating the Balkans* outlined a regional negotiation process for status and non-status issues characterised by both "regional ownership" and a lead role for the European Union. In the aftermath of September 11th, the European Union has indeed assumed the main burden of responsibility for conflict management and negotiation processes in the region. Ultimately it will be up to the EU to integrate the countries of the Western Balkans. The "war on terror" as the new dominant concern of US foreign policy has hastened this shift. The 2001 strategy paper argued the case for a proactive, comprehensive regio-

nal negotiation process rather than a reactive, event-oriented approach and give priority to the *functioning* of states over the *sovereignty* of states. Over the past year, international and most of all European organisations have shown increasing assertiveness in handling status-related issues in the triangle of Belgrade-Podgorica-Pristina, within Macedonia and within Bosnia and Herzegovina. Assertiveness and political will also characterise the appointments of Erhard Busek as Special Coordinator for the Stability Pact, Lord Paddy Ashdown as High Representative for Bosnia and Herzegovina, and Michael Steiner as UN Special Representative for Kosovo.

Last year's statement that the functioning of states has priority over and should precede status arrangements seems to be gaining ground in the region recently. Assertive protectorate regimes and robust mediation in status questions are justified by the fragility of regional stability (both as a European interest and a prerequisite for reform and prosperity in the region) as well as by the need to reach to durable, sustainable arrangements rather than to create new conflict potentials. In *extremis*, these motives do justify even the current restrictions to state sovereignty and democratic rule. Eventually, however, the process should be oriented towards restoring or installing sovereignty and democratic rule incrementally. Eventually, a next political generation will come to realise that political will and courage bridges the gap between democratic sovereignty and the conditionalities of the EU perspective.

The strenuous combination of European responsibilities and regional ownership implies a *quid pro quo* in more than one respect. Irrespective of international legal personality, the ownership of sovereign rights implies *obligations* as much as rights vis-à-vis the entire population and the neighbouring states. The *quid pro quo* of the European perspective is a strict conditionality that has to be both transparent and consistent without being unresponsive to relevant political and public developments. One of the prerequisites for a gradual transfer of sovereign rights is a strict observance of human and minority rights. Being the majority nation in a state even implies a generosity towards minorities, as strict proportionality would result in the dictatorship of the majority. The acknowledgement of the fact that most majorities are themselves a minority in one or more neighbouring countries suggests a *regional* convention and monitoring of minority policies (rather than conflict-prone models of homeland patronage). Conversely, any talk of secession and partitioning (e.g. in the case of Mitrovica or Tetovo) would reinvigorate the illusion of the ethnic homogenous nation-state and thereby ignore the fate of the co-nationals living in other, ethnically mixed parts of the same state or state-like entity.

Another *quid pro quo* relates to cases of defiance of (the letter or spirit of) the original agreements, be it the Dayton Peace Agreement, the Ohrid Agreement or UNSC resolution 1244. No government of a state or entity that tolerates or even actively engages in violations of these basic agreements can expect European support for a process of association and eventually integration. Only agreements that are respected by both parties can be modified or revised in consent. As existing arrangements do not prejudice final status, their strict implementation should not be instrumentalised to prejudice a future status arrangement.

The European *quid pro quo* for a responsible and constructive attitude by the regional partners, respecting the imperfection and fragility of current status relations, is responsiveness and reliability. To this end, Europe should speak with one voice and its message should be both consistent and non-partisan. Formally, the EU was a *neutral mediator* in the arrangements it has brokered via "robust mediation." In reality, the sustainability of the arrangements very much depends on the readiness of the EU as a *third party*. The EU guides the follow-up process and assists the local elites in implementing the often-unpopular compromises. Conversely, all local politicians share responsibility for the negotiated arrangement and ought to refrain from scoring populist points by scorning the compromises in public, while making good use of the linked EU assistance in silence.

For each of the status issues, Kosovo and Montenegro, the first step would be a pragmatic interim agreement based on the status quo without prejudicing any final status arrangement. This interim agreement would open a pragmatic window of opportunity in order to resolve some of the non-status issues that have to be

resolved irrespective of the final status and in order to intensify bi- and multilateral co-operation. The prefe-rence for interim arrangements ought not to imply that *gaining time* is a goal in and by itself. If *temporising* allowed the creation of a more stable and constructive basis for final-status negotiations, much would have been gained. In the medium term (3-5 years) latest, the issue of final status will be on the agenda again. Considering the current volatility of the status questions and the intransigence of the respective positions, it is hard to argue the case for immediate break-through solutions in one direction or the other. A certain con-solidation and clarification of current reality in the status issues may have its merits, but *only* in combination with a consistent and tangible process towards final-status arrangements. The stability and sustainability of the resulting arrangements for the region as well as for Europe as a whole, however, is the decisive factor. At the same time, respect for existing borders as a corner stone of stability inevitably implies a domestic *quid pro quo*, the acceptance of multiethnicity and the establishment of generous minority rights.

Designing a process towards final-status arrangements along these lines comes up against a fundamental dilemma. "Benchmarking" national achievements in terms of a functioning state implies incentive and con-ditionality and thus a reward in terms of sovereignty. Consequently, this objective constitutes a *disincentive* for constructive co-operation (and for some maybe even an *incentive* for destabilising actions) to local and regional political actors with a contrasting agenda for a final-status arrangement. On the other hand, any via-ble status arrangement requires the consent of the relevant regional and international partners, if only because the current situation is based on UNSC resolution 1244 and other international agreements. Thus, international consent would take precedence over the quality of domestic reform and acquis compliance. At this point, the international community and its representatives in the region, specifically in Kosovo and in Bosnia and Herzegovina, ought to capitalise on the population as their ally rather than to leave the local per-ceptions of international policies exclusively in the hand of local politicians.

In contrast to a "roadmap" with a pre-defined destination, an "open" approach towards a final-status arran-gement would focus on the process itself rather than the status outcome. Consequently, it would be much less of an incentive for pro-independence forces in Podgorica and Pristina to implement political and econo-mic reforms as well as human and minority rights guarantees. The focus would shift to bi- and multilateral negotiations for agreements on non-status issues and most of them would get tangled up with status issues. Any EU-mediated open negotiation process in regional ownership requires a well-designed framework and an unambiguous set of principles such as no redrawing of borders and no exchanges of territory or populati-ons. The EU would be the guarantor of principles, framework conditions, procedures, and eventual outcomes. New arrangements have to meet the criteria of sustainability and regional stability. Therefore, regional sta-bility is not only a European responsibility, but also part of regional ownership.

The shared European perspective for the Balkans provides an incentive for functioning states and regional co-operation. The convergence of the region in EU association and integration in the medium term may even defu-se some of the current controversies or make the disputed issues irrelevant. Whereas some sovereignty-related issues will in the long run become European responsibilities or prerogatives, the European perspective cannot erase or circumvent the status issues as such. Quite on the contrary, the process of EU association and integrati-on via the SAP pertains to numerous sovereignty-related issues and therefore constantly reiterates the unre-solved status questions of Kosovo and Montenegro. One such a key issue concerns the EU's counterpart for the SAA negotiations and the corresponding CARDS assistance. Since Serbia, Montenegro and Kosovo are as hete-rogeneous as the Balkan region itself in their reform process and transition priorities, any effective EU "pre-accession" policy would have to consider these differences and differentiate conditionalities and assistance stra-tegies accordingly. At the same time, negotiations and financial transfers have to abide by *de jure* sovereignty.

Thus, robust mediation for an interim arrangement as practised by the European Union and its High Representative in the case of the recent Belgrade Agreement for "Serbia and Montenegro" is not an exit stra-

tegy. Quite on the contrary, even in the cases where the international community and the EU in particular formally only acts as a mediator, the resulting agreements depends on Europe taking responsibility for the protracted implementation process, be it provisional self-government in Kosovo, the new union of Serbia and Montenegro, integrative processes in Bosnia and Herzegovina or interethnic arrangements in Macedonia.

Integrating the Balkans: European Responsibilities and Regional Ownership

After the first major round of Eastern enlargement in 2004, the dilemma of regionality and conditionality will come to a head in Southeastern Europe. On the one hand, the seven countries of the region will fall in different categories of relations with the EU and, on the other hand, they will all be excluded from the benefits of membership, sharing only the perspective. Paradoxically, 2004 could also be a chance for the region: The remaining pre-accession funds could be used – for instance via the Stability Pact - to support reform efforts in region and to prevent some less-developed countries from falling behind the regional process towards EU integration.

In combination with the post-2004 strategic dilemma for "Southeastern enlargement", the inherent tension between the regionality and conditionality as well as the historical-structural heterogeneity of the region may result in a *new Balkans*. The conditional approach of the Stabilisation and Association Process rewards achievements in transition and EU adaptation on a strictly bilateral basis with more assistance and more resources. Conversely, the regional approach of the Stability Pact supports the states and state-like entities most in need rather than the most advanced countries, with minimal conditionality in order to instigate a catch-up process and regional equalisation. The Stability Pact and other regional initiatives certainly accelerated the process of reform and reconstruction in the entire region, but most probably by 2004 the divide will have increased rather than decreased due to path dependency and the widely diverging initial situations of the countries. A process of Southeastern enlargement will require the strategic and partly institutional convergence of SAP, Stability Pact and crisis management under an appealing label by 2004.

Evidently, the current formal divide between the EU accession process for Romania and Bulgaria, on the one hand, and the Stabilisation and Association Process for the five countries of the Western Balkans, on the other, can be surpassed in one direction only. Consequently, a scenario with Croatia and Serbia-and-Montenegro joining the two remaining candidates after the first round of Eastern enlargement seems plausible. (Substantial economic and political progress in the neighbouring states of Serbia and Croatia may boost the reform and state-building process in Bosnia and Herzegovina, although a formal Stabilisation and Association Agreement seems out of reach for some years to come.) Conversely, the southern half of the Western Balkans, the sub-region with the higher potential for conflict and the lower potential for economic development, would be left dependent on a much-depleted regional co-operation process.

Additionally, the domestic political responsibility in the protectorate situations of Kosovo and Bosnia and Herzegovina with a representative of the international community imposing most legislation by decree is incompatible with the political Copenhagen Criteria of democracy and good governance. No Stabilisation and Association Agreement can be signed before domestic political stability and responsibility are ensures and political decision-making is no longer in the hands of the international representative. On the other hand, the EU cannot afford to leave countries drop out off the integration process. They would end up as hotbeds of instability for the entire region in an integrating Europe.

Seemingly attractive shortcuts like "partial" or "virtual" EU membership cannot resolve the dilemma of the protracted process of stabilisation, association and eventual integration. On a practical level, *enhanced* functional co-operation will be advantageous both for the enlarged EU and for its associated partners to the Southeast, e.g. in justice and home affairs or in environmental protection. As true regional co-operation is most advanced in military and security affairs, more regional ownership in this area is an important signal, in

combination with an increasing Europeanisation of the policing and security missions throughout the region. However, presenting practical forms of co-operation as incremental forms of membership would be the wrong signal for sustaining the reform momentum over a longer period of time. A sound management of expectations, however, requires both relevant and symbolic milestones in the long drawn-out phase of the Stabilisation and Association Agreement without accession negotiations.

In sum, the European Union should persevere in its engagement for the region without, however, yielding to the perceived pressure of envisaged timeframes or the stability risks emanating from apparent frustration and impatience. Giving in to these pressures would mean squandering fair conditionality and accepting simulated reforms and political rhetoric at face value. This very real danger would turn a virtuous circle of conditionality and regionality into a vicious circle of deceit and resignation.

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6 Outlook

The Balkan Forum will continue its deliberations on the basis of the strategy paper and the results of the round-table conference. The organisers welcome your comments and suggestions concerning the strategy paper and the conference report. Feel free to send your remarks to either of us. If you wish to receive information about the Balkan Forum's activities and reports on a regular basis, please ask for registration in our mailing list.

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