

ENLARGING THE EU FURTHER EASTWARDS: THE PROSPECTIVE EU  
MEMBERSHIP OF THE WESTERN BALKANS

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Approval of the Graduate School of Social Sciences

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## **ABSTRACT**

### **ENLARGING THE EU FURTHER EASTWARDS: THE PROSPECTIVE EU MEMBERSHIP OF THE WESTERN BALKANS**

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The main aim of this thesis is to analyze EU-Western Balkans relations with regard to the prospective EU membership of the Western Balkans, and to make an analysis of the EU's Western Balkans enlargement strategy and the scope of membership conditionality imposed on the Western Balkans from post Dayton period (1995) to present (2006).

This thesis examines how the EU membership conditionality worked in the Western Balkans' preparatory stages for pre-accession, and to what extent it is different from the CEE enlargement process. Lastly, considering the discussions on rediscovered absorption capacity and the commitment of EU for further eastward enlargements after the CEE enlargement of 2004, it is looked into whether there has been a shift in EU's Western Balkans strategy.

This thesis argues that the dominant factor determining the dynamics of the EU-Western Balkans relations are preferences, priorities and internal dynamics of the

EU. The comparison between the CEE's and Western Balkans' EU integration process reveals that EU tailored a long term and flexible enlargement strategy with increasing conditionality within SAP framework for the Western Balkans. Hence as long as the EU does not feel a sense of urgency straining the stability and EU integration of the region, a motivation for presenting an immediate enlargement platform will not emerge. In this sense, after the CEE enlargement, EU rediscovered its absorption capacity as a main membership condition and further differentiated the regional countries in terms of their own merits in fulfilling EU's conditionality and standards.

Key Words: Western Balkans, Central and Eastern Europe, EU enlargement, Membership Conditionality, Pre-accession Strategy

## ÖZ

# DOĞUYA GENİŞLEYEN AVRUPA BİRLİĞİ: BATI BALKANLAR'IN OLASI AVRUPA BİRLİĞİ ÜYELİĞİ

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Bu tezin amacı, Avrupa Birliği-Batı Balkanlar ilişkilerini Batı Balkanlar'ın olası AB üyeliği çerçevesinde incelemek ve Dayton Barış Anlaşması'ndan (1995) günümüze (2006) kadar geçen süreçte, Avrupa Birliği'nin Batı Balkan genişleme stratejisinin ve Batı Balkanlar'a uygulanan üyelik koşullarının analizini yapmaktır.

Tezde AB'nin üyelik koşullarının Batı Balkanlar'ın katılım öncesi hazırlık sürecinde nasıl işlediği; Batı Balkanlar'a uygulanan üyelik koşullarının, Merkezi ve Doğu Avrupa genişleme sürecinden ne ölçüde farklı olduğu sorgulanmıştır. Son olarak, 2004 Merkezi ve Doğu Avrupa genişlemesinin akabinde AB'nin hazmetme kapasitesi ve Birliğin Batı Balkanlar'ı da kapsayacak şekilde daha da doğuya genişleme taahhüdü ile ilgili ortaya çıkan tartışmalar göz önüne alınarak, AB'nin Batı Balkanlar stratejisinde bir değişim olup olmadığı incelenmiştir.

Tezin argümanı, Avrupa Birliği-Batı Balkan ilişkilerinin dinamiğini belirleyen başat faktörün Avrupa Birliği'nin tercihleri, öncelikleri ve kendi iç dinamikleri olduğudur. Merkezi ve Doğu Avrupa ile Batı Balkanlar'ın AB'ye entegrasyon süreçleri karşılaştırıldığında, AB'nin Batı Balkanlar için İstikrar ve Ortaklık Süreci çerçevesinde uzun dönemli, esnek ve üyelik koşullarının arttırıldığı bir genişleme stratejisi biçtiği ortaya çıkmıştır. Bu nedenle AB, bölgenin istikrarını ve AB'ye entegrasyonunu tehlikeye düşürecek bir durumun varlığını hissetmediği sürece, Batı Balkanlar'a yönelik bir genişleme platformunu hemen ortaya koymak için bir motivasyon sergilemeyecektir. AB, Merkezi ve Doğu Avrupa genişlemesinden sonra kendi hazmetme kapasitesini temel üyelik koşulu olarak yeniden keşfetmiş ve bölge ülkelerini AB koşullarını ve standartlarını yerine getirmekteki meziyetlerine göre daha da ayırmıştır.

Anahtar Kelimeler: Batı Balkanlar, Merkezi ve Doğu Avrupa, AB Genişlemesi, Üyelik Koşulları, Katılım Öncesi Strateji

De ta fabula narratur

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## TABLE OF CONTENTS

<b>PLAGIARISM</b> .....	iii
<b>ABSTRACT</b> .....	iv
<b>ÖZ</b> .....	vi
<b>DEDICATION</b> .....	viii
<b>ACKNOWLEDGEMENTS</b> .....	ix
<b>TABLE OF CONTENTS</b> .....	x
<b>LIST OF ABBREVIATIONS</b> .....	xii
<b>LIST OF TABLES</b> .....	xiii
<b>CHAPTER</b>	
<b>INTRODUCTION</b> .....	1
<b>1. ENLARGING THE EU EASTWARDS: THE ANALYSIS OF PRE- ACCESSION STRATEGY AND THE SCOPE OF MEMBERSHIP CONDITIONALITY IN THE CEE ENLARGEMENT</b> .....	11
1.1. What Makes the Eastern European Enlargement of the EU ‘Unprecedented’ .....	11
1.2. The Evolution of EU Membership Conditionality and Pre-Accession Strategy for the CEE Applicants .....	15
1.2.1. Before Copenhagen Period .....	15
1.2.1.1. Europe Agreements .....	16
1.2.1.2. Phare Programme .....	19
1.2.2. Beyond Copenhagen Period: EU Accession Process of CEE Countries .....	21
1.2.2.1. The Copenhagen European Council and the Prospects of CEE Enlargement .....	22
1.2.2.2. The First Pre-Accession Strategy: between 1994 and 1997..	25
1.2.2.3. Accession Partnerships and the Reinforced Pre-Accession Strategy: 1997 Onwards .....	27

1.3. The Assessment of the CEE Enlargement for Further Eastward Enlargements of the EU .....	31
<b>2. THE EVOLUTION OF EU’S WESTERN BALKANS STRATEGY: BEFORE AND BEYOND KOSOVO CRISIS.....</b>	<b>34</b>
2.1. The EU- Western Balkans Relations before Kosovo Crisis.....	34
2.1.1. The Royaumont Process: The Process of Stability and Good Neighborliness in SEE.....	37
2.1.2. The Regional Approach of the EU.....	38
2.2. Aftermath of Kosovo Crisis: A Paradigm Shift towards a Perspective on European Integration and EU Membership .....	39
2.2.1. Stability Pact for Southeast Europe .....	41
2.2.2. Stabilization and Association Process.....	47
2.2.2.1. Stabilization and Association Agreements.....	49
2.2.2.2. CARDS .....	52
2.2.3. Thessaloniki Summit: a Breakthrough or the Promotion of Existing Policies.....	55
<b>3. THE EU’S WESTERN BALKANS ENLARGEMENT STRATEGY SINCE THE THESSALONIKI SUMMIT .....</b>	<b>60</b>
3.1. Progress Achieved and Challenges Ahead in the EU-Western Balkans Relations since the Thessaloniki Summit .....	61
3.1.1. The Milestones of the Western Balkans Countries in the EU Accession Process.....	62
3.1.2. Regional Cooperation.....	67
3.1.3. Financial Assistance.....	70
3.2. Contextual Changes and Rediscovered ‘Absorption Capacity’ of the EU.....	75
<b>CONCLUSION.....</b>	<b>79</b>
<b>BIBLIOGRAPHY .....</b>	<b>85</b>

## LIST OF ABBREVIATIONS

<b>AP</b>	Accession Partnership
<b>CARDS</b>	Community Assistance for Reconstruction, Development and Stabilization
<b>CEE</b>	Central and Eastern Europe
<b>CFSP</b>	Common Foreign and Security Policy
<b>EFTA</b>	European Free Trade Area
<b>EMU</b>	Economic and Monetary Union
<b>EA</b>	Europe Agreements
<b>EC</b>	European Community
<b>EEA</b>	European Economic Area
<b>FRY</b>	Federal Republic of Yugoslavia
<b>IPA</b>	Instrument for Pre-accession Assistance
<b>ISPA</b>	Instrument for Structural Policies for Pre-Accession
<b>JHA</b>	Justice and Home Affairs
<b>NATO</b>	North Atlantic Treaty Organization
<b>PHARE</b>	Poland and Hungary: Assistance for Restructuring their Economies
<b>PISG</b>	Kosovar Provisional Institutions of Self- Government
<b>SAA</b>	Stabilization and Association Agreement
<b>SAP</b>	Stabilization and Association Process
<b>SAPARD</b>	Special Accession Programme for Agriculture & Rural Development
<b>SEECF</b>	South-East Europe Cooperation Process
<b>SP</b>	Stability Pact for Southeast Europe
<b>TAIEX</b>	Technical Assistance Information Exchange Unit
<b>TEC</b>	Treaty Establishing European Community
<b>TEU</b>	Treaty Establishing European Union

## LIST OF TABLES

### TABLES

<b>Table 1:</b> Europe Agreements.....	17
<b>Table 2:</b> CEE Countries' Membership Applications.....	22
<b>Table 3:</b> EU Support to the SAP Region and CEE Countries 1990-2000.....	53
<b>Table 4:</b> CARDS Programme Allocation for 2000-2006.....	72
<b>Table 5:</b> CARDS Programme Allocation for 2005-2006 for Serbia and Montenegro, and Kosovo.....	73

## INTRODUCTION

The late 1980s and the early 1990s were the era of changes, challenges and restructuring in Europe and in the international system as well. The first change was the end of the Cold War and the collapse of the Soviet Union. This historical momentum prepared a ground for further enlargement of the EU. The second change affected the internal integration or deepening of the EU. The neo-liberal restructuring and transformation of the European Community since the late 1980s have occurred particularly in line with the new era of globalization. Rapid technological change and fierce international competition forced Western European countries to deepen economic integration. Beside these changes, the EU faced some challenges in the early 1990s. These challenges were the reunification of Germany, the ratification of the Maastricht Treaty (TEU), the creation of timetable and conditions for Economic and Monetary Union (EMU)<sup>1</sup>. The 1995 EFTA enlargement of the EU including Sweden, Austria and Finland could be added to the list as a path for the enhancement of the single European market and as an immediate response to the changes and challenges of the end of the Cold War<sup>2</sup>. Moreover, as Michael Steffen argues, the geopolitical crises of 1989 with the collapse of Soviet system and its hegemony over the Eastern Europe were arduous for the EU. The EU was initially puzzled on how to respond to this sudden challenge in its neighboring countries<sup>3</sup>.

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<sup>1</sup> Desmond Dinan, (1999), "The Emerging European Union, 1993-1999" in Ever Closer Union: an Introduction to European Integration, Second Edition, U.S.A.: Lynne Rienner Publishers, p. 159; **See also** Desmond Dinan, (2004), "The Challenges of the European Union", in Europe Recast: A History of European Union, Lynne Rienner Publishers, Palgrave Macmillan, pp.265-298

<sup>2</sup> S. George and I. Bache, (2001), Politics in the European Union, Oxford: Oxford UP, Chapter 29, pp.407-419

<sup>3</sup> Michael J. Steffens, (2001), "EU Conditionality: the EU's Pre-Accession Strategy towards Eastwards Enlargement", Paper Presented at the Summer School 'Governance and Legitimacy in the European Union', Brussels, 26 August- 08 September 2001, p.11

It is plausible to underline a fact that the revival of deepening and widening of European integration since the late 1980s were labeled by neo-liberal policies and restructured around the competitiveness of EU within the globalization process<sup>4</sup>. The first instances of free market model of behavior were embodied in the Single European Act and the Maastricht Treaty<sup>5</sup>. Although these neo-liberal EU policies and regulatory models were the product of a long bargaining process among different interests and traditions within the EU and designed for the European economies and societies at a very high level of capitalist development, applicant countries for the EU membership were also expected to adopt EU rules and regulatory models similar to and compatible with that of the EU through increased membership conditionality<sup>6</sup>. Heather Grabbe argues that due to the overall neo-liberal orientation of the EU agenda, the development needs of the Eastern European countries were insufficiently considered and the EU accession and transition of the regional countries were assumed as overlapping issues<sup>7</sup>. Hence despite the Eastern European countries' willingness to accept and comply with the

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<sup>4</sup> Andreas Bieler, (2002), "The Struggle over EU Enlargement: a Historical Materialist Analysis of European Integration", Journal of European Public Policy, 9:4, p. 576

<sup>5</sup> The reflections of the neo-liberal restructuring within the EU since the late 1980s were examined by some academicians like George Stubos and Andreas Bieler. George Stubos argues that "the inescapable direct consequences of this very conscious strategic choice has been, and will continue to be, the irreversible retreat and dismantling of subsidies, protectionism and of overtly centralized previous structures of decision making", see George Stubos, (1997), "Economic Restructuring and Integration in the Balkans: Dilemmas, Hopes and Rational Expectations", ELIAMEP Occasional Paper, available at <http://www.eliamep.gr/eliamep/files/op9717.PDF>; Bieler further points out that "the internal market focused on the deregulation and liberalization of national economies leading towards the free flow of goods, capital, services and people. Employment is assumed to be the result of tight competition, not of state intervention. Maastricht economic criteria and the EMU further intensified the neo-liberal economic direction by entrusting an independent European Central Bank with a monetary policy focusing on low inflation and price stability and committing states to a restrictive fiscal policy by obliging them to remain within the neo-liberal convergence criteria", see Andreas Bieler (2002), p. 576

<sup>6</sup> Heather Grabbe, (1999), "A Partnership for Accession? The Implications of EU Conditionality for the Central and East European Applicants", European University Institute Working Paper, RSC 12:99, p.5, available at [http://www.cer.org.uk/pdf/grabbe\\_conditionality\\_99.pdf](http://www.cer.org.uk/pdf/grabbe_conditionality_99.pdf) [http://www.cer.org.uk/articles/grabbe\\_publications.html](http://www.cer.org.uk/articles/grabbe_publications.html); see also Andreas Bieler, (2003), "European Integration and Eastward Enlargement: The Widening and Deepening of Neo-liberal Restructuring in Europe", Queen's Papers on Europeanization, 8:2003

<sup>7</sup> Heather Grabbe, (1999), p.5

rules and structures of the EU to join in, the sequencing of preparations and membership conditionality were not always aligned with the development needs of the applicants. In this sense, the Eastern European enlargement strategy of the EU focused mainly on adjustment in the political and economic structures of applicant countries<sup>8</sup>. Karen E. Smith argues that the EU after all a club with its values and interests and the expansion of membership inevitably opens the way of change in the operation and functions of that club. Therefore, membership conditions are a way to protect the club's basic values and interests from radical change brought on membership expansion<sup>9</sup>. In this line, the principle of conditionality, namely Copenhagen criteria, has become a fundamental principle of the EU's Eastern European enlargement<sup>10</sup>.

The EU, in the early 1990s, as an actor and a model shouldered the transformation of Eastern Europe from socialist centralized planned economy to market capitalism and democracy and gave the signals of eastward enlargement. There was a consensus among the western capitals on what was urgent and good for the transition of the Eastern Europe that was the political and economic neo-liberal restructuring of these countries<sup>11</sup>. At this point, the prospect of integration to the

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<sup>8</sup> Heather Grabbe and Kirsty Hughes, (1998), Enlarging the EU Eastwards, London: Royal Institute of International Affairs, pp. 39-40

<sup>9</sup> Karen E. Smith, (2003), "The Evolution and Application of EU Membership Conditionality" in Marise Cremona (ed.), The Enlargement of the European Union, New York: Oxford University Press, p. 106

<sup>10</sup> A broader definition of conditionality refers to the use of fulfillment of stipulated political obligations as a prerequisite for obtaining economic aid, debt relief, most-favored nation treatment, access to subsidized credit, or membership in coveted regional or global organization.

<sup>11</sup> Transition of Eastern European countries were actualized in line with the doctrines of the so called 'Washington Consensus'. In the global context, the neo-liberal transformation of the developing countries was guided by the advice and conditionality of Washington-based international financial institutions like IMF and World Bank. Washington Consensus' doctrines of transition are as follows: Fiscal discipline, A redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure, Tax reform (to lower marginal rates and broaden the tax base), Interest rate liberalization, A competitive exchange rate, Trade liberalization, Liberalization of inflows of foreign direct investment, Privatization, Deregulation (to abolish barriers to entry and exit), Secure property rights, see John Williamson, (2000), "What Should the World Bank Think about the Washington Consensus?", The World Bank Research

EU and NATO was the main motivation of the Eastern European countries along the way of their transition. On the other hand, in the early 1990s one could also observe diverging views in the EU member states on the establishment of closer ties with the Eastern European countries leading to a commitment for EU accession. This side of the issue depended on the fact that the prospect of Eastern European enlargement on such a scale, involving so many underdeveloped countries would strain the absorption capacity and deepening of the EU. On the other side, the whole region of Eastern Europe would provide a potentially valuable market and it had psychological and symbolic meaning like ‘return to Europe’ for the Eastern European countries and the possibility of exclusion of this region would strain the emerging security architecture and stability of the European continent in the post Cold war period<sup>12</sup>. Consequently, the cost and benefit analysis of Eastern European enlargement revealed the major economic, political and security advantages and for the countries of Eastern Europe, the so called ‘return to Europe’ process has started thereafter. EU’s Eastern European enlargement strategy in the post Cold War period mainly depended upon these assumptions: EU practices, values and the requirements of Copenhagen criteria were universal, therefore beneficial for all of the applicants’ transition and EU integration, at least in the long run aspirant countries would observe its benefits when they become EU members. Therefore, political consensus should be reached in order to apply this ‘top-down’ approach of the EU. In conjunction with this assumption, the reform process for transition and EU integration required functioning states capable to adopt the EU *acquis* and free market standards and to implement required reforms properly. Moreover, the EU integration process

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Observer, 15:2, pp. 251–64, available at  
[http://www.worldbank.org/research/journals/wbro/obsaug00/pdf/\(6\)Williamson.pdf](http://www.worldbank.org/research/journals/wbro/obsaug00/pdf/(6)Williamson.pdf)

<sup>12</sup> As an instance, the European Roundtable of Industrialists (ERT), which is the representative of European business community with its strong lobbying capacity over the EU since its establishment in 1983, made a cost and benefit analysis of eastward enlargement in its successive reports. For further details see, European Roundtable of Industrialists, (1999), “The East-West Win-Win Business Experience Report”, ERT, Brussels, January 1999, available at <http://www.ert.be/doc/0034.pdf>; European Roundtable of Industrialists, (2001), “Opening up the Business Opportunities of EU Enlargement-ERT Position Paper and Analysis of the Economic Costs and Benefits of the Eastern Enlargement”, May 2001, available at <http://www.ert.be/doc/0038.pdf>; see also Desmond Dinan, (2004), p.265

should enjoy popular support without resistance from the local elites and populations of the applicant countries. EU strategy could work properly only when the political consensus has been already there together with an institutional capacity to shoulder the adjustment and implementation process<sup>13</sup>. Overall, a ‘double process’ of deepening and widening under the influence of neo-liberal orientation has been taking place in the EU since the late 1980s. The deepening process of the EC/EU for the completion of the European integral market program was accompanied by further enlargement waves of the EU with increasing conditionality imposed on applicant countries<sup>14</sup>.

Under the shadow of above noted developments, the whole region of Eastern Europe entered into a ‘double process’ of transition and European integration since the early 1990s. In accordance with the foresights of EU policy-makers such a heterogeneous region of Eastern Europe became a kind of performance league, and divided into fluid sub-regions depending upon their economic, political and security characteristics and performances in transition. In a consistent manner to the EU’s strategy, different measures on the EU accession, different integration strategies, and aid and trade access have been adapted by the EU in the twilight zones of the Eastern Europe<sup>15</sup>. Mainly, these sub-regions were Central and Eastern Europe (CEE), Eastern Balkan countries of Bulgaria and Romania, and

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<sup>13</sup> Dimitar Bechev and Svetlozar Andreev, (2005), “Top-Down vs. Bottom up Aspects of the EU Institution- Building Strategies in the Western Balkans”, Oxford South East European Studies Programme (SEESP) European Studies Centre, Occasional Paper, 3:05, February 2005, p.10, available at <http://www.sant.ox.ac.uk/areastudies/SEESP-publications.shtml>

<sup>14</sup> S. George, I. Bache, (2001), pp.417-418

<sup>15</sup> Mustafa Türkeş, (2004), “The Double Process: Transition and Integration and its Impacts on the Balkans”, in Petar-Emil Mital and James Riordan (eds.), Towards Non-Violence and Dialogue Culture in South East Europe, , Institute for Social Values and Structures, Sofia, 2004.; **See also**, Judy Batt, (2004), “The Stability/Integration Dilemma” in Judy Batt (ed.), the Western Balkans: Moving on Chailot No:70, October 2004, Institute For Security Studies, pp: 7-19; Dimitar Bechev, (2004), “Between Enlargement and CFSP: the EU and the Western Balkans”, Paper Prepared for the LSE European Foreign Policy Conference, 2-3 June 2004, London School of Economics, available at <http://www.sant.ox.ac.uk/areastudies/SEESP-publications.shtml> ; Othon Anastasakis and Dimitar Bechev, (2003), “EU Conditionality in South East Europe: Bringing Commitment to the Process”, available at <http://www.sant.ox.ac.uk/areastudies/SEESP-publications.shtml>

the Western Balkans. In its relations with CEE applicants, the EU pursued a dual goal. Firstly, the EU gave support for transition of the CEE countries from socialism to market economy and secondly, guided CEE countries towards taking on the obligations of membership with a visible membership perspective and conditionality<sup>16</sup>. Above all, transition of the CEE countries was externally complemented via EU accession process<sup>17</sup>. Eventually, on 1 May 2004, the EU25 was including eight Central and Eastern European countries<sup>18</sup> and Malta and Cyprus. The accession of Bulgaria and Romania was also booked for three years later or more depending upon the performance of these countries to reach to EU standards. In this sense, the accession of Bulgaria and Romania could be viewed as part of the CEE enlargement process of the EU. The Western Balkans region including the Bosnia-Herzegovina, Croatia, the Republic of Macedonia<sup>19</sup>, Serbia-Montenegro and Albania, however, has lagged behind in transition and EU integration processes during the pre-accession process of the CEE countries<sup>20</sup>. In the view of the EU, ethnic conflicts, war and instability were the reasons of the Western Balkans' laggardness and the future of the Western Balkans rests within the EU. Hence in the period between the Dayton Peace Agreements (1995) to the present (2006), the Western Balkans has gradually moved from post war

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<sup>16</sup> Milada Vachudova, (2002), "The Leverage of the European Union on Reform in Postcommunist Europe", Paper Presented at the Conference of Europeanists, Chicago, 14-16 March 2002, p.6, available at <http://www.eu.or.kr/Work1F/Work1-6-1.htm>; **see also** Mustafa Türkes, (2004), p.13; Heather Grabbe,(1999), p. 2

<sup>17</sup> Andreas Bieler, (2002), p.575

<sup>18</sup> The eight CEE countries were the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia. The accession process of Bulgaria and Romania were delayed since they were unable to fully comply with the membership conditionality of the EU and they will be acceded at best 2007 in terms of their reform process.

<sup>19</sup> The European Union and European Commission recognize "Republic Macedonia" as the "Former Yugoslav Republic of Macedonia (FYROM)" whereas this thesis uses "Republic of Macedonia" as its constitutional name.

<sup>20</sup> Othon Anastasakis and Vesna Bojicic-Dzelilovic, (2002), "Balkan Regional Cooperation and European Integration", The Hellenic Observatory, The European Institute, LSE, p18, available at <http://www.sant.ox.ac.uk/areastudies/SEESP-publications.shtml> ; **see also**, Dimitris Papadimitriou, "The European Union's Strategy in the Post-Communist Balkans: on carrots, sticks and indecisiveness", Journal of South East European and Black Sea Studies, 1:3, p.3; Qerim Qerimi, (2002), "South-East Europe's EU Integration: Dreams and Realities", South-East Europe Review, 4:2002, p.49

reconstruction and reconciliation to European integration. Kosovo crisis in 1999 opened a new era for the EU-Western Balkans in the sense that the EU decided to extend the prospect of membership to a troubled region on its periphery in the aftermath of Kosovo crisis. The Stability Pact (SP), the Stabilisation and Association Process (SAP) and its main instruments- the SAAs and CARDS, and autonomous trade measures- presented a long term and flexible enlargement platform for the region. At the Feira European Council in June 2000, all the SAP countries were stated as 'potential candidates' for EU membership. At the Zagreb Summit in November 2000, the SAP was officially endorsed by the EU and the Western Balkan countries. The year of 2001 was the first year of the CARDS assistance programme specifically designed for the transition and integration of the SAP countries. At the Thessaloniki European Council and Thessaloniki Summit of June 2003, the EU perspective and the SAP were confirmed as the EU policy for the Western Balkans. The Thessaloniki Summit intended to enhance the SAP by introducing new mechanisms and pre-accession instruments from the CEE enlargement process and set an agenda for the further integration of the Western Balkans.

Currently Bulgaria, Romania as acceding states; Turkey, Croatia and the Republic of Macedonia as candidate states; and the remaining Western Balkan countries as potential candidates, have been in a process of transition and EU integration<sup>21</sup>. Nonetheless, in the aftermath of the CEE enlargement of 2004, the absorption capacity and the commitment of the EU for further enlargements were increasingly questioned in the member states and EU circles as a result of the so called 'enlargement fatigue', the failure of the ratification of Constitutional Treaty and the impediments of the EU in the globalization process. Moreover, the political, economic and security rationale and main motivations underlying the Eastern European, particularly CEE enlargement have changed<sup>22</sup>. David

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<sup>21</sup>European Commission, "Enlargement Process" available at [http://ec.europa.eu/comm/enlargement/index\\_en.htm](http://ec.europa.eu/comm/enlargement/index_en.htm)

<sup>22</sup> David Phinnemore, (2006), "Beyond 25- The Changing Face of EU Enlargement: Commitment, Conditionality and the Constitutional Treaty", *Journal of Southern Europe and the Balkans*,8:1, April 2006, p. 8

Phinnemore points out this contextual change that “no longer is the end of Cold War and the need to overcome the various historical, economic and political divisions of Europe instrumental in defining the rationale for enlargement”<sup>23</sup>. Therefore, within this contextual shift in the EU and under the banner of further eastward enlargements of the EU after the CEE enlargement, the main aim of this thesis is to analyze EU-Western Balkans relations with regard to the prospective EU membership of the Western Balkans, and to make an analysis of the EU’s Western Balkans enlargement strategy and the scope of membership conditionality imposed on the Western Balkans from post Dayton period (1995) to the present time (2006). This thesis attempts to compare the EU’s enlargement strategy and membership conditionality applied in the CEE countries’ pre-accession process and applied in the Western Balkans’ preparatory stages for the pre-accession process, by focusing on changes and differences. This thesis also attempts to make a second comparison on the EU-Western Balkans relations before and beyond Kosovo crisis to exhibit changes in the EU’s Western Balkans strategy as the situation evolved in the region from post war reconstruction and reconciliation to EU integration.

This study will examine how the EU strategy and membership conditionality worked in the Western Balkans’ preparatory stages for pre-accession, and to what extent they were different from the CEE enlargement process. Lastly, considering the discussions on rediscovered absorption capacity and the commitment of EU for further eastward enlargements after the CEE enlargement of 2004, it is looked into whether there has been a shift in EU’s Western Balkans strategy.

Within this context, the Chapter 1 aims to set the general framework of the EU’s Eastern European enlargement strategy and examines the emerging scope and nature of membership conditionality of the EU since the 1989. The first chapter proceeds in three parts. The aim of the first part is to clarify why the EU called Eastern European enlargement process as ‘unprecedented enlargement’. The

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<sup>23</sup> David Phinnemore, (2006), p.9

second part aims to outline how EU membership conditionality was gradually widened before and beyond the Copenhagen European Council of 1993 together with the emergence and evolution of the pre-accession strategy. The last part of this chapter intends to make a comprehensive assessment of the CEE enlargement, as a basis for EU's enlargement strategy for further eastward enlargements, in terms of emerging pre-accession strategy, membership conditionality, main principles and the new roles of the EU Commission in the Eastern European enlargement process.

Chapter 2 focuses on the evolution of EU-Western Balkans relations and the EU's enlargement strategy for the Western Balkans before and beyond the Kosovo crisis to examine the scope and nature of conditionality principle and shifts in the EU's Western Balkans strategy. In this sense, the preparatory stages for the pre-accession process of the Western Balkans will be examined in a comparative manner with the CEE enlargement process. Despite the fact that both the CEE countries and Western Balkans were given EU integration perspective, such a comparison is necessary to explain how the EU's enlargement strategy and membership conditionality have worked in the Western Balkans, to what extent they were different from the CEE enlargement process. This chapter will be divided into two main parts as before and beyond Kosovo crisis period to explain shifts in the EU's Western Balkans strategy in terms of membership perspective and evolution of membership conditionality for the Western Balkans. This chapter will chronologically follow the developments in the EU-Western Balkans relations starting from the EU's first comprehensive initiative of Royaumont Process (1996) to The Thessaloniki Summit (2003). Lastly, Chapter 2 examines the expectations of the Western Balkans countries before the Thessaloniki Summit of June 2003, and then analyzes the initiatives of the Thessaloniki Summit and Thessaloniki Agenda by looking into the articles of Thessaloniki Summit Declaration. The main aim of this part is to clarify whether the outcomes of the Thessaloniki Summit created a breakthrough in terms of membership perspectives of the regional countries or were just the promotion of existing policies.

Chapter 3, in the light of developments like the resurfacing constitutional and status issues in the Western Balkans and the discussions on rediscovered absorption capacity, enlargement fatigue and commitment of the EU for further eastward enlargements examines the outreach of the Thessaloniki agenda. This chapter includes two parts. The first part under the headings of the milestones of the Western Balkan countries in the EU accession process, regional co-operation and financial assistance will examine the challenges ahead and progress achieved for the EU integration of the Western Balkans since the Thessaloniki Summit of June 2003. The main aim of the second part is to highlight whether there has been a shift in the EU's Western Balkans enlargement strategy and terms of accession in the aftermath of the 2004 CEE enlargement and its effects on the EU-Western Balkans relations.

## CHAPTER 1

### ENLARGING THE EU EASTWARDS: THE ANALYSIS OF PRE- ACCESSION STRATEGY AND THE SCOPE OF MEMBERSHIP CONDITIONALITY IN THE CEE ENLARGEMENT

#### 1.1. WHAT MAKES THE EASTERN EUROPEAN ENLARGEMENT OF THE EU ‘UNPRECEDENTED’

Enlargement has been salient feature of the EC/EU dynamism and integration process since the end of the World War Two. After the establishment of the European Community with Rome Treaty (1957) by the six founding members<sup>24</sup>, the Community had expanded its membership as follows: in **1973** Denmark, Ireland and the United Kingdom, in **1981** Greece, in **1986** Portugal and Spain, in **1995** Austria, Finland and Sweden. However, the Eastern European enlargement process was called as an ‘unprecedented enlargement’ by the EU in the sense that it was quite different from the previous enlargements of the EU in terms of its international context in which the Eastern European enlargement took place<sup>25</sup>, its political, economic and psychological significance, its scope, applicants’ diversity and the EU’s enlargement strategies<sup>26</sup>. Firstly, the Eastern European enlargement of the EU has immense political, security and even psychological significance following the end of the divisions of the Cold War. It was perceived by the

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<sup>24</sup> Belgium, France, Germany, Italy, Luxembourg and the Netherlands

<sup>25</sup> In terms of context within which the EFTA enlargement took place, the 1995 EFTA enlargement of the EU was not only an immediate response to the changes and challenges of the end of the Cold War but also a path for the enhancement of the Single European Market. However, the EFTA countries were responsible for the same membership conditions with the previous enlargements of the EU, and it was the sign of continuity with the previous EU enlargements and EU strategies towards EFTA countries.

<sup>26</sup> European Commission, “Enlargement of the European Union, An Historic Opportunity”, Brussels: European Commission, Enlargement Directorate General, 2003, available at [http://europa.eu/int/comm/enlargement/docs/pdf/historic.opportunity\\_2003\\_en.pdf](http://europa.eu/int/comm/enlargement/docs/pdf/historic.opportunity_2003_en.pdf)

Central and Eastern European countries as ‘return to Europe’<sup>27</sup>. Secondly, in terms of scale and applicants’ diversity, the prospect of Eastern enlargement of the EU was including CEE countries, and Cyprus and Malta, involving so many underdeveloped countries<sup>28</sup>. Bieler points out that “the general characteristics of the Eastern Europe were relative economic backwardness, the lack of an established civil society with consolidated structures of party systems and interest groups following over four decades of socialism and central planning”<sup>29</sup>. Therefore, when the CEE applicants entered into a ‘double process’ of transition and EU integration, their initial domestic conditions and starting points were very different from those aspiring countries in the previous enlargements<sup>30</sup>. What is more, the development gap between the CEE applicants and the EU gave birth to a kind of ‘asymmetric interdependence’ and this situation allowed the EU to set strict rules of the membership conditionality and the timetable of the whole process<sup>31</sup>. Thirdly, developments within the EU since the late 1980s, namely the completion of the Single European Market, the ratification of the Maastricht Treaty establishing the European Union in 1993 together with its Common Foreign Security Policy (CFSP) and Justice and Home Affairs (JHA) pillars and the establishment of Economic and Monetary Union (EMU), immensely extended the Community *acquis*. These developments complicated the accession process of Central and Eastern European countries and made the EU accession a moving target for those applicants trying to jump on board compared to earlier enlargements<sup>32</sup>. In the previous enlargements including 1995 EFTA enlargement, the *acquis communautaire* referred to “the whole body of EU rules, political

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<sup>27</sup> Marise Cremona (ed.), (2003), p.2

<sup>28</sup> Marise Cremona (ed.), (2003), p.1

<sup>29</sup> Andreas Bieler, (2002), pp.576, 592

<sup>30</sup> Heather Grabbe, (2002), “Europeanisation Goes East: Power and Uncertainty in the Accession Process”, Paper for the ECPR Joint Sessions of Workshops, Turin 22-27 March 2002, p.3, available at [http://www.cer.org.uk/articles/grabbe\\_publications.html](http://www.cer.org.uk/articles/grabbe_publications.html)

<sup>31</sup> Heather Grabbe, (2002), p.13

<sup>32</sup> Heather Grabbe, (1999), p.6

principles and judicial decisions which new member states must adhere to, in their entirety and from the beginning, when they become the member of the Communities”<sup>33</sup>. However, in the Eastern European enlargement, the *acquis* was defined as “all the real and potential rights and obligations of the EU system and its institutional framework”<sup>34</sup>. This definition of *acquis* implied an evolving set of new conditions with the adaptation of over 80.000 pages of legislative texts as whole and increasing membership conditionality before accession take place<sup>35</sup>. Fourthly, for the first time specific political, economic and legal conditions were applied, a pre-accession strategy was developed, financial and technical assistance like PHARE, ISPA, SAPARD and TAIEX were initiated and candidate states participated in the Community programmes to facilitate their EU integration<sup>36</sup>. Nonetheless, despite the CEE applicants’ compliance with the membership conditionality of the EU, the sequencing of preparations was not always aligned with the development needs of the applicants<sup>37</sup>. Moreover, financial and technical assistance of the EU mainly aimed at reform and adjustment in the prioritized areas for the EU accession. Last but not least, the European Commission strengthened its position in the institutional structure of the EU. The Commission depending upon its technocratic nature was political entrepreneur, honest broker, impartial arbiter, guarantor of treaties, and the champion of fifth enlargement of the EU through its tasks of preparing annual reports, monitoring and thorough its role in accession negotiations. Directorate-General Enlargement under the European Commission was established as a bureaucratic machine that increased the technocratic nature of the negotiation process. The EU Commission, for instance, for the first time in Agenda 2000 published in 1997, declared its opinion

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<sup>33</sup> Carlo Curti Gialdino, (1995), “Some Reflections on the Acquis Communautaire”, Common Market Law Review, No: 32, p.1090; **see also** Christopher Hillion (ed.),(2004), “Copenhagen Criteria and their Progency”, in European Union Enlargement: A Legal Approach, U.S.A.: Hart Publishing, p. 9

<sup>34</sup> Heather Grabbe, (1999), p.6

<sup>35</sup> Heather Grabbe, (1999), p.6

<sup>36</sup> Marise Cremona. (2003). p. 1

<sup>37</sup> Heather Grabbe and Kirsty Hughes, (1998), pp. 39-40.

(avis) for each applicant's progress to open negotiation process. Moreover, the verification of the candidates' implementation of reforms by the EU before the accession was firstly introduced in the Eastern European enlargement process of the EU<sup>38</sup>. Through the Commission's Progress Reports, the EU has assessed the state of the transition process and the degree of compliance with the Copenhagen criteria in each candidate state annually since 1998. Additionally, during the negotiation process with the CEE countries, these reports were used to assess compliance based on the negotiating chapters between the EU and the candidate states. According to Mayhew, "Progress Reports could be seen not only as part of the verification process for the negotiations but also as part of the conditionality assessment linked to the available financial instruments"<sup>39</sup>.

It was true that the fifth enlargement could not radically or revolutionary change the EU's enlargement strategies. The new approaches took their roots from the past experiences of the EU. However, the Eastern European enlargement of the EU due to the above noted variables has been quite different from the previous enlargements of the EU. In this sense, the EU aimed to reconcile its absorption capacity and to guide the Eastern European countries for what they should do, before they enter into the EU in order to keep the balance between widening and deepening. For the Eastern European enlargement, beside its psychological and security meanings, the EU through its pre-accession strategy and membership conditionality aimed at transition and integration of the Eastern European countries thus initiated a 'member state building' process for them. The EU as a structure and an actor stretched its political and economic influence over Eastern Europe. At the same time revised its enlargement strategies for the integration of such a heterogeneous region of Eastern Europe. The CEE countries were the first targets of this 'member state building' process through the EU's pre-accession strategy and membership conditionality until their accession in 2004.

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<sup>38</sup> Alan Mayhew, (2000), "Enlargement of the European Union: An Analysis of the Negotiations with the Central and Eastern European Candidate Countries", SEI Working Paper, No:39, pp.10-11, available at <http://www.sussex.ac.uk/sei/documents/wp39.pdf>

<sup>39</sup> Alan Mayhew, (2000), p.11

## **1.2. THE EVOLUTION OF EU MEMBERSHIP CONDITIONALITY AND PRE-ACCESSION STRATEGY FOR THE CEE APPLICANTS**

The main purpose of this part is to outline how EU membership conditionality was gradually widened before and beyond the Copenhagen European Council of 1993 and to explain the emergence and evolution of pre-accession strategy for the CEE candidates. Having assumed that the Eastern European enlargement of the EU has not finished yet, this part will provide a basis for a comparison between the enlargement strategy of the EU in the CEE countries and in the Western Balkans' preparatory stages for pre-accession process with regard to differences in membership conditionality and EU commitment.

### **1.2.1. BEFORE COPENHAGEN PERIOD**

The EU redefined its relations with the CEE countries after the end of the Cold War. When the systemic change became apparent, the European Council pledged full support for transition in CEE countries from socialist centralized planned economy to market capitalism and liberal democracy in both political and economic sense at the Strasbourg European Council of December 1989<sup>40</sup>. However, the EC had paramount difficulty in developing a coherent integration strategy for its neighbors<sup>41</sup>. The Community then decided to launch association agreements, which were later on called Europe Agreements (EAs)<sup>42</sup>. In the aftermath of Copenhagen European Council of 1993, the Europe Agreements turned to be a key element of the pre-accession strategy of the EU<sup>43</sup>. The PHARE programme was also launched by the EC in 1989 as a response to the invitation of

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<sup>40</sup> Ulrich Sedelmeier and Helen Wallace, (2000), "Eastern Enlargement Strategy or Second Thoughts", in H. Wallace and W. Wallace (eds.), Policy-Making in the European Union, Fourth Edition, Oxford: Oxford UP, p.432

<sup>41</sup> Friis and Murphy, (1999), "The European Union and Central and Eastern Europe: Governance and Boundaries", Journal of Common Market Studies, 37:2, p.218

<sup>42</sup> Michael J. Steffens, (2001), p.11

<sup>43</sup> Marc Maresceau, (2003), pp.15-17

G-24 countries to co-ordinate aid for the transition and stabilization of Eastern Europe. PHARE programme was initially targeted only Poland and Hungary, but then extended to all CEE applicants following the Copenhagen European Council of 1993, and provided guidance for massive economic restructuring, reconstruction towards market economy and political change towards liberal democracy. Moreover, the PHARE programme was also identified in the Europe Agreements as the financial instrument specifically aimed at achieving the objectives of the Europe Agreements<sup>44</sup>.

### **1.2.1.1. EUROPE AGREEMENTS**

The Europe Agreements (EAs) provided a framework for bilateral relations and political and economic cooperation between the EC and the associate countries. The eligibility for a Europe Agreement formally depended on three main conditions: firstly respect for democratic principles including rule of law, multi-party system, free and fair elections; secondly human rights; and thirdly principles of market economy<sup>45</sup>. The main innovation of the EU in terms of conditionality during this period was the addition of a ‘suspension clause’ to all Europe Agreements concluded after May 1992 that linked trade and cooperation agreements to the achievement of democratic principles, human rights and market economy<sup>46</sup>.

Grabbe summarizes the contents of a Europe Agreement, which included political dialogue; ten year time table for liberalization of trade in industrial goods on an asymmetrical basis and in two stages; complex rules for trade in agricultural products; titles on the movement of workers; the freedom of establishment, and the supply of services; the liberalization of capital movements; competition

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<sup>44</sup> Christopher Preston, (1997), Enlargement and Integration in the European Union, London: Routledge, p.197

<sup>45</sup> Ulrich Sedelmeier and Helen Wallace, (2000), p. 436; **see also** Heather Grabbe, (1999), p.10

<sup>46</sup> Ulrich Sedelmeier and Helen Wallace, (2000), pp.435-438

policy; and ‘cooperation’ on other economic issues from energy to education to statistics (areas for technical assistance)<sup>47</sup>.

The CEE countries all signed Europe Agreements with the European Union between 1991 and 1996, as shown in the below table.

**TABLE 1: EUROPE AGREEMENTS**

<b>Country</b>	<b>Europe Agreement signed</b>	<b>Europe Agreement came into force</b>
<b><u>Bulgaria</u></b>	<b><u>March 1993</u></b>	<b><u>February 1995</u></b>
<b><u>Czech Republic</u></b>	<b><u>October 1993</u></b>	<b><u>February 1995</u></b>
<b><u>Estonia</u></b>	<b><u>June 1995</u></b>	<b><u>February 1998</u></b>
<b><u>Hungary</u></b>	<b><u>December 1991</u></b>	<b><u>February 1994</u></b>
<b><u>Latvia</u></b>	<b><u>June 1995</u></b>	<b><u>February 1998</u></b>
<b><u>Lithuania</u></b>	<b><u>June 1995</u></b>	<b><u>February 1998</u></b>
<b><u>Poland</u></b>	<b><u>December 1991</u></b>	<b><u>February 1994</u></b>
<b><u>Romania</u></b>	<b><u>February 1993</u></b>	<b><u>February 1995</u></b>
<b><u>Slovakia</u></b>	<b><u>October 1993</u></b>	<b><u>February 1995</u></b>
<b><u>Slovenia</u></b>	<b><u>June 1996</u></b>	<b><u>February 1999</u></b>

Source: European Commission, (2003), “Enlargement of the European Union, An Historic Opportunity”, Brussels, Enlargement Directorate General, p.7, available at [http://europa.eu/int/comm/enlargement/docs/pdf/historic.opportunity\\_2003\\_en.pdf](http://europa.eu/int/comm/enlargement/docs/pdf/historic.opportunity_2003_en.pdf)

One of the key criticisms on the Europe Agreements (EAs), particularly before the Copenhagen European Council of 1993, underlined the long term strategy of the EU and the lack of clear link for EU membership. In this sense, the EAs by definition and in legal terms were not precursor to EU accession<sup>48</sup>. The preamble of the EAs read that “the EU recognized eventual membership as the associates’ ‘final objective’, and this association will help to achieve this objective”<sup>49</sup>. According to Sedelmeier and Wallace, the formula of the EAs was locked to the classical trade agreements, supplemented by a ‘political dialogue’, intended to

<sup>47</sup> Heather Grabbe, (1999), p.10

<sup>48</sup> Heather Grabbe and Kirtsy Hughes, (1998), p.31

<sup>49</sup> Ulrich Sedelmeier and Helen Wallace, (2000), p.436

underline CEE countries' specificities, and backed by technical and financial assistance and economic cooperation<sup>50</sup>. Access to the EU market was essential to the success of transition from socialist centralized planned economy to market capitalism. However, negotiation and implementation of Europe Agreements highlighted the power discrepancy between the EU and its neighbors; hence they were the initial examples of 'asymmetry of interdependence' in the CEE-EU relations<sup>51</sup>. In the view of CEE countries, since they highly depended on trade with the EU, the only remedy for this asymmetry was eventual membership to the EU. The leaders of CEE applicants quickly realized that without full membership, they would have to adjust the rules of the EU market but could have neither hand in writing these rules nor any voice in other EU affairs<sup>52</sup>. Moreover, EFTA enlargement of the EU, since the formula of the European Economic Area (EEA) as a substitute of full membership was totally rejected by the EFTA governments, was an important precedent for the membership request of the CEE countries<sup>53</sup>. The rising demands of CEE countries for full membership and the spillover effect of increasing trade with the associates led to a redefinition of the EU strategy the at the Copenhagen European Council in 1993. Therefore, after the Copenhagen European Council of 1993, Europe Agreements became one of the main elements of the EU's pre-accession strategy and accession of the CEE applicants.

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<sup>50</sup> Ulrich Sedelmeier and Helen Wallace, (2000), p.436

<sup>51</sup> Milada Vachudova, (2002), p.6

<sup>52</sup> Milada Vachudova, (2002), p.4

<sup>53</sup> In 1991, an Association Agreement on the European Economic Area (EEA) between the EC and EFTA countries was made. However, the European Economic Area (EEA) scheme was unfavorable for the EFTA applicants that the membership of the single European market without membership of the EC was not perceived by large capitalist enterprises to be the same as secure full membership of the single market. At the same time, the implications of having to accept the whole panoply of single market regulations- not just the *acquis*, but also not yet been agreed regulations- without having any say in the negotiations of the rules, was unacceptable to the governments and citizens of the states concerned. Then, EU member states anticipated that only full membership as opposed to mere association like EEA would be necessary to alter patterns in foreign direct investment and trade. Having recognized the complaints of the EFTA countries, the EU changed its strategy towards full membership of EFTA applicants and they acceded in 1995. accessed from S. George and I. Bache, (2001), Politics in the European Union, Oxford: Oxford UP, p:418

### 1.2.1.2. PHARE PROGRAMME

The PHARE programme<sup>54</sup> was established by the European Community (EC) in 1989 as a response to the invitation of G-24 countries to co-ordinate aid for the transition and stabilization of Eastern Europe<sup>55</sup>. Although PHARE programme originally targeted the process of economic reform in the CEE countries, and provided guidance for massive economic restructuring towards market economy and political change towards liberal democracy, it was reoriented and focused entirely on the pre-accession strategy following the 1993 Copenhagen Council and the application of Central and Eastern European countries for EU membership. Therefore, the focus of PHARE shifted from 'demand-driven' to 'accession-driven', concentrating on the priority needs of the CEE candidates, in light of the accession priorities. The EU assistance was directed to CEE governments for their adjustment to *acquis communautaire*. At the same time, Commission proposed to increase the level of funding with reinforced conditionality applied to that funding<sup>56</sup>. PHARE funds, since the Luxemburg European Council of 1997, have focused entirely on the pre-accession priorities highlighted in each country's Accession Partnerships<sup>57</sup>. PHARE has come under the responsibility of the Directorate-General for Enlargement, which was also responsible for overall co-ordination of pre-accession assistance covering PHARE, ISPA and SAPARD as proposed by the European Commission in Agenda 2000<sup>58</sup>. Therefore, for the period from 2000-2006, EU assistance to

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<sup>54</sup> The emergence of the PHARE programme, the changes over the logic and implementation of programme and its evolution throughout the accession process of the CEE applicants are all given under this part for the sake of integrity of this chapter.

<sup>55</sup> Christopher Preston, (1997), p.197

<sup>56</sup> Alan Mayhew, (2000), p. 9

<sup>57</sup> Alan Mayhew, (2000), p.10

<sup>58</sup> The ISPA programme deals with large-scale environment and transport investment support, and come under the responsibility of the Directorate-General for Regional Policy. The SAPARD programme supports agricultural and rural development and comes under the responsibility of the Directorate-General for Agriculture. PHARE programme is the largest of the financial aids, providing general assistance to help pre-accession countries prepare for membership in the EU.

countries of Central and Eastern Europe was channeled through PHARE, ISPA and SAPARD. Additionally, for the Western Balkan states of Albania, Bosnia-Herzegovina and Macedonia, PHARE provided support in their transition to democracy and market economy. As of 2001, CARDS has been the assistance programme for the Western Balkans.

PHARE's initial budget for the period of 1990–1994 was € 4.2 billion, raised to € 6.693 billion for the period of 1995–1999. In line with the conclusions of the Berlin European Council of March 1999, pre-accession assistance to the candidate countries of Central and Eastern Europe more than doubled from the year 2000 onwards. For the period of 2000-2006, PHARE provided some €11 billion of co-financing for institution building support through "twinning" and technical assistance and for investment support to help applicant countries in their reform efforts. Additionally, the year of 2003 was the final programming year for pre-accession assistance to the acceding countries, though contracting was envisaged to continue till 2005 and payment of funds till 2006. With this respect, Article 34 of the Act of Accession has set up a post-accession Transition Facility to provide continued financial assistance to the new EU member states in a number of core areas requiring further reinforcement, which were identified in the 2003 Comprehensive Monitoring Reports<sup>59</sup>. The pre-accession aid was substantially increased in the remaining candidate countries of Bulgaria and Romania to enhance their accession process. Bulgaria and Romania together have been allocated some €4.5 billion in pre-accession aid for the period 2004-2006<sup>60</sup>. Lastly, for the 2007-2013 period covered by the next EU Budget, the pre-accession assistance both for candidates (Croatia, Turkey and Macedonia) and potential candidates (Albania, Bosnia and Herzegovina, Serbia and Montenegro)

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See European Commission, "PHARE programme", available at <http://ec.europa.eu/comm/enlargement/pas/phare/index.htm>

<sup>59</sup>European Commission, "Transition Facility", available at [http://europa.eu.int/comm/enlargement/transition\\_facility.htm](http://europa.eu.int/comm/enlargement/transition_facility.htm)

<sup>60</sup>European Commission, "PHARE programme", available at <http://ec.europa.eu/comm/enlargement/pas/phare/index.htm>

will be streamlined under the Instrument for Pre-accession Assistance (IPA), which will replace the PHARE, ISPA and SAPARD instruments, as well as CARDS for the Western Balkans and Turkey's pre-accession instrument<sup>61</sup>.

### **1.2.2. BEYOND COPENHAGEN PERIOD: EU ACCESSION PROCESS OF CEE COUNTRIES**

The Eastern European enlargement of the EU at the end of the Cold War urged the EU to set out more explicit and specific requirements of membership. There were mainly three reasons for such a change in the EU strategy: firstly, the CEE countries consistently pressed for full membership rather than association. Secondly, NATO enlargement talks came to a temporary standstill when Russia announced its disapproval in 1993. This development was both a threat to the emerging security architecture of Europe at the end of the Cold War and integration of the CEE into transatlantic community. Lastly, the parallel negotiations on German unification, ratification of the Maastricht Treaty, and negotiations on the financial perspectives and EU budget were settled. These developments led to an immediate opening of the enlargement negotiations with the EFTA states and resulted in a reformulation of the EU's strategy towards CEE region<sup>62</sup>. Moreover, having realized the immediate risks (like social discontent, high unemployment, rise of nationalist powers, etc.) of the transformation of CEE countries towards neo-liberal political and economic model, the EU decided that membership perspective could consolidate the CEE countries' transition process. The real and visible membership perspective was firstly given at the Copenhagen European Council of 1993 and this commitment was retained by the EU until their accession in 2004<sup>63</sup>.

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<sup>61</sup>European Commission, "Instrument for Pre-accession Assistance", available at [http://ec.europa.eu/comm/enlargement/ipa\\_en.htm](http://ec.europa.eu/comm/enlargement/ipa_en.htm)

<sup>62</sup> Michael Steffens, (2002), p.12

<sup>63</sup> Andreas Bieler, (2003), p.10

### 1.2.2.1. THE COPENHAGEN EUROPEAN COUNCIL AND THE PROSPECTS OF CEE ENLARGEMENT

The Copenhagen Summit in 1993 linked Europe's overall security and political order with the EU membership of CEE countries, which was a real paradigm shift in the EU enlargement strategy. The prospect of EU membership was not only perceived by the Community as a tool to govern beyond its boundaries, but also became the main policy objective of the associates. The Copenhagen European Council declared that "the associated countries in Central and Eastern Europe that so desire shall become member of the European Union"<sup>64</sup>, thus opened the way for CEE enlargement. Following the Copenhagen Council, CEE countries have all applied for EU membership, as shown in the below table.

**TABLE 2: CEE COUNTRIES' MEMBERSHIP APPLICATIONS**

<b>Country</b>	<b>Application Date</b>
<b><u>Bulgaria</u></b>	<b><u>December 1995</u></b>
<b><u>The Czech Republic</u></b>	<b><u>January 1996</u></b>
<b><u>Estonia</u></b>	<b><u>November 1995</u></b>
<b><u>Hungary</u></b>	<b><u>March 1994</u></b>
<b><u>Latvia</u></b>	<b><u>October 1995</u></b>
<b><u>Lithuania</u></b>	<b><u>December 1995</u></b>
<b><u>Poland</u></b>	<b><u>April 1994</u></b>
<b><u>Romania</u></b>	<b><u>June 1995</u></b>
<b><u>Slovakia</u></b>	<b><u>June 1995</u></b>
<b><u>Slovenia</u></b>	<b><u>June 1996</u></b>

Source: European Commission, (2003), "Enlargement of the European Union, An Historic Opportunity", Brussels, Enlargement Directorate General, p.7, available at [http://europa.eu/int/comm/enlargement/docs/pdf/historic.opportunity\\_2003\\_en.pdf](http://europa.eu/int/comm/enlargement/docs/pdf/historic.opportunity_2003_en.pdf), (accessed on 24.08.2005)

It is important to emphasize that this move towards closer cooperation with the associates, then the candidates, accompanied by the formulation of a tight conditionality<sup>65</sup>. More precisely, the EU made future accession conditional upon

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<sup>64</sup> European Commission, "Enlargement of the European Union, An Historic Opportunity", p.7

<sup>65</sup> Michael Steffens, (2002), p.1

the Copenhagen criteria<sup>66</sup>. It is worth to note here that the first three Copenhagen criteria- political criterion, economic criterion and criterion of the adoption of the *acquis*- designed for the accession of CEE applicants, whereas the fourth criterion represented integral dynamics of the EU or the absorption capacity of the Union and designed to keep the deepening momentum of the EU alive and on balance with widening<sup>67</sup>. These accession conditions of the EU or the so called Copenhagen criteria were as follows:

1. Membership requires that the candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities
2. Membership requires the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union
3. Membership proposes the candidate's ability to take on the obligations of membership including adherence to the aims of political, economic and monetary Union
4. The Union's capacity to absorb new members, while maintaining the momentum of European integration, is also an important consideration in the general interest of both the Union and the candidate countries<sup>68</sup>

Since the Copenhagen membership criteria also applied to the Western Balkan countries as a magnitude of their prospective EU accession process, it would be appropriate to examine these criteria in detail. Firstly, although the commitment of the EU for visible membership perspective for the CEE applicants at the Copenhagen European Council was substantial, the inclusion of such a statement as the 'absorption capacity' since the initial stages of the accession process implied that the EU accession was not guaranteed to the CEE countries. The underlying logic of the EU was that the enlargement might threaten the EU's functioning, particularly EMU. In the following years, it became more apparent

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<sup>66</sup> Christopher Hillion (ed), (2004), p.1

<sup>67</sup> Karen E. Smith, (2003), "The Evolution and Application of EU Membership Conditionality" in Marise Cremona (ed), The Enlargement of the European Union, New York: Oxford UP, pp.113-114

<sup>68</sup> Karen E. Smith, (2003), pp.113-114

that the probable opposition of several member states to an eastward enlargement of the EU was eliminated by defining Copenhagen criteria needed to ensure relatively smooth integration of new members. Secondly, the first two Copenhagen criteria were very broad and vague in their definition. Grabbe rightly asks what constituted ‘democracy’, a ‘market economy’ and ‘the capacity to cope with competitive pressure and market forces’. The definitions were mainly open to interpretation of the EU or left to the Commission<sup>69</sup>. The third condition of “the candidate’s ability to take on the obligations of membership” referred to the *acquis communautaire* of the EU as it applied to present member states. Therefore, it was also debatable. In the previous enlargements including 1995 EFTA enlargement, the *acquis communautaire* refers to “the whole body of EU rules, political principles and judicial decisions which new member states must adhere to, in their entirety and from the beginning, when they become the member of the Communities”<sup>70</sup>. However, in the Eastern European enlargement, the *acquis* was defined as “all the real and potential rights and obligations of the EU system and its institutional framework”<sup>71</sup>. This definition of *acquis* implied an evolving set of demands and adaptation of over 80.000 and more pages of legislative texts as a whole before the accession took place<sup>72</sup>. Lastly, it is worth to mention the so-called ‘moving target’ problem. The use of strict membership conditionality together with gradually increasing obligations of the candidates resulting from the own dynamism of the EU have allowed the Union and its member states to set out the rule of the accession process and to shape the ‘model member states’ before their accession to the Union<sup>73</sup>. As being both a referee and a player in the accession process, the EU had a kind of flexibility to request

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<sup>69</sup> Heather Grabbe, (1999), p.7

<sup>70</sup> Christopher Hillion (ed), (2004), p.9

<sup>71</sup> Heather Grabbe, (1999), p.6

<sup>72</sup> Heather Grabbe, (1999), p.6

<sup>73</sup> Christopher Hillion (ed), (2004), p.22

adjustment from the candidates in terms of its own internal dynamics and interests; hence eventual membership would seem a moving target<sup>74</sup>.

#### **1.2.2.2. The FIRST PRE-ACCESSION STRATEGY: BETWEEN 1994 AND 1997**

The Eastern European enlargement of the EU was such an overwhelming issue both for the CEE candidates and for the EU that motivated the EU to introduce new strategies and instruments in order to perform the Eastern European enlargement scenario. The terms of “pre-accession strategy” was formally introduced by the EU in the Conclusions of the Essen European Council of December 1994 to guide the CEE applicants towards fulfilling the membership conditions of the EU. The “pre-accession strategy” of the EU incorporated earlier agreements, commitments and initiatives of the EU, and Copenhagen criteria to promote political and economic transition and integration of the Central and Eastern Europe since 1989<sup>75</sup>. This strategy based on the implementation of the Europe Agreements; the PHARE programme of financial assistance; a ‘structured dialogue’; participation in European Community programmes and agencies. The first two elements set out a general framework for the adaptation of the EU requirements by the CEE candidates; while the last two elements intended to facilitate the pre-accession process of the CEE candidates. Consequently, the key elements of pre-accession strategy guided applicants in their preparations for EU membership<sup>76</sup>.

Steffens criticizes the pre-accession strategy of the EU since it was developed gradually and did not set out a clear time table or sequencing of priorities or milestones; was focused on reform in the CEE countries only for the adequate

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<sup>74</sup>Christopher Hillion (ed.), (2004), pp. 16-17

<sup>75</sup> Marc Maresceau, (2003). pp.19-24

<sup>76</sup> Heather Grabbe and Kirtsy Hughes, (1998), p.31

adoption of the *acquis* rather than necessary changes in the EU structures<sup>77</sup>. Steffens explains that given to the different strategic priorities in the EU member states, it was inevitable that the EU's approach was somewhat technical and ad hoc. Nonetheless, the various agreements established between the CEE countries and the EU cumulatively gave birth to a visible commitment for CEE enlargement and more detailed processes for moving towards accession negotiations<sup>78</sup>.

The Europe Agreements and the Single Market White Paper of 1995 set out a framework for relations and provided a substantive guideline for applicants in their preparations. To clarify its position, the Commission published its White paper on "Preparing of the Associated Countries of Central and Eastern Europe for Integration into the Internal Market of the Union". The White Paper provided a framework for the adaptation measures concerning the Single European Market. It also put together the transition process in CEE candidates and their efforts to meet the conditions for the EU accession. Grabbe argues that the Commission's White Paper indicated two opposing rationale. On the one hand, the EU sought to support transition in CEE countries. On the other hand, the EU aimed to prepare the candidates for membership. However, the requirements of membership might not be equivalent to the particular needs of a country in transition. Furthermore, the White Paper provided no reciprocal commitment on the part of the EU. The CEE applicants shouldered the burden of obligations resulting from accession requirements. The CEE candidates were in a weak bargaining position and simply had to accept the White Paper's demands owing to their applicant status, which gave them very little room for political and economical maneuver in their relations with the EU<sup>79</sup>. At the Madrid European Council in December 1995, it was stated that "membership criteria further required that the candidate country must have created the conditions for its integration through the adjustment of its

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<sup>77</sup> Michael Steffens, (2002), p.29

<sup>78</sup> Michael Steffens, (2002), p.29

<sup>79</sup> Heather Grabbe, (1999), p. 12

administrative structures”<sup>80</sup>. Therefore, Madrid European Council underlined the effective implementation of Community legislation by the administrative and judicial structures of the CEE applicants. The Madrid European Council also mentioned the need to create the conditions for gradual, harmonious integration of the candidate countries through the establishment of market economy, adjustment of administrative structures, and creation of stable economic and monetary environment, so as to ease accession process<sup>81</sup>.

The brief overview of the first pre-accession strategy indicated that membership conditionality in the early years of transition and European integration of the CEE countries worked for political and economic liberalization and regulatory harmonization, and focused primarily on technical issues of alignment by the candidates and on ad hoc preparations on the EU side. Bieler summarizes that “the elements of enlargement strategy of the EU clearly required adaptation to EU rules, thus required measures of liberalization and deregulation parallel to EU’s economic and political model”<sup>82</sup>.

### **1.2.3. ACCESSION PARTNERSHIPS and REINFORCED PRE-ACCESSION STRATEGY: 1997 ONWARDS**

Between the period of 1994 and 1996, the CEE countries had all applied for the EU membership and the European Commission published a strategy paper on Eastern enlargement in July 1997 called Agenda 2000, together with its opinions (*avis*) on each of the applicants. Each *avis* covered fulfillment of Copenhagen criteria and judged candidates’ progress until 1997 as well as CEE applicant’s readiness to start negotiations. The fulfillment of the Copenhagen political criterion became the main condition for the opening of negotiations. The Commission *avis* created a favorable atmosphere that the accession negotiations

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<sup>80</sup> European Commission, “Enlargement of the European Union, An Historic Opportunity”, p.8

<sup>81</sup> Graham Avery and Fraser Cameron, (1999), “The Preparation of the Opinions”, in The Enlargement of the European Union, England: Sheffield Academic Press, p.34

<sup>82</sup> Andreas Bieler, (2003), p.10

could be opened with five frontrunner CEE applicants, which were Poland, Hungary, the Czech Republic, Slovenia and Estonia. The Commission also suggested that Cyprus would also start negotiations with the selected five countries<sup>83</sup>. The Commission *avis* on each applicant was unique in the history of the EU enlargements and set out the enlargement agenda of the EU. Moreover, the Commission *avis* was important in terms of EU membership conditionality in two respects: firstly, it was the first indication of active application of membership conditionality, ranked applicants according to their merits in meeting the Copenhagen political criterion. Secondly, *avis* provided the interpretation of the Copenhagen criteria and the requirements of EU membership by the Commission. The Commission's *avis*, later on, endorsed at the Luxemburg European Council<sup>84</sup>. Moreover, with the launch of the Agenda 2000, the focus of membership conditionality shifted from transition of CEE countries to the accession requirements and the adjustment of candidates<sup>85</sup>.

Having in conformity with the Commission *avis*, the Luxemburg European Council of December 1997 declared that “each of the applicant states would proceed at its own rate, depending on its degree of preparedness”<sup>86</sup>. At the Luxembourg European Council, the EU decided to prioritize the six of the applicants (called Luxemburg group, which were Cyprus, Estonia, Hungary, Poland, the Czech Republic and Slovenia). It was reiterated that the fulfillment of Copenhagen political criterion was the main prerequisite for becoming eligible for the opening of accession negotiations. Then, accession negotiations began on 31 March 1998 with the six countries. In 1997, the EU also reformulated its pre-accession strategy by launching a ‘reinforced pre-accession strategy’. The main elements of ‘reinforced pre-accession strategy’ were the Accession Partnerships

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<sup>83</sup> Marc Maresceau, (2003), pp.25-27

<sup>84</sup> Heather Grabbe, (1999), p. 13

<sup>85</sup> Heather Grabbe, (1999), p. 12

<sup>86</sup> European Commission, “ Presidency Conclusions, 1994-2006”, available at [http://europa.eu/european\\_council/conclusions/index\\_en.htm](http://europa.eu/european_council/conclusions/index_en.htm), (accessed on 01.07.2006)

(AP), National Programmes for the Adoption of the *Acquis* (NPAA) by each applicant, increased pre-accession aid for the period of 2000-2006 and the opening of Community programmes and agencies for the applicant countries<sup>87</sup>. Moreover, since there were hardly any quantifiable conditions for accession except broadly defined Copenhagen criteria, the applicants relied strongly on the Commission's *avis*, which had been published yearly under the reinforced pre-accession strategy until the accession of applicants<sup>88</sup>. Starting from the 1998, every year the Commission published regular reports concerning the progress of each candidate country.

The priorities for each of the candidate countries and the specific support for their accession were defined in the Accession Partnerships (APs) in 1998. The enhancement of ties with the so-called 'ins' was accompanied by an ascent in membership conditionality with regard to candidates' reform process. Grabbe clarified the innovations of the APs concerning membership conditions as follows:

The Accession Partnerships tighten the membership conditionality; exclusively focused on aid for accession requirements; introduced conditions for areas that were previously outside the EU's own internal policy domain; reduced the scope of negotiations to transitional periods; widened the scope of what is conditional rather than negotiable; increased the Commission's control of the accession process; and implied increased policy competences that might have feed back effect on the EU side<sup>89</sup>.

At the Helsinki European Council in 1999, the European Council decided to open accession negotiations in February 2000 for the remaining candidates (called Helsinki group, which were Bulgaria, Romania, Slovakia, Latvia, Lithuania,

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<sup>87</sup> PHARE programme (€ 1.500 million per year); Structural Funds (ISPA) (€ 1.000 million per year); Agricultural support (SAPARD) (€ 500 million per year)

<sup>88</sup> Michael Steffens, (2002), pp.14-15

<sup>89</sup> Heather Grabbe, (1999), pp.13-16

Malta) and granted candidate status to Turkey and also presented a membership perspective to the Western Balkan countries, reflected a number of changing circumstances. Firstly, the laggard six CEE countries were so disappointed with the treatment of the EU that there emerged possibility of diminishing support to the reform governments in these countries. Secondly, there was a pressure from the US to accede all of these states against the Russian threat to the emerging security architecture of Europe. Thirdly, Mediterranean member states of the EU insisted on the inclusion of Malta in the CEE enlargement wave. Fourthly, the reaction of Turkey to its exclusion from the list of candidate states at the Luxemburg European Council would jeopardize the whole process due to Cyprus problem and Turkey's position in NATO to bloc the developments of CFSP of the EU<sup>90</sup>. Lastly, in the aftermath of Kosovo crisis of 1999, EU signaled the prospect for integration of the Western Balkans into the EU structures with a new strategic momentum as a result of regions' potential instability in the backyard of the EU. The EU, since then, declared that the Western Balkans has been already part of Europe and its problems are European one, and any viable solution has to be a European solution<sup>91</sup>. The EU offered a vision of integration into transatlantic structures with an increased list of conditionality related to democratic standards and economic requirements of future membership<sup>92</sup>. All in all, it became apparent that aspirant countries' eligibility for membership perspective and the EU conditions to start accession negotiations for candidates and then EU membership would also be political issue that the European Council may decide flexibly in accordance with the changing circumstances regardless the Commission's negative stances concerning the Copenhagen criteria. By 1999, the EU had assembled an impressive list of thirteen officially recognized candidates including Turkey and five potential candidates from the Western Balkans for membership

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<sup>90</sup> Stephen George and Ian Bache, (2001), p. 419

<sup>91</sup> Wim van Meurs and Alexandros Yannis, (2002), "The European Union and the Balkans: from Stabilisation Process to Southeastern Enlargement", in CESP Europa South East Monitor, Issue 40, November 2002.

<sup>92</sup> Milada Vachudova, (2002), pp. 5-6

(Albania, Bosnia and Herzegovina, Croatia, Macedonia, and the Federal Republic of Yugoslavia). Hence the Helsinki European Council launched an all inclusive approach and added a possibility of a catch up for the laggard candidates. Accordingly, candidates could move at different speeds, thus each applicant would be considered on its own merits during the negotiations. The provisional closure of chapters also depended on the judgment of the European Commission. Moreover, the principle of equal treatment was one of the innovations of the Helsinki European Council. In this sense, the combination of differentiation principle and equal treatment represented the meritocratic nature of the Eastern European enlargement process of the EU.

In December 2002, the Copenhagen European Council approved the accession of eight CEE countries as well as Cyprus and Malta to the European Union in May 2004. They signed their Accession Treaty on 16 April 2003 in Athens and officially joined the EU on 1 May 2004. The European Council also endorsed the roadmaps, as offered by the Commission, for a successful accession process for Bulgaria and Romania. The roadmaps given to Bulgaria and Romania clearly identified objectives matched by a substantial increase in pre-accession aid (about €4.5 Billion in the period 2004-2006) and presented a possibility of setting the pace of its accession process to each country. The accession of Bulgaria and Romania was targeted as 2007 or one year delay depending on their merits<sup>93</sup>.

### **1.3. THE ASSESSMENT OF CEE ENLARGEMENT FOR FURTHER EASTWARD ENLARGEMENTS OF THE EU**

The Eastern European enlargement strategy of the EU at the end of the Cold War aimed at the maintenance of stability and peace across the Europe and the neo-liberal restructuring of the Eastern Europe, while safeguarding existing

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<sup>93</sup> Further guidance on these countries' pre-accession work was provided by a revised Accession Partnership endorsed by the Council in May 2003. The EU's ongoing Pre-Accession Strategy towards **Bulgaria** and **Romania** is founded on: Europe Agreements, Accession Partnerships and National Programmes for the Adoption of the Acquis (NPAA), Participation in European Community programmes and agencies, pre-accession assistance, including Phare Programme, ISPA programme, and SAPARD Programme, co-financing with the international financial institutions (IFIs)

achievements of European political and economic integration especially with the establishment of single European market, Economic and Monetary Union and three pillared structure of Maastricht Treaty. The EU achieved these goals mainly by conditioning membership and exercising influence over political and economic transition processes of the applicant countries. The use of strict membership conditionality together with evolving obligations allowed the Union and its member states to shape ‘model member states’ before their accession. The real and visible promise of EU membership was such a powerful incentive that motivated national governments to materialize difficult and at many times unpopular reforms for satisfying EU entry requirements. According to the EU, resulting differentiation by the application of membership conditionality and own merit principle create a positive environment of competition for the laggard countries for their transition process, and their compliance with the membership criteria and EU accession<sup>94</sup>.

The CEE countries were the first targets of very demanding political, economic and social conditionality to become EU members. As for the CEE enlargement, it took some a decade to set out an explicit use of EU membership conditionality and motivations that would keep alive the reform process in the CEE applicants. EU membership conditionality was developed gradually along with transition and integration process of the CEE countries and the evolution of the integral dynamics of the EU. In this process, the European Commission depending upon its technocratic nature was political entrepreneur, honest broker, impartial arbiter, guarantor of treaties, and the champion of ‘big bang’ fifth enlargement of the EU through its tasks of preparing annual reports, monitoring and its role in the accession negotiations. Eventually, the adjustment process of CEE countries encompassed most key domains of public policy in CEE countries. The EU developed a ‘carrot and stick’ approach rather than risky tactic of exclusion in its relations with the CEE applicants. Therefore, EU membership conditionality together with real and visible membership promise since the 1993 Copenhagen

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<sup>94</sup>Othon Anastasakis and Dimitar Bechev, (2003), “EU Conditionality in South East Europe: Bringing Commitment to the Process”, p.9

European Council functioned as an agent of differentiation, reform for transition and agenda/priority setting in candidates for EU integration. One of the most prominent motivations for the CEE applicants was the clear membership perspective through the access to higher stages in their accession processes, particularly achieving candidate status and starting negotiations in terms of their merits in fulfilling Copenhagen criteria. The remaining benefits such as pre-accession aid through PHARE, ISPA and SAPARD programmes, trade, co-operation and participation in European Community programmes and agencies were also conditional upon the fulfillment of Copenhagen criteria. Moreover, the requirements for accession were massive and closely enforced that reduced the scope of accession negotiations to transitional periods by widening the scope of what was conditional rather than negotiable. The candidates were all subject to meritocratic ranking of the European Commission in terms of their degree of compliance with the membership conditionality. Shortly, EU membership conditionality in CEE enlargement functioned to differentiate frontrunners and laggards, to stimulate reforms for political and economic transition and harmonization with the *acquis communautaire* and to set the priorities and criteria for each individual country, based on national specificities and inputs. Moreover, it became apparent that applicant countries' eligibility for membership perspective and the EU conditions to start accession negotiations for candidates and then EU membership would also be political issue that the European Council may decide flexibly in accordance with the changing circumstances regardless the Commission's negative stances in terms of Copenhagen criteria.

After the 2004 'big bang' CEE enlargement of the EU, it is clear that the use of parallel pre-accession strategy and even tighter membership conditionality together with a flexible approach depending on the specificities of the applicants and own dynamics of the EU will remain an important part of the EU's enlargement strategy for further eastward enlargements.

## CHAPTER 2

### THE EVOLUTION OF EU'S WESTERN BALKANS STRATEGY: BEFORE AND BEYOND KOSOVO CRISIS

This chapter examined the evolution of EU-Western Balkans relations and EU's Western Balkans strategy before and beyond the Kosovo crisis with a special focus on the scope and nature of conditionality principle and shifts in the EU's Western Balkans strategy. In this sense, the preparatory stages for the pre-accession process of the Western Balkan countries were examined in a comparative manner with the CEE countries' pre-accession process. Despite the fact that both the CEE countries and Western Balkans were given EU integration perspective, such a comparison was necessary to explain how the EU strategy and membership conditionality have worked in the Western Balkans, to what extent they were different from the CEE enlargement process.

#### 2.1. THE EU- WESTERN BALKANS RELATIONS BEFORE KOSOVO CRISIS

The Socialist Federal Republic of Yugoslavia<sup>95</sup> had exhausted its life time in the first years of 1990s as a result of different policies and demands of its republics. In 1991, when the ethnic crises erupted in the Western Balkans, the members of the EC were negotiating for the new but controversial innovations and initiatives leading to the Treaty on the European Union (Maastricht Treaty) and CFSP of the EU as well as the prospects of Eastern European enlargement of the EU<sup>96</sup>. During the dissolution of former Yugoslavia, initially the EU did not support the idea of

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<sup>95</sup> The Socialist Federal Republic of Yugoslavia consisted of six republics (Slovenia, Croatia, Serbia, Bosnia-Herzegovina, Montenegro and Macedonia) and two autonomous regions (Kosovo and Vojvodina)

<sup>96</sup> Marc Weller, "The International Response to the Dissolution of the Socialist Federal Republic of Yugoslavia", *The American Journal of International Law*, Vol. 86, No. 3, July, 1992, pp 569-571

independence of regional countries, and the emergence of small and weak states in its periphery. Then, during the war and crises period, the EU preferred to contain the region and intervened alongside the U.S.A. to the crises and wars rather than integrate the region into the European mainstream.

In the post-Dayton period between 1995 and 1999, the EU firstly launched the Royaumont Process for the South East Europe and then the Regional Approach to support the implementation of the Dayton/Paris Peace Agreements and to integrate the Western Balkans into the European continent and transatlantic community. However, this new inclusive policy of the EU was reluctant to give a membership perspective to the regional countries of Albania, Bosnia and Herzegovina, Croatia, the Republic of Macedonia, and the Federal Republic of Yugoslavia (FRY). The EU's early political, economic and financial relations with the Western Balkans, given its lack of interest for the immediate membership of the Western Balkans, focused on crisis management and reconstruction for the urgent needs of post war rehabilitation and stability in the region. Throughout this period, however, the Central and Eastern European countries were in an overlapping process of transition and EU integration, and in terms of membership conditionality they were responsible for fulfilling the 1993 Copenhagen criteria. Moreover, at the 1993 Copenhagen European Council, they were given a real and visible membership perspective. They all signed Europe Agreements as part of EU's pre-accession strategy including Balkan countries of Slovenia, Bulgaria and Romania. Until the 1999 Helsinki Summit, both Bulgaria and Romania remained in the second wave of CEE applicants due to their low performance in transition and economic and political reform in implementing Copenhagen criteria. On the other hand, the Western Balkan countries were not eligible to be a part of EU's fifth enlargement group and faced increased list of conditionality just benefiting from trade concessions, financial assistance and economic cooperation. More clearly, as long as Western Balkan countries met the conditions, they would be rewarded with trade concessions, financial assistance and economic cooperation

but not with a firm perspective for EU integration<sup>97</sup>. Through this aid mentality, the EU hoped to ensure stability, security and the implementation of externally driven peace agreements in the Balkans. What is more, despite the fact that the framework of Regional Approach was including Albania, Bosnia and Herzegovina, Croatia, Macedonia, and the FRY in equal terms, the EU's relations with each country presented astonishing variety. This variety was the proof of a lack of interest for a coherent EU strategy for the Western Balkans. Macedonia and Albania were eligible to conclude Trade and Cooperation Agreements with the EU and joined the PHARE programme<sup>98</sup>. On the other hand, the Bosnia and Herzegovina, Croatia and FRY, as they involved in Bosnian War and then signed the Dayton/Paris peace agreements, should firstly need to comply with the EU's conditionality principle to be allowed to enter into any contractual relations with the EU. The Bosnia and Herzegovina joined the PHARE programme in January 1996<sup>99</sup>. During the General Affairs Council on 29 April 1997, the EU granted autonomous trade preferences to Bosnia and Herzegovina but not a Trade and Cooperation Agreement. Croatia had neither PHARE eligibility nor Trade and Cooperation agreement. The EU General Affairs Council on 29 April 1997 granted autonomous trade preferences to Croatia. The FRY was also excluded from the PHARE programme. Indeed, in this period the FRY had no official contact with the EU except autonomous trade preferences<sup>100</sup>.

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<sup>97</sup> Dimitar Bechev, (2004), "Between Enlargement and CFSP: the EU and the Western Balkans", *Paper Prepared for the LSE European Foreign Policy Conference*, 2-3 June 2004, London Schools of Economics, available at <http://www.sant.ox.ac.uk/areastudies/SEESP-publications.shtml>; **See also** Mustafa Türkeş and Göksu Gökgöz ,(2006), "The EU's Strategy towards the Western Balkans: Exclusion or Integration", *East European Politics and Societies*, Forthcoming, November 2006, 20:4, p.13; Christian Pippan, (2004), "The Rocky Road to Europe: the EU's Stabilisation and Association Process for the Western Balkans and the Principle of Conditionality", *European Foreign Affairs Review* 9, pp.221-224

<sup>98</sup> Albania joined the PHARE programme in December 1991, and Albania signed a Trade and Cooperation Agreement with the EU in February 1992. Macedonia joined the PHARE programme in July 1993. During the General Affairs Council on 29 April 1997, Macedonia graduated to sign a Trade and Co-operation Agreement with the EU.

<sup>99</sup> See PRESS/96/16 of the 1902<sup>nd</sup> Council meeting-General Affairs-Brussels, 30.01.1996

<sup>100</sup> Dimitris Papadimitriou, (2001), "The European Union's Strategy in the Post-Communist Balkans", *Journal of South East European and Black Sea Studies*, 1:3, pp. 6-8

### **2.1.1. THE ROYAUMONT PROCESS: THE PROCESS OF STABILITY AND GOOD NEIGHBORLINESS IN THE SEE REGION**

The Royaumont Process, launched in December 1996 under the French EU Presidency in order to support the implementation of the Dayton/Paris Peace Agreements, was the EU's first comprehensive initiative in the region. Indeed, not only the EU member states, but also regional neighboring countries, as well as the US, Russia, the OSCE and the Council of Europe were involved in the Royaumont process. It focused on promoting regional projects in the fields of civil society, culture, human rights and democracy and the Royaumont Process prioritized the inter-parliamentary dialogue. The national parliaments of South East Europe all welcomed such an initiative for dialogue and cooperation. The European Parliament also supported the Royaumont Process<sup>101</sup>. The Greek government, the only EU member state in the South East Europe, also started to gain leverage in the policy making of the region as a sponsor of the Western Balkans' EU integration process<sup>102</sup>.

The driving vision of the Royaumont Process was a united European family founded on the principles of peace, stability, cooperation and democracy. Indeed, the idea of being a member of Europe was such a substantial vision that the countries in the Western Balkans interpreted this process as a stepping-stone for the desired European integration rather than a process facilitating cooperation within the region<sup>103</sup>. All in all, the significance of this process was that it promoted the channels of dialogue within the region and complemented preventive diplomacy, and it opened the way for the Regional Approach of the EU.

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<sup>101</sup> European Commission, "European Union Initiatives for Southeastern Europe to Date", available at <http://europa.eu.int/comm/enlargement>

<sup>102</sup> Mustafa Türkeş and Göksu Gökgöz ,(2006), p. 14

<sup>103</sup> Mustafa Türkeş and Göksu Gökgöz ,(2006), p. 14

### **2.1.2. THE REGIONAL APPROACH OF THE EU**

The Regional Approach symbolized the initial sign of change in EU strategy towards the Western Balkans. It was recognized that Europe failed to act together and also failed to produce a comprehensive policy for the Balkans since the dissolution of Former Yugoslavia. On 29 April 1997, the EU General Affairs Council adapted the so called ‘Regional Approach’ for the Western Balkans. The EU agenda for the Western Balkans prioritized the promotion of stability, security, and peace building through bilateral relations with the countries in the region. Within the framework of Regional Approach, the EU offered OBNOVA financial assistance programme, unilateral trade preferences and contractual relations in the form of bilateral co-operation agreements. It was assumed that access to internal market of the EU through these bilateral co-operation agreements would be an incentive for economic reforms and would increase regional co-operation. On the other hand, the development of bilateral relations was tied to strict political and economic conditionality. At the April 1997 European Council, the ‘Conclusion on the Principle of Conditionality Governing the Development of the European Union’s Relations with Certain Countries of South East Europe’ was adapted as a new guideline for the EU-Western Balkans relations. This new guideline aimed to apply a coherent strategy for the region as a whole. Moreover, according to this guideline, in terms of the principle of differentiation, once the Western Balkan countries met the criteria defined in the 29 April 1997 Council, they could move towards the EU integration in terms of their merits. Those conditions include respect for democratic principles, inter-ethnic reconciliation, refugee returns, human rights, rule of law, and protection of minorities, market economy reforms and regional cooperation. Additionally, country specific conditions were applied to Bosnia and Herzegovina, Croatia and FRY, particularly with regard to these countries’ co-operation with the International Criminal Tribunal for the former Yugoslavia (ICTY). Indeed, the EU’s Western Balkans strategy was parallel to its overall approach to political conditionality emerged in the early 1990s for the CEE applicants. Yet, it has been a different process due to utmost emphasize on regional co-operation and the

introduction of exceptionally broad range of political and economic conditions without mentioning the possibility of EU membership. The possibility of EU membership was a pipedream for the Western Balkan countries until the end of Kosovo crisis<sup>104</sup>.

## **2.2. AFTERMATH of KOSOVO CRISIS: A PARADIGM SHIFT TOWARDS A PERSPECTIVE ON EUROPEAN INTEGRATION AND EU MEMBERSHIP**

Kosovo crisis of 1999 opened a new era for the EU-Western Balkans relations in terms of the prospective EU membership of the regional countries. In the aftermath of Kosovo crisis, the necessity of pro-active and inclusive rather than reactive policies to the emerging crises was realized to prevent ethnic conflicts, refugee crises, and the spread of instability in the Western Balkans as well as in Europe. Hence bitter experiences driven from the crises and the fragility of the stability in the Western Balkans have pushed the EU to search for a tangible economic and political strategy for the integration of the Western Balkans. In the following period, the region has achieved ‘minimum stability and security’ to sustain status quo necessary for the implementation of externally driven peace agreements and transition towards market capitalism and democracy under the close watch of NATO and the EU. The prospect of EU membership and regional cooperation through the Stability Pact (SP) and Stabilization and Association Process (SAP) were tailored as appropriate tools for the stabilization, transition and the long term EU integration of the region. Consequently, the Stability Pact (1999), Stabilisation and Association Process (1999), and its main components Stabilisation and Association Agreements (SAAs) and the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) program have become the principle means of implementation of current Western Balkans policy of the EU<sup>105</sup>. The period following the launch of the Stabilisation and Association

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<sup>104</sup> Christian Pippan, (2004), pp.222-225, See also Dimitris Papadimitriou, (2001), p.8

<sup>105</sup> Lykke Friis and Anna Murphy, ( 2000), pp. 767-768

process (SAP) also reflected a paradigm shift in the EU's Western Balkans strategy from post conflict stabilization and reconstruction of the region to European integration; from the offer of traditional co-operation agreements through the Regional Approach to a new kind of contractual relationship through the SAAs. At the Feira European Council of June 2000, the SAP countries were all given 'potential candidate' status. Moreover, SAP formula was the substantial sign of long term EU approach and commitment through which the EU extended its Regional Approach to a more sophisticated policy framework. More clearly, it was the sign of further enlargement of the EU towards the Western Balkans in the long run. At the same time, the entire EU-Western Balkans relations and EU commitments since the first coherent EU regional strategy, the Royaumont process, has gone along with the strict and increasing conditionality<sup>106</sup>.

As for the scope and nature of membership conditionality, the effects of membership conditionality were more apparent and tangible in CEE countries concerning the visible membership perspective. The EU membership conditions have catalyzed marketization and democratization reforms and encouraged the appropriation of the Union's norms and practices. The Copenhagen criteria were the fundamental part of the EU's doctrine for the accession of the CEE countries and will be the main reference point for the new applicants. However, the EU added new conditions and benchmarks for the preparatory stages of pre-accession of the Western Balkans. EU conditionality in the Western Balkans has been multidimensional and also multipurpose. It is bilateral, regional, country specific and project specific. the EU membership criteria for the Western Balkan states included not only to satisfy the political, economic and institutional criteria established by the Copenhagen European Council in 1993 and set out in Articles 6 and 49 of the EU Treaty, but also the criteria specific to the Stabilisation and Association process (SAP) as set out in the Conclusions of the General Affairs Council in April 1997 and in accordance with the Commission Communication of

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<sup>106</sup> Mustafa Türkeş and Göksu Gökğöz, (2006), pp.16-19; **See also** Gergana Noutcheva, (2003), "Europeanization and Conflict Resolution", in CEPS Europa South-East Monitor, Issue 49, October 2003; Lykke Friis and Anna Murphy, (2000), "Turbo-Charged Negotiations: the EU and the Stability Pact for South Eastern Europe", Journal of European Public Policy, 7:5 Special Issue, p. 769

May 1999 on the establishment of the SAA. These criteria include full co-operation with the ICTY, compliance with the various peace agreements like Dayton and the UN Security Council Resolution 1244, respect for human and minority rights, the creation of real opportunities for refugees and internally displaced persons to return and a visible commitment to regional co-operation<sup>107</sup>. Moreover, fundamental principles invented during the CEE enlargement process-principle of conditionality, differentiation and own merit- was also applied to the countries of the Western Balkans. That is to say, unlike the group mentality of Regional Approach, in the Stabilization and Association Process each country proceeds towards membership on its own merits and at its own speed and this new set of conditions should be honored in full for entering into any contractual relations with the EU including the negotiation phase of a SAA, conclusion of SAA and for giving aid, loans and grants through CARDS framework<sup>108</sup>.

### **2.2.1. STABILITY PACT FOR SOUTHEAST EUROPE**

The EU, under its Common Foreign and Security Policy, initiated the Stability Pact for South Eastern Europe (SP) on 17 May 1999, during the NATO air strikes against Serbia<sup>109</sup>. Despite the leading role of the EU, the Stability Pact was not a mere EU instrument. On 10 June 1999, the UNSC Resolution 1244 ended the military action in Kosovo and on the same day the Stability Pact for the whole South East Europe was launched by the EU, the OSCE, the G8 members including Russia, NATO and a large number of other states and institutions as a

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<sup>107</sup> Commission of The European Communities, Report from the Commission, “The Stabilisation and Association Process for South East Europe, Third Annual Report”, Brussels, 30.3.2004, COM(2004) 202 final, p.5, available at [http://eur-lex.europa.eu/LexUriServ/site/en/com/2004/com2004\\_0202en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2004/com2004_0202en01.pdf); **see also** European Commission, “Communication from the Commission Opinion on Croatia's Application for Membership of the European Union”, Brussels, 20 April 2004, COM(2004) 257 final, available at [http://ec.europa.eu/comm/enlargement/croatia/pdf/cr\\_croat.pdf](http://ec.europa.eu/comm/enlargement/croatia/pdf/cr_croat.pdf)

<sup>108</sup> Commission of The European Communities, Report from the Commission, “The Stabilisation and Association Process for South East Europe, Third Annual Report”, p.5

<sup>109</sup>See European Council, Common Position(CFSP) concerning a Stability Pact for South Eastern Europe, OJ L 133, 28 May 1999,1

comprehensive approach of preventive diplomacy. At a summit meeting in Sarajevo on 30 July 1999, the Pact was inaugurated. The main objective of the Pact was to construct a self sustaining peace in the region including the creation of a secure environment, the promotion of sustainable democratic systems, and the promotion of economic well being. In the founding document, the EU assumed a leading role in the Stability Pact, committed to draw Western Balkans closer to the perspective of full integration into its structures, including eventual full membership<sup>110</sup>. There was a consensus among all participants that it was time to find future oriented, pro-active, comprehensive and long term solutions to such problems of the region as violent conflict, war, expulsion, social and economic deficit, etc.<sup>111</sup>.

From the legal and institutional perspective, one could not call the SP as a new international organization since the SP did not have any independent financial resources and implementing structures (development and implementation of the SP was vested to the OSCE)<sup>112</sup>. It has served as an international platform of co-operation for the growth and stability of the south east Europe<sup>113</sup>. Moreover, the Stability Pact was not the only cooperation initiative in the region. There has been also the Southeast European Cooperation Process, which provided a forum for political co-ordination among the regional countries and in time it has become the

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<sup>110</sup> For the final text of the Stability Pact of 10 June 1999 see <http://www.stabilitypact.org>

<sup>111</sup> Bodo Hombach, (2000), "Stability Pact for Southeastern Europe: a New Perspective for the Region", *Perceptions: Journal of International Affairs*, 5:3, September November 2000, p.1

<sup>112</sup> Bodo Hombach, (2000), p.2; **See also** Christian Pippan, (2004), p.227

<sup>113</sup> The Stability Pact Partners are as follows: 1.The countries of the region: Albania, Bosnia-Herzegovina, Bulgaria, Croatia, FYR of Macedonia, Moldova, Romania and Serbia & Montenegro. 2. The European Union Member States and the European Commission. 3. Other countries: Canada, Japan, Norway. 4. Russia, Switzerland, Turkey, USA. 5. International organizations: UN, OSCE, Council of Europe, UNHCR, NATO, OECD. 6. International financial institutions: World Bank, International Monetary Fund (IMF), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Council of Europe Development Bank (CEB). 7. Regional initiatives: Black Sea Economic Co-operation (BSEC), Central European Initiative (CEI), South East European Co-operative Initiative (SECI) and South East Europe Co-operation Process (SEECP)

‘voice of the region’; Adriatic Ionian Initiative and the Danube Cooperation Process, which covered those countries sharing particular geographical characteristics; the Black Sea Economic Cooperation, the Central European Initiative, the Southeast European Cooperative Initiative, etc. The EU Commission gave emphasis to the contributions of regional initiatives to the SAP and the complementarity of regional initiatives among themselves. Indeed, a gradual shift to the local/regional ownership was prioritized by the international community when the stability and reconciliation in the region were ensured.

The structures and working methods of the Stability Pact were modeled on the OSCE. Stability Pact included regional and working tables and the Pact specified the Special Coordinator chair for the Regional table, which has been the most important political instrument of the Pact<sup>114</sup>. In its functioning, the Stability Pact worked as a two ways street between the donors and recipient countries in the region. What is more, the EU and its member states were also the most important donors in the region. The support of international community was conditioned upon the implementation of appropriate reforms. Therefore, the governments in the region as recipients were responsible for Copenhagen criteria as well as regional co-operation, economic reforms, fight against corruption and organized crime, etc. within the framework of Stability Pact. In return, the donors obliged to support the stabilisation and reconstruction process in a coordinated way through assistance and credits. All these key elements would be achieved through regional cooperation, and integration of the Western Balkans into the Euro-Atlantic institutions<sup>115</sup>.

The novelty about this initiative was that the SP offered the perspective of integration into the Euro-Atlantic structures to the countries of the region. The

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<sup>114</sup> There are three working tables under the Regional Table: working table one designed for democratization and human rights; working table two designed for economic reconstruction, cooperation and development; working table three designed for security issues with two sub tables namely security and defense and justice and home affairs. For detailed information for the structure and working methods of the SP, see <http://www.stabilitypact.org>

<sup>115</sup> Bodo Hombach, (2000) ,p.6

prospect of EU membership was also chosen to ensure the stabilization of the region. However, a clear EU membership perspective was diluted in order to prevent membership application of the Western Balkan countries following the initiation of the Stability Pact<sup>116</sup>. The EU General Affairs Council in May 1999 stated that “the EU will draw the region closer to the perspective of full integration... through a new kind of contractual relationship, concerning the individual situation of each country, ... on the basis of Amsterdam Treaty and once the Copenhagen criteria have been met”<sup>117</sup>. Therefore, instead of giving an explicit reference to the enlargement article of Amsterdam Treaty Article 49<sup>118</sup>, roundabout terms were used by the EU.

Finally, it is noteworthy to examine the discussions on whether the EU initiatives of SP and SAP are complementary or competing in terms of regional co-operation and EU integration of the Western Balkans. Friis and Murphy refer the EU initiatives after the Kosovo crisis as ‘turbo –charged negotiations’ in the sense that the SAP would be regarded as an essential element of the EU’s contribution to the Stability Pact<sup>119</sup>. According to this view, vice versa was also valid that an enhanced regional co-operation through the Stability Pact would qualify EU

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<sup>116</sup> Lykke Friss and Anna Murphy, (2000), p.772; **See also** Dimitar Bechev, (2004), “EU and the Balkans: The Long and Winding Road to Membership”, South East European Studies Programme Opinion Piece, European Studies Centre, St Antony’s Collage, Oxford, p.1, available at <http://www.sant.ox.ac.uk/areastudies/SEESP-publications.shtml>

<sup>117</sup> See Press Release: Brussels (17-05-1999) – Press: 146- nr: 8016/99, General Affairs Council, 17 May 1999, Common Position Concerning the Launching of the Stability Pact of the EU on South- Eastern Europe.

<sup>118</sup> Amsterdam Treaty, Article 49, “Any European State which respects the principles set out in Article 6(1) may apply to become a member of the Union. It shall address its application to the Council, which shall act unanimously after consulting the Commission and after receiving the assent of the European Parliament, which shall act by an absolute majority of its component members. The conditions of admission and the adjustments to the Treaties on which the Union is founded, which such admission entails, shall be the subject of an agreement between the Member States and the applicant state. This agreement shall be submitted for ratification by all the contracting States in accordance with their respective constitutional requirements”, available at [http://eur-lex.europa.eu/en/treaties/dat/12002M/htm/C\\_2002325EN.000501.html](http://eur-lex.europa.eu/en/treaties/dat/12002M/htm/C_2002325EN.000501.html)

<sup>119</sup> Lykke Friss and Anna Murphy, (2000), pp.77- 78; **See also** David Phinnemore and Peter Siani-Davis, (2003), p.181

integration and membership standards<sup>120</sup>. According to Bodo Hombach, developments proved that the early worry for the rivalry between the SP and the SAP has been wrong and the SP was not rival but complementary to the strategies of the EU in the Western Balkans<sup>121</sup>. On the other hand, this common argument was not immune from criticisms as pointed out Heinz Kramer, Meurs and Yannis, Mustafa Türkeş and Göksu Gökgöz, as well as others<sup>122</sup>. For instance, according to Meurs and Yannis, the SP and SAP were not a perfect match since strategically SP and SAP were based on contrasting contractual principles and did not jointly provide a comprehensive framework for the European integration. The SP prioritized regional cooperation for political and economic stabilization and the prevention of the structural deficits as well as conflicts in the region. The SAP also emphasized the necessity of regional co-operation, but mainly the SAP identified regional co-operation as a necessary and key mechanism for the EU integration of the region rather than for the development needs and specificities of the regional countries<sup>123</sup>. The EU supported regional cooperation especially in the areas of free trade, transportation, communication, infrastructure, return of refugees, combat of criminal networks, etc. as a means of preparing the Western Balkan countries for their future EU accession<sup>124</sup>. Moreover, meritocratic nature

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<sup>120</sup> <http://www.stabilitypact.org/about/achievements.asp>

<sup>121</sup> Bodo Hombach, (2000), p.2

<sup>122</sup> Wim van Meurs and Alexandros Yannis, (2002), "The European Union and the Balkans: from Stabilisation Process to Southeastern Enlargement", in CEPS Europa South-East Monitor, Issue 40, November 2002; **See also** Othon Anastasakis and Vesna Bojicic-Dzelilovic, (2002), "Balkan Regional Cooperation and European Integration", The Hellenic Observatory and The European Institute, LSE, p.7-29, available at <http://www.sant.ox.ac.uk/areastudies/SEESP-publications.shtml>; Heinz Kramer, (2000), "The European Union in the Balkans: Another Step Towards European Integration", Perceptions Journal of International Affairs, September-November 2000, 5: 3, p. 6, available at <http://www.mfa.gov.tr/>; European Stability Initiative (ESI) and The EastWest Institute, (2001), "Democracy, Security and the Future of the Stability Pact for South Eastern Europe", April 2001, p.27, available at <http://www.esiweb.org>

<sup>123</sup> Wim van Meurs and Alexandros Yannis, (2002), pp.4-5

<sup>124</sup> Othon Anastasakis and Vesna Bojicic-Dzelilovic, (2002), p.7-29; **see also** Commission of the European Communities, (2006), "Regional Co-operation in the Western Balkans: A Policy Priority for the European Union", Luxembourg: Office for Official Publications of the European Communities, pp.4-7, available at [http://ec.europa.eu/comm/enlargement/docs/pdf/NF5703249ENC\\_WEB.pdf](http://ec.europa.eu/comm/enlargement/docs/pdf/NF5703249ENC_WEB.pdf)

of the accession process and the bilateral conditionality of the SAP contradicted undifferentiated regional co-operation mentality of the SP. In this sense, firstly, the EU accession process allowed each country to move at its own pace. However, the governments and the states of the Western Balkans displayed a heterogeneous character from weak states to protectorates. Experiences driven from the previous enlargements of the EU proved that EU accession has been fundamentally a state central process thus required strong national regulatory and administrative capacity as well as domestic support to the Europeanization project. The governments of the applicant countries should shoulder massive reform programmes and for benefiting from EU funds and assistance<sup>125</sup>. In this sense, as pointed out in the report prepared by the European Stability Initiative (ESI) and the EastWest Institute, “regionalism, when promoted in a general fashion as a goal in itself, can contradict the notion of European integration and it would be challenging for the success of the SP as the EU accession process is mainly state centered and bilateral”<sup>126</sup>. Therefore, the states of Western Balkans with the best accession prospects concerned that an undifferentiated regionalism would detract them from the promise of Europeanization. Secondly, the EU accession process promoted EU integration of the regional countries via Schengen borders and EU’s internal market, which also competed with the SP’s very logic of regional co-operation since they were more attractive than the war torn internal market of the region<sup>127</sup>. Overall, bilateral conditionality and regional co-operation had separate strategic objectives, promoting separate but equally important dimensions for the EU integration and stability of the region<sup>128</sup>. Therefore, the complexity and unpredictability of the Western Balkans’ road towards the EU as well as individual weaknesses and tensions between the two main instruments of

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<sup>125</sup> Heinz Kramer, (2000), p. 6

<sup>126</sup> European Stability Initiative (ESI) and The EastWest Institute. (2001), p.27

<sup>127</sup> Wim van Meurs and Alexandros Yannis, (2002), pp.4-5

<sup>128</sup> Wim van Meurs and Alexandros Yannis, (2002), pp.4-5

the European perspective urged the EU for the revision in some instruments like reform assistance, regional co-operation at the Thessaloniki European Council of June 2003. In the light of these concerns, the position and future role of the SP after the Thessaloniki Summit of June 2003 will be examined further in the following chapter under the heading of regional co-operation.

### **2.2.2. STABILISATION AND ASSOCIATION PROCESS**

The initiation of Stability Pact for South Eastern Europe by the EU coupled with the agreement for implementation of another EU strategy for the region: Stabilisation and Association Process (SAP). The SAP was a two ways street, which not only offered major incentives for the integration of the Western Balkans, but also set strict political and economic conditions<sup>129</sup>.

As for the implementation of the SAP, the EU used three instruments: SAAs, CARDS and autonomous trade preferences. And the target areas of SAP are:

Development of existing economic and trade relations with and within the region, and asymmetric trade liberalization; increased assistance for democratization, civil society, education and institution building; cooperation in the area of justice and home affairs; development of political dialogue, including regional level; development of Stabilisation and Association Agreements; development and partial redirection of existing economic and financial assistance through the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme<sup>130</sup>.

The SAAs provided the main mechanism for delivering the above mentioned target areas, in theory at least, pointed the eventual membership perspective. Therefore, the SAAs are by far the most important target of the SAP and stepping stone for granting candidate status and opening of accession negotiations.

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<sup>129</sup> Christian Pippan, (2004), p.228; **see also** David Phinnemore and Peter Siani-Davis, (2003), p.182

<sup>130</sup>Heinz Kramer, (2000), pp.3-4

The SAP included various steps before granting candidate status and starting EU accession negotiations. These stages are: The fulfillment of conditions set out in the Council Conclusions of 29 April 1997 is followed by a report by the Commission on the feasibility of the opening of negotiations for an SAA with the entitled country. The Council assesses this feasibility report and if possible requests the establishment of a proposal for negotiating directives from the Commission. Then, the Commission prepares a formal proposal of negotiating directives for an SAA. The Council adopts these negotiating directives and the SAA negotiations are launched. Then, next stage is the conclusion of Stabilization and Association Agreement. The proper implementation of the SAA and entitled country's satisfactory track-record in implementing its SAA obligations (including the trade-related provisions) provides a basis for moving to the next phase that is membership application. Following a membership application, and on the basis of the Commission's Opinion, the EU may decide to grant candidate status to the applicant country. It is worth to remind that candidate status is necessary but insufficient for opening accession negotiations. The country needs to reach a sufficient degree of compliance with the Copenhagen criteria, particularly Copenhagen political criteria including full cooperation with the ICTY before the opening of accession negotiations. The candidate status intensifies the relationship between the country concerned and the EU in terms of political dialogue, economic co-operation and financial assistance. Moreover, the EU assistance is directed towards areas relevant to fulfillment of obligations of the membership, such as preparation for the implementation of the structural funds. However, it does not mean any automatic increase in the overall sum of assistance allocated to the country. The Commission examines the degree of overall compliance with the Copenhagen criteria and the criteria specific to the Stabilisation and Association process (SAP) as set out in the Conclusions of the General Affairs Council in April 1997. Based on the Commission's opinion and recommendations on the country's application for membership and Commission's regular reports, the European Council decides whether and when negotiations can be opened. Once that decision is taken, an intergovernmental conference is convened for the preparation of negotiation framework. It is adopted by the

Council following a Commission proposal. Once concluded, the results of the negotiations are reflected in an Accession Treaty. This Treaty allows for accession to the Union, once it is approved by the European Parliament and ratified by all Member States and the acceding country<sup>131</sup>. Therefore, despite the fact that SAP presented an enlargement platform, each stage for the EU accession was furnished with increasing conditionality and conditional commitment of the EU with regard to performance of the aspirant country.

At the April 2001 European Council, the preparation of the SAP Progress Report, as an annual monitoring and review mechanism of the political and economic situation in each of the Western Balkans country, was approved. Moreover, the Commission followed the same procedure in the SAP Progress Reports for the Western Balkans and in the Annual Progress Reports for the CEE countries. Pippan explains that “the SAP Progress Report entailed an annual assessment of the SAP and its various instruments, compliance by the participating states with EU conditionality and progress made by each country towards the general objectives of SAP”<sup>132</sup>. Therefore, the underlying logic of this annual review and monitoring mechanisms based on the fulfillment of membership conditionality in a more systematic and coherent manner<sup>133</sup>.

#### **2.2.2.1. STABILISATION AND ASSOCIATION AGREEMENTS**

The Stabilization and Association Agreement (SAA) is a new category of association agreement and contractual relationship as an instrument for long term EU integration of the SAP countries. The main aim of the SAAs is the establishment of a formal association between the Western Balkan countries and

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<sup>131</sup> Commission of The European Communities, Communication From The Commission, “2005 Enlargement Strategy Paper”, Brussels, 9.11.2005, COM (2005) 561 final, available at [http://ec.europa.eu/comm/enlargement/report\\_2005/pdf/package\\_v/com\\_561\\_final\\_en\\_strategy\\_paper.pdf](http://ec.europa.eu/comm/enlargement/report_2005/pdf/package_v/com_561_final_en_strategy_paper.pdf)

<sup>132</sup> Christian Pippan, (2004), p. 239

<sup>133</sup> Christian Pippan, (2004), p. 239

the Union over a transitional period. In this period, potential candidate countries would gradually adjust their laws and structures to the core standards and rules of the EU market and harmonize their legislation to the Community *acquis*. Moreover, SAAs were assumed to facilitate transition to market capitalism and democracy and also to foster regional cooperation in all fields covered by this agreement. This adoption and harmonization process was assumed to operate just like Europe Agreements as in the accession of the CEE countries, and to accelerate and shape internal political and legal reforms in the Western Balkans<sup>134</sup>.

The SAAs were offered by the EU within the framework of SAP to all countries in the region on equal terms in return for their compliance with Copenhagen criteria and conditions set out at the 29 April 1997 European Council conclusions. The EU treated each of the Western Balkan countries in terms of own merit principle. Chris Patten, in an interview on Western Balkans also confirmed that: “the EU will treat and deal with each country on its own merits”<sup>135</sup>. Hence each country could start to SAA negotiation only if the relevant conditions set out at the 29 April 1997 European Council conclusions have been met.

David Phinnemore argues that the outcome of the SAAs would not go beyond traditional association agreements. Phinnemore explains his argument by giving reference to the Article 310 of the Treaty Establishing European Community (TEC)<sup>136</sup>. Article 310 of TEC provided a basis to the establishment of European Economic Area with the EFTA countries in 1994; then used for the conclusion of Europe Agreements with eight CEE countries plus Malta and Cyprus.

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<sup>134</sup> Christian Pippan, (2004), p. 233.

<sup>135</sup> Interview with the Rt. Hon Chris Patten, CH in Zagreb on 24 November 2000, available at [http://europa.eu.int/comm/external\\_relations/news/patten/bbc\\_24\\_11\\_00.htm](http://europa.eu.int/comm/external_relations/news/patten/bbc_24_11_00.htm)

<sup>136</sup> Article 310 of TEC states that ‘The Community may conclude with one or more states or international organizations agreements establishing an association involving reciprocal rights and obligations, common action and special procedure’, available at <http://europa.eu.int/eur-lex/lex/en/treaties>

Consequently, Article 310 of TEC provided the basis of the Stabilisation and Association Agreements with the SAP countries<sup>137</sup>. Furthermore, despite the fact that SAAs were modeled on the Europe Agreements, the comparison of the Europe Agreements and the SAAs in terms of membership perspective brought up a notable difference. After the Copenhagen European Council of 1993, the nature of Europe Agreements had changed. Europe Agreements turned to be the main part of pre-accession instruments of the EU. The EU has extended 'golden carrot of membership' to the CEE countries since then. On the other hand, The EU was reluctant to extend a clear and visible membership perspective to the Western Balkan countries except Croatia. The reason for why the European Commission was keen on to differentiate the SAAs and the EAs was essentially twofold: Firstly, in the aftermath of the Kosovo crisis, there was an urgent need to promote economic and political stability, regional co-operation as well as transition and EU integration of the region in order to prevent probable conflicts and instability in the region. The state of affairs in the Balkans and the risk of revival of conflict in the region were far beyond the problems of the CEE applicants in their transition process. Therefore, the SAAs responded to particular needs of the region including stability, transition, regional co-operation and long term EU integration. Secondly, by 1999, the EU speeded up its efforts for the accession of the candidates announced at the Helsinki European Council of 1999, thus had an immense enlargement agenda. Therefore, there was a scant enthusiasm in the EU circles for another round of enlargement, for the encouragement of membership applications from the Western Balkan countries and for extension of pre-accession assistance by making the SAAs identical with the Europe Agreements for the Western Balkan countries<sup>138</sup>.

To date, Croatia (in October 2001), Macedonia (in April 2001), and Albania (in 2006) have concluded SAA. The EU Commission was conscious of the fact that

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<sup>137</sup> David Phinnemore, (2003), "Stabilisation and Association Agreements: Europe Agreements for the Western Balkans?", European Foreign Affairs Review, No: 8, p.76

<sup>138</sup> David Phinnemore, (2003), p.79

the SAAs of Macedonia and Croatia would set precedent for later agreements. Hence the aims, objectives and content of the SAAs was determined by the EU rather than the domestic priorities of the laggard countries under the consideration of what the EU would be willing and capable to offer to them. According to the EU, the achievement of candidate status by Croatia and later on Macedonia should be an encouragement to other Western Balkan countries to make necessary reforms to reach EU standards<sup>139</sup>. With regard to Albania, Bosnia and Herzegovina and Serbia and Montenegro, the EU indicated its determination to conclude similar agreements as long as they proceed along the EU conditionality and the paths of Croatia and Macedonia. What is more, Kosovo remained outside to conclude a SAA. Only in the aftermath of the Thessaloniki Summit, Kosovo was included to the SAA of Serbia and Montenegro. Indeed, as the EU facing heated debates for constitutional and status issues in Bosnia and Herzegovina, in Serbia and Montenegro and Kosovo, a kind of facilitation policy has pursued through a revision for the start of SAA negotiations as a way to prevent prospective challenges for the credibility of the EU leverage in the region.

#### **2.2.2.2. COMMUNITY ASSISTANCE FOR RECONSTRUCTION, DEVELOPMENT AND STABILISATION PROGRAMME (CARDS)**

Western Balkans has lagged behind both in the process of European integration and transition to market economy throughout the 1990s due to war and ethnic conflicts in the region. Moreover, foreign investment refrained from entering into the Western Balkans and preferred the CEE countries as a result of high political uncertainty, incomplete privatization in strategic and profitable sectors, inefficient regulatory environment and infrastructure for free trade in the region. Investment in the Central European countries has increased forty-fold to some \$21 billion while investment into the Western Balkans has increased only three-fold over the entire decade to just over \$1 billion. Similar negative picture was also noticed in the domestic trade performance of the war torn Western Balkans over the last

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<sup>139</sup> European Commission, “Croatia becomes a candidate for the EU membership- frequently asked questions on the accession process”, available at <http://europa.eu.int/comm/enlargement/negotiations/index.htm>

decade. While exports from Central Europe have more than doubled over the last ten years, the exports from the Western Balkans have actually shrunk by one third<sup>140</sup>. Therefore, the countries of Balkans have been heavily dependent on external aids and loans of international financial institutions like IMF, World Bank to sustain their ‘economic normalization’, post war reconstruction and institution building. Additionally, there is no such rule that aids and loans coming from the international community to the developing countries bring sustainable economic development, growth and macro economic stability. External aids and loans together with increased conditionality saddled the war torn Western Balkan governments with external debts and further instability<sup>141</sup>.

Since 1991, The European Union has provided aid and financial assistance to the countries of the Western Balkans through its various programmes for physical reconstruction, stability and EU integration of the region. On the other hand, the comparison of the allocation of EC/EU support to the SAP region and CEE countries in the periods between 1990-1995 and 1995- 2000 represented a negative picture in the sense that the CEE countries granted twofold support from the EC/EU over a decade, which was shown in the below table.

**TABLE 3: EU SUPPORT TO THE SAP REGION AND CEE COUNTRIES 1990-2000 (euro billion)**

	<b>1990-1995</b>	<b>1996-2000</b>	<b>Total</b>
<b>SAP Region Phare/ Obnova</b>	<b>1.429</b>	<b>4.121</b>	<b>5.550</b>
<b>CEE, Phare</b>	<b>4.2</b>	<b>6.693</b>	<b>10.893</b>

Source: <http://ec.europa.eu/comm/enlargement>

<sup>140</sup> European Commission, External Relations Directorate General, “CARDS Assistance Programme to the Western Balkans Regional Strategy Paper 2002-2006”, pp.12-13, available at [http://www.reliefweb.int/library/documents/2001/ec\\_balkans\\_22oct.pdf](http://www.reliefweb.int/library/documents/2001/ec_balkans_22oct.pdf)

<sup>141</sup> Michel Chossudovsky, (2001), “Economic Terrorism”, available at <http://globalresearch.ca/>

In the aftermath of Kosovo crisis, following a decade of turmoil in the Balkans and region's delay in transition and EU integration process, the EU assistance to the Western Balkans has been revised as needs and political situation evolves in the region. In 2000, the SAP included financial assistance and aid programme called CARDS (Community Assistance for Reconstruction, Development and Stabilisation)<sup>142</sup>. The CARDS programme mainly has four main objectives:

Reconstruction, democratic stabilization, reconciliation and the return of refugees; institutional and legislative development, including harmonization with European Union norms and approaches, to underpin democracy and the rule of law, human rights, civil society and the media, and the operation of a free market economy; sustainable economic and social development, including structural reform; promotion of closer relations and regional cooperation<sup>143</sup>.

The CARDS programme planned to streamline € 4.6 billion to the region in the period 2000 to 2006<sup>144</sup>. The EU aid and assistance to the SAP countries have gradually declined as relative political stability has been regained and the major work of physical reconstruction and reconciliation has been completed. European Stability Initiative report pointed out that the CARDS assistance was around €900 million in the years of 2000 and 2001 and declined to €766 million in 2002, to €700 million in 2003 and estimated to be around €500 million in 2005 and 2006<sup>145</sup>. The changes and revisions in the allocation of CARDS budget and in the

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<sup>142</sup> CARDS programme was adopted with the Council Regulation (EC) No 2666/2000 of 5 December 2000.

<sup>143</sup>European Commission, "CARDS, Financial Statistics", available at [http://europa.eu.int/comm/enlargement/financial assistance](http://europa.eu.int/comm/enlargement/financial%20assistance)

<sup>144</sup> The grants and assistance streamlined through CARDS programme to the region have reached to total around €5.4bn for the period 2000-2006 in terms of regional needs and political agreement for an increase of Community support in conclusions of the Thessaloniki Summit.

<sup>145</sup> European Stability Initiative, (2003), "The Road To Thessaloniki: Cohesion And The Western Balkans", p. 2, available at <http://www.esiweb.org>; **see also** European Stability Initiative (ESI), (2002), "Western Balkans 2004: Assistance, cohesion and the New Boundaries of Europe, a call for policy reform", 3 November 2002, Berlin- Brussels, Sarajevo, p. 2, available at <http://www.esiweb.org>

main focus and the streamline of the CARDS programme after Thessaloniki Summit of June 2003 will be examined in the following chapter.

Last but not least, CARDS programme is a good illustration of strict application of the conditionality principle. The conditions for eligibility of Community assistance for the Western Balkan countries were defined at the April 1997 European Council, and CARDS programme addresses conditionality at the SAP level, programme level and project level. The results of a failure to comply with conditionality would be the delay, suspension or cancellation of the planned or committed assistance without the possibility of reallocating the funds to another sector<sup>146</sup>.

### **2.2.3. THESSALONIKI SUMMIT: A BREAKTHROUGH OR PROMOTION OF EXISTING POLICIES**

The initial expectations of the governments and local elites of the SAP countries before the Thessaloniki Summit of June 2003 turned around the issue of candidacy and extra funding that would sustain popular support for the Europeanization project in the regional countries. It was also requested that the Directorate-General of Enlargement of the EU Commission should take over the responsibility for the Western Balkans. They also expected to be included into the economic and social cohesion policies of the EU. Moreover, due to fragility of the economies of the Western Balkans, as it would trigger further crises in the region, the Western Balkan countries expected at least the maintenance of financial assistance and support at the 2000-2001 level. Moreover, the Greek Presidency, as the only EU member state in the region of South East Europe, had an enthusiastic assistance for the EU integration of the Western Balkans<sup>147</sup>.

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<sup>146</sup> European Commission, External Relations Directorate General, 'CARDS Assistance Programme to the Western Balkans Regional Strategy Paper 2002-2006', pp.24-25

<sup>147</sup> Mustafa Türkeş and Göksu Gökğöz, (2006), p. 20, **see also** European Stability Initiative (ESI), (2003), "The Road to Thessaloniki: Cohesion and the Western Balkans", 12 March 2003; The Executive Summary of 'Western Balkans 2004: Assistance, Cohesion and the New Boundaries of Europe a Call for Policy Reform, European Stability Initiative (ESI), in CEPS, Europa South-East Monitor, Issue 40, November 2002, pp.3-4

At this point, it would be appropriate to analyze the outcomes of the EU-Western Balkans Summit Declaration of Thessaloniki of 21 June 2003. The EU-Western Balkans Summit Declaration of Thessaloniki of 21 June 2003 and the so called Thessaloniki agenda clearly enriched the SAP by introducing new mechanisms and some pre-accession instruments from the CEE enlargement process. These new instruments were the European Partnerships for the Western Balkan countries, twinning programs, the service of TAIEX, a Feasibility Study on the establishment of a Regional School for Higher Education and Public Administration, participation on the work of selected Community programs, political dialogue and enhanced cooperation in the area of CFSP<sup>148</sup>. Support to initiatives for ethnic reconciliation as well as to regional co-operation was also reaffirmed, especially through the establishment of regional free trade area, a regional visa free zone, the development of regional energy markets and co-operation in the area of water management. Support to the Stability Pact (SP) as well as other regional initiatives, in particular to the South East Europe Cooperation Process (SEECF), was reiterated. However, the Council recalled that the effectiveness of the new instruments in supporting the reform process depends crucially on improved levels of implementation by the countries of the region<sup>149</sup>. In return, in article 9 of the Thessaloniki declaration, the Western Balkan countries committed to promote concrete objectives and initiatives in the areas of “free trade, visa-free movement within the region, collection of small arms, creation of regional markets for electricity and gas, development of transport, energy and telecommunication infrastructures, environment and water

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<sup>148</sup> Thessaloniki European Council, 19-20 June 2003, Presidency Conclusions, available at [http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ec/76279.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/76279.pdf)

<sup>149</sup> General Affairs and External Relations Council, Brussels, 17 May 2004, accessed from CEPS Europa South East Monitor, issue 55, May 2004; **see also** Axel Sotiris Wallden, (2003), “The Western Balkans on the Road to EU Integration: an Assessment of the Thessaloniki Summit”, European Movement, Serbia and Friedrich Ebert Stiftung, International Conference ‘EU and the Balkans: What Next after Thessaloniki’, Belgrade, 27-28 June 2003, p.2

management, research technology and development, cross border co-operation and parliamentary co-operation”<sup>150</sup>.

The EU, in article 4 of the Thessaloniki Summit Declaration, launched the ‘European Partnerships’, as well as the decision for enhanced co-operation in the areas of political dialogue and the Common Foreign and Security Policy (CFSP) to show its commitment for the EU integration of the Western Balkans. Meurs and Weiss point out that, indeed, the proposal of the Greek Presidency and the EU Commission was for a “European Integration Partnership” for the Western Balkans. The proposal for the “European Integration Partnership” was more encouraging and satisfactory in terms of membership perspective, since it was identical with the Accession Partnerships in force for CEE candidates. During the Thessaloniki Summit, the Council changed its formula to less satisfactory “European Partnerships’. These Partnerships, inspired from the Accession Partnerships, were tailored to each country's specific needs by setting out priorities for the short term (12-24 months) and the medium term (3-4 years) for further integration with the European Union. The Partnerships helped governments to concentrate on reform efforts and available resources where they were most needed to achieve the SAP objectives<sup>151</sup>.

European Stability Initiative (ESI) report also draws our attention to the proposal for additional funding for social and economic cohesion in the region made by regional leaders and international experts before Thessaloniki Summit<sup>152</sup>. Instead of launching new and efficient policies like liberalization of the EU’s visa regime and widening the social and economic cohesion policies, the SAP prioritized the

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<sup>150</sup> Article 9 of the EU-Western Balkans Summit, Thessaloniki European Council, 19-20 June 2003, Presidency Conclusions, accessed from [http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ec/76279.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/76279.pdf)

<sup>151</sup> The EU-Western Balkans Summit, Thessaloniki European Council, 19-20 June 2003, Presidency Conclusions, accessed from [http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ec/76279.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/76279.pdf)

<sup>152</sup> European Stability Initiative (ESI), (2003), “The Road to Thessaloniki: Cohesion and the Western Balkans”; **see also** Mustafa Türkeş and Göksu Gökgez, (2006), p.22

implementation of major reforms in good governance, fight against organized crime, corruption and illegal migration, strengthening administrative capacity in border control and the security of documents in the Articles of 6, 7, 8 of the Declaration. Article 8 stated that “the SAP countries should commit to the policy principles enshrined in the European Charter for Small Enterprises, as well as to participate in its implementation”. For the EU, the small and medium-sized enterprises are as a key source of jobs, innovation and wealth. These enterprises, as essential for the functioning of competitive market economies, would be substitute for a policy of social and economic cohesion. In the article 8, the importance of persistent efforts and reforms were one more time highlighted in order to ensure employment as well as the establishment of functioning market economies and to achieve sustainable development in the Western Balkan countries. Moreover, the efforts of the Western Balkan countries should be consistent with the Trans-European Networks. The areas of telecommunication, transport and energy were prioritized for the development of networks and infrastructures. The EU encouraged further mobilization of international support in these areas, notably through the European Investment Bank and other International Financial Institutions, and private investment.

As for the regional countries’ expectation for being under Directorate-General Enlargement of the EU Commission and having candidate status, the outcome of the Thessaloniki Summit could not create a paradigm shift in the already existing EU strategy. Accordingly, the Western Balkans remained under Directorate-General External Relations of the EU Commission and the “potential candidate” formula for the Western Balkans was not replaced by a candidacy status<sup>153</sup>. And as stated in the article 4 “the SAP will remain the framework for the European course of the Western Balkans, all the way to their future accession”<sup>154</sup>. Finally,

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<sup>153</sup> Meurs and Weiss, (2003), “The Next Europe: Southeastern Europe after Thessaloniki”, C.A.P. Working Paper, available at <http://www.cap.unimuechen.de/bertelsmann/soe.htm>; **see also** Mustafa Türkeş and Göksu Gökgöz, (2006), pp. 20-21

<sup>154</sup> Thessaloniki European Council, 19-20 June 2003, Presidency Conclusions, available at [http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ec/76279.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/76279.pdf)

article 2 of the Declaration also stated that “preparation for integration into European structures and ultimate membership into the European Union, through adoption of European standards, is now the big challenge ahead”<sup>155</sup>. At this point, a comparison of the outcome of the Copenhagen European Council of 1993 and the article 2 of Thessaloniki Summit Declaration would be appropriate to see to what extent EU commitment for the integration of Western Balkans was different from the CEE enlargement process. The Copenhagen European Council declared that “the associated countries in central and Eastern Europe that so desire shall become member of the European Union”<sup>156</sup>, thus opened the way for the candidacy of the CEE countries and the CEE enlargement process. On the other hand, in the article 2 of Thessaloniki Summit declaration, the EU has still preferred to use ‘ultimate membership’ instead of ‘membership’ of the regional countries by underlining challenges ahead for such an paradigm shift in the EU-Western Balkans relations. Therefore, despite the fact that the Thessaloniki European Council strengthened the commitment of the EU for the future EU membership of Western Balkans by introducing new pre-accession instruments to the SAP, this commitment could not go beyond rhetorical commitment exercise and could not create a breakthrough in the EU’s already existing Western Balkans enlargement strategy in terms of EU membership. All in all, the initiated formula of catalyst for change with regard to challenges ahead like constitutional and status issue was the enhancement of membership perspective within SAP but without a time framework and with increased conditionality and a flexible/long term approach.

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<sup>155</sup>Thessaloniki European Council, 19-20 June 2003, Presidency Conclusions, available at [http://ue.eu.int/ueDocs/cms\\_Data/docs/pressData/en/ec/76279.pdf](http://ue.eu.int/ueDocs/cms_Data/docs/pressData/en/ec/76279.pdf)

<sup>156</sup>European Commission, “Enlargement of the European Union, An Historic Opportunity”, p.7

## CHAPTER 3

### THE EU'S WESTERN BALKANS ENLARGEMENT STRATEGY SINCE THE THESSALONIKI SUMMIT

The Thessaloniki Agenda agreed between the EU and Western Balkans at the June 2003 Thessaloniki Summit has been on track for the transition, stabilization and integration of the Western Balkans for three years. The commitments undertaken by the EU in the Thessaloniki Summit and Thessaloniki Agenda depended upon the promotion of Stabilization and Association Process and the further anchoring of the regional countries through the enriched SAP mechanism to enhance their stabilization, transition and integration processes. In this sense, concerning the challenges ahead like constitutional and status issues in the Western Balkans and fulfillment of membership criteria, the EU aimed at enhancing its relations with the SAP countries in terms of their performances in reform process. However, the profile of the region has still represented a mixture of weak states and international protectorates and each Western Balkan country stood on different stages in the ladder of EU accession in terms of own merit principle for further EU integration. Additionally, as pointed out by the International Commission on the Balkans, the still persisting structural, political and economic challenges like high unemployment, low economic growth, pervasive corruption, political instability, distrust to the 'democratic' institutions, constitutional problems, open status issues, and doubts about the future overshadowed post war success records like reconstruction, reconciliation, immense international aid, reform minded governments and growing regional and international cooperation<sup>157</sup>.

For the time being, the constitutional and status issues in the Western Balkan countries like final status of Kosovo, the constitutional arrangements of Serbia

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<sup>157</sup> International Commission on the Balkans, (2005), "The Balkans in the Europe's Future, Report of the International Commission on the Balkans", April 2005, pp.3,7, available at <http://www.balkan-commission.org/activities/Report.pdf>

and Montenegro and prospective constitutional reform in Bosnia and Herzegovina have preoccupied the political agenda of the Western Balkans. On the other hand, EU agenda has been turning around the discussions on the Union's absorption capacity beyond its current 25 member states, the so called enlargement fatigue, the failure of ratification of Constitutional Treaty and EU's actorness in the international arena and globalization process. Therefore, as the political, economic and security rationale underlying the CEE enlargement process and the main motivations of the EU for Eastern enlargement at the end of the Cold War faded, the contextual and conceptual changes in the EU politics created paramount drawbacks for the realization of earlier commitments of the EU in terms of immediate accession of the Western Balkan countries<sup>158</sup>. This chapter, in the light of these developments both in the EU and in the Western Balkans in the aftermath of CEE enlargement, examined changes and continuities in the EU's Western Balkans strategy since the Thessaloniki Summit of June 2003. Secondly, given to the discussions on rediscovered absorption capacity and commitment of the EU for further eastward enlargements, Chapter 3 examined whether there has been a shift in the EU enlargement strategies in the aftermath of the 2004 CEE enlargement.

### **3.1. PROGRESS ACHIEVED AND CHALLENGES AHEAD IN THE EU-WESTERN BALKANS RELATIONS SINCE THE THESSALONIKI SUMMIT**

The EU Commission following the EU commitments to the region in Thessaloniki Summit has introduced an array of new instruments to support the reform process and to bring the countries closer to the European Union. Many of these new instruments have still been underway. Indeed, EU instruments and measures for the integration of the Western Balkans were drawn from the pre-accession process practiced in the CEE enlargement but in a more flexible way with increasing conditionality and without time framework. In this line, the following parts of this chapter examined the main steps of the Western Balkan countries in the EU

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<sup>158</sup> International Commission on the Balkans, (2005), pp.8-38

accession process, the new setup of regional co-operation and financial assistance to the region.

### **3.1.1. THE MILESTONES OF THE WESTERN BALKAN COUNTRIES IN EU ACCESSION PROCESS**

Over the last three years since the Thessaloniki Summit, the Western Balkan countries have moved forward in terms of EU integration. Moreover, in the early 2005, the Directorate-General Enlargement of the EU Commission took the responsibility for the EU- Western Balkans relations including political relations and the development and management of the CARDS programme, which kept alive the prospects of the Western Balkans enlargement. As the Stabilization and Association process was tailored to keep the Western Balkan countries on track of political, economic and social reform to adjust their domestic structures to the *acquis communautaire*, the EU has still defended that each country could find its place in this long term and flexible process. Accordingly, Western Balkan countries' speed and ability to take on the obligations of a closer association with the EU will affect the political judgment of the EU for signing SAA, granting candidate status and then opening of the accession negotiations<sup>159</sup>. At this point, a chronological overview of the EU-Western Balkans relations since the initiation of SAP and the milestones of each SAP country in the EU accession process are useful to explain the differentiation among the regional countries.

The formal contractual relations between the Republic of Macedonia and EU started in 1996 when it signed an agreement with the EU to be eligible for PHARE programme. Alongside the settlement of the political and security crisis between February and August 2001 through the signature of so called Ohrid Framework Agreement by the country's political leaders, the Republic of Macedonia was the first country in region to conclude a SAA in April 2001. The Republic of Macedonia submitted its application for EU membership on 22 March 2004. Finally, at the Brussels European Council, Macedonia was awarded with

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<sup>159</sup> Commission of the European Communities, Report from the Commission, "The Stabilization and Association Process for South East Europe, Third Annual Report", pp.4-5

candidate status on 17 December 2005. However, no date was specified for the opening of accession negotiations of the Republic of Macedonia<sup>160</sup>.

Croatia was the second country in the Western Balkans to sign a SAA on 29 October 2001<sup>161</sup>. Croatia applied for membership to the EU on 21 February 2003. The European Commission gave its positive opinion on the Croatia's application for EU membership application in April 2004. Then, Croatia was granted candidate status on 18 June 2004. However, the opening of accession negotiations with Croatia on 17 March 2005 was tied to its full co-operation with the International Criminal Tribunal for the former Yugoslavia. On 16 March 2005, the EU postponed the accession negotiations due to lack of compliance with the ICTY, but adopted framework for negotiations with Croatia. Finally, with the political judgment of the EU and ICTY concerning the Croatia's efforts to submit war criminals to the ICTY, the Croatia started accession negotiations in October 2005<sup>162</sup>. In this sense, Croatia left the SAP group in its EU accession process.

Current contractual relations between Albania and the EU have started with 1992 Trade, Commercial and Economic Co-operation Agreement. For Albania, on 31 January 2003, the EU officially launched negotiations for a SAA. Finally, Albania signed its SAA with the EU as the third Western Balkan state on 12 June 2006<sup>163</sup>. Yet, Albania was not given a candidate status.

In the case of Bosnia and Herzegovina, the Commission presented a 'Road Map' in March 2000. After the Bosnia and Herzegovina's compliance with all the

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<sup>160</sup>European Commission, "Relations between the EU and the Former Yugoslav Republic of Macedonia, Main Steps towards EU", available at [http://ec.europa.eu/comm/enlargement/fyrom/eu\\_relations.htm](http://ec.europa.eu/comm/enlargement/fyrom/eu_relations.htm); **see also** "EU-Western Balkans Relations", *EurActiv*, 14.06.2006, available at <http://www.euractiv.com/en/>

<sup>161</sup> The SAA between the EU and Croatia entered into force on 1 February 2005.

<sup>162</sup>European Commission, "EU-Croatia Relations: Main Steps towards the EU", available at [http://ec.europa.eu/comm/enlargement/croatia/eu\\_relations.htm](http://ec.europa.eu/comm/enlargement/croatia/eu_relations.htm)

<sup>163</sup>European Commission, "EU-Albania Relations: Main Steps towards the EU", available at [http://ec.europa.eu/comm/enlargement/albania/eu\\_albania\\_relations.htm](http://ec.europa.eu/comm/enlargement/albania/eu_albania_relations.htm); **see also** "EU-Western Balkans Relations", *EurActiv*, 14.06.2006, available at <http://www.euractiv.com/en/>

recommendations of the Commission, in 2003 the EU Commission initiated a Feasibility Study including 16 key priorities for Bosnia and Herzegovina's capacity to implement a future SAA. In November 2005, following the European Commission's recommendations on the opening of SAA negotiations, the European Council adopted the negotiation directives for the negotiations and authorized the Commission to open negotiations with the BiH. Negotiations were officially opened in Sarajevo on 25 November 2005, on the day of the tenth anniversary of the Dayton Peace Agreements<sup>164</sup>. The Bosnia and Herzegovina has still been in the SAA negotiation phase.

The EU and Serbia and Montenegro relations have been one of the corner stones of the stabilization and EU integration of the Western Balkans. The State Union of Serbia and Montenegro was established in 2003 by replacing the Federal Republic of Yugoslavia or what left from the former Yugoslavia<sup>165</sup>. The Federal Republic of Yugoslavia had become the part of SAP in 1999, even before the fall of Milosevic regime (in November 2000) and its formal contractual relations with the EU were decided to be through SAA within the context of SAP. The EU-Serbia and Montenegro relations had gone along with the so called 'twin track' approach of the EU. Accordingly, "the two republics would negotiate with the EU separately in areas where they operate separately and they have full competence. At the same time, they would conclude a single SAA"<sup>166</sup>. In April 2005, the European Commission adopted a Feasibility Report in order to prepare Serbia and Montenegro to negotiate a single SAA with the EU. And then, on 25 April 2005, the EU Council endorsed this report and invited Commission to submit SAA

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<sup>164</sup>European Commission, "Relations with Bosnia-Herzegovina, Key Events", available at [http://ec.europa.eu/comm/enlargement/bosnia\\_herzegovina/key\\_events.htm](http://ec.europa.eu/comm/enlargement/bosnia_herzegovina/key_events.htm); see also European Commission, "Relations between the EU and Bosnia Herzegovina, Main Steps towards the EU", available at [http://ec.europa.eu/comm/enlargement/bosnia\\_herzegovina/eu\\_relations.htm](http://ec.europa.eu/comm/enlargement/bosnia_herzegovina/eu_relations.htm)

<sup>165</sup> In March 2002, under EU auspices, Serbian and Montenegrin representatives signed the Belgrade Agreement on a restructured State Union. The Constitutional Charter entered into force in February 2003.

<sup>166</sup> European Commission, "EU- Serbia and Montenegro Relations, Main Steps Towards the EU", available at [http://ec.europa.eu/comm/enlargement/serbia\\_montenegro/serbia\\_montenegro\\_eu\\_relations.htm](http://ec.europa.eu/comm/enlargement/serbia_montenegro/serbia_montenegro_eu_relations.htm)

negotiation directives. In October 2005, Serbia and Montenegro started SAA negotiations<sup>167</sup>. However, the reality on the ground showed that the ‘twin track’ approach would not work as planned by the EU. In the referendum made for the future of State Union of Serbia and Montenegro on 21 May 2006, Montenegro voted for its independence and for ending its political Union with Serbia by passing %55 threshold set by the EU. Then, the EU accepted the separation of EU accession processes of both countries<sup>168</sup>. Olli Rehn said that “the EU will shortly present a new negotiating mandate for Montenegro, which could conclude its SAA talks by the end of 2006 and a modified negotiating mandate for Serbia as the successor state of Serbia and Montenegro”<sup>169</sup>. As for Serbia, the Commission envisaged that the pre-requisites for a swift conclusion of SAA negotiations by the end of 2006 mainly depend upon the submission of war criminals to the ICTY, particularly Ratko Mladic, and peaceful co-operation or compromising of Serbia with the EU in the settlement of constitutional and status issues in the region. For instance, though the Serbia stated SAA negotiations, the EU froze Serbia’s Stabilisation and Association Agreement (SAA) negotiations on 3 May 2006 over Serbia's foot-dragging on the Mladic issue to show how strict the EU would be on above mentioned pre-requisites<sup>170</sup>.

Kosovo, as a breakaway province of Serbia, has become a UN protectorate since the NATO intervention in 1999. International community tried to design a multi-ethnic society in Kosovo including Kosovar Albanians (88%), Kosovar Serbs

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<sup>167</sup> European Commission, “EU-Serbia and Montenegro Relations: Main Steps towards the EU”, available at [http://ec.europa.eu/comm/enlargement/serbia\\_montenegro/serbia\\_montenegro\\_eu\\_relations.htm](http://ec.europa.eu/comm/enlargement/serbia_montenegro/serbia_montenegro_eu_relations.htm)

<sup>168</sup> Helena Spongenberg, “Montenegro Swings towards Independence”, *EUobserver*, 22.05.2006, available at <http://www.euobserver.com>

<sup>169</sup> “Serbia, Montenegro to Receive Separate EU Negotiating Mandates”, *EurActiv*, 19.06.2006, available at <http://www.euractiv.com/en/>

<sup>170</sup> Andrew Rettman, “EU Offers Speedy End to Serbia Talks If Mladic is Caught”, *EUobserver*, 15.05.2006, available at <http://www.euobserver.com>, **see also** Council of the European Union, Council Conclusions on the Western Balkans, 2728th EXTERNAL RELATIONS Council meeting - Brussels, 15 May 2006, available at [press.office@consilium.europa.eu](mailto:press.office@consilium.europa.eu), and <http://www.consilium.europa.eu/Newsroom>

(7%) and other 5 % (Turks, Bosniaks, Roma, Ashkali, Egyptian, Gorani). Moreover, the UN Mission in Kosovo (UNMIK) has shared administrative, legislative, and executive responsibility with the Kosovar Provisional Institutions of Self- Government (PISG) as a provisional solution until the settlement of final status. International community, particularly the EU, followed ‘standards before status’ approach concerning the final status issue, which meant that certain human rights and other standards of international community should be met by PIGS before status issue could be discussed<sup>171</sup>. Additionally, final status issue of Kosovo was frozen by the international community for many years and policies focused on urgent economic and social issues to meet the standards. The Report of the International Community on the Balkans termed this approach as ‘constructive ambiguity’. Accordingly, in the UN Security Council Resolution 1244 and Constitutional Charter of Serbia and Montenegro, the international community assumed that economic and social development in the process for meeting the standards would reduce the pressing needs to solve open status issues, thus provisional solutions of status and constitutional issues of a post conflict region would be sustainable enough to prevent probable conflict situations in Kosovo<sup>172</sup>. Nonetheless, again reality on ground showed the bankruptcy of the ‘standards before status’ approach of the international community and the EU strategy with regards to final status issue of Kosovo. In the aftermath of Thessaloniki Summit, particularly after the break out of March 2004 events in Kosovo between the Kosovar Serbs and Albanians, the international community and the EU admitted that the ‘standard before status approach’ failed to sustain security, stability and development in the Kosovo<sup>173</sup>. By the end of 2005, a process for reaching a solution on the final status of Kosovo has started. In the face of status issue of Kosovo, the EU policies have directed towards anchoring Kosovo in the SAP

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<sup>171</sup> Borut Grgic, (2005), “Endgame in the Balkans: Croatia, Serbia, Bosnia and Even Kosovo are Moving Now”, IP-Transatlantic Edition, Winter,2005, p.11, **see also** European Commission, “Kosovo under UN Security Council resolution 1244”, available at [http://ec.europa.eu/comm/enlargement/serbia\\_montenegro/kosovo\\_political\\_profile.htm](http://ec.europa.eu/comm/enlargement/serbia_montenegro/kosovo_political_profile.htm)

<sup>172</sup> International Commission on the Balkans, (2005), p. 13

<sup>173</sup> International Commission on the Balkans, (2005), p.13

framework just like the other Western Balkan countries. Kosovo was included to European Partnership of Serbia and Montenegro in June 2004<sup>174</sup>.

Alina Mungiu-Pippidi concerning the differentiation principle of the EU points out a mixture of twilight zones in the Balkans and further argues that the instruments and the enlargement strategy of the EU as practiced in the CEE enlargement, were proven to be under strain in the Western Balkans in the sense that it created a class of frontrunners close to the gate and laggards in the dark sides of the waiting room<sup>175</sup>. Indeed, while the EU is well aware of the problems in the implementation of Thessaloniki Agenda and the need of further initiatives in the face of challenges ahead, has still assumed that the furthering the work for the realization of Thessaloniki agenda would be suffice to cope with the stability risks, transition, EU integration and the development needs of the Western Balkans<sup>176</sup>. All in all, the differentiation policy of the EU led a competition rather than regional cooperation and undermined the rapid transition of the weak states. Moreover, the revised EU approach since the Thessaloniki Summit depending upon the resolution of regional problems like status issues, political and macro economic instability within the EU integration process and in a competition atmosphere miscalculates the expectation of the countries that is a clear and visible membership perspective.

### **3.1.2. REGIONAL CO-OPERATION**

Since the Thessaloniki Summit, regional co-operation have achieved progress in the areas of return of refugees; justice, freedom and security including fight

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<sup>174</sup> European Commission, “EU-Kosovo Relations: Main Steps towards the EU”, available at [http://europa.eu/int/comm/enlargement/serbia\\_montenegro/kosovo\\_eu\\_relations.htm](http://europa.eu/int/comm/enlargement/serbia_montenegro/kosovo_eu_relations.htm)

<sup>175</sup> Alina Mungiu-Pippidi, (2003), “Of Dark Sides and Twilight Zones: Enlarging to the Balkans”, *East European Politics and Societies*, 17:1, pp. 85-86

<sup>176</sup> Commission of the European Communities, Communication from the Commission, “The Western Balkans on the road to the EU: Consolidating Stability and Raising Prosperity”, Brussels, 27.01.2006, COM(2006) 27 Final, available at <http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=COM:2006:0027:FIN:EN:HTM>

against organized crime, corruption, cross border management, illegal trafficking, immigration; political dialogue via Parliamentary co-operation; energy; transport; infrastructure; and environment. The establishment of regional centers like the Transport Observatory in Belgrade, the Sava River Commission in Zagreb, the Energy Secretariat in Vienna, the Regional Centre of the Migration, Asylum, and Refugees Regional Initiative (MARRI) in Skopje has reflected enhanced ownership of the regional co-operation since the Thessaloniki Summit<sup>177</sup>. The European Commission declared that the challenges ahead concerning the main issues for the regional co-operation are the close connection of the domains of regional co-operation with the requirements of European integration, full local/regional ownership, the future and role of Stability Pact and the complementarity of the regional initiatives<sup>178</sup>.

As the Western Balkans has gradually moved from post war reconstruction and reconciliation to EU integration since the Kosovo crisis, the premises for work and functions of the SP have changed. The Stability Pact has gradually reorganized its activities, structures in order to enhance regional ownership and to complement the regional cooperation element of the Stabilization and Association process as part of the revisions of the EU strategy since the Thessaloniki Summit<sup>179</sup>. As an instance, the Regional Table in Tirana reviewed the activities of the SP in 2003 and agreed to continue to concentrate its work on six core objectives, which were local democracy and cross border co-operation, media, trade and investment, energy and other regional infrastructure, fighting organized crime and managing and stabilizing population movements<sup>180</sup>. Then, the core SP objectives

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<sup>177</sup> Commission of the European Communities, Communication from the Commission, “The Western Balkans on the Road to the EU: Consolidating Stability and Raising Prosperity”, p.12

<sup>178</sup> Commission of the European Communities, Communication from the Commission, “The Western Balkans on the Road to the EU: Consolidating Stability and Raising Prosperity”, p.13

<sup>179</sup> Commission of The European Communities, Report from The Commission, “The Stabilisation and Association process for South East Europe, Third Annual Report”, p.24

<sup>180</sup> Commission of The European Communities, Report from The Commission, “The Stabilisation and Association process for South East Europe, Third Annual Report”, p.24

of 2005 were decided as local democracy and cross-border cooperation, parliamentary co-operation, energy and other regional infrastructure, energy and other regional Infrastructure, trade, investment and employment, fighting organized crime, managing and stabilizing population movements<sup>181</sup>. These redefined core objectives of the SP illustrate how parallel will be the SAP priorities in regional co-operation and the future activities and functions of the SP in the next years. Moreover, the EU supported a gradual transfer of the key functions and the central role of the SP to the local/regional co-operation initiatives through well managed arrangements and process<sup>182</sup>. The European Commission's 2005 Enlargement Strategy Paper asserted that "a reformed Stability Pact could gradually and adequately transfer its key functions to the region, in order to maintain the momentum in regional cooperation"<sup>183</sup>. In this sense, at the Thessaloniki Summit of June 2003, the South-East Europe Cooperation Process (SEECP) was recognized as the 'voice of region' as one of the partners of the SP. Since then, the SEECP has been revitalized and further consolidated its role and functions for the regional co-operation in terms of EU integration requirements<sup>184</sup>. The European Council Conclusions on the Western Balkans on 15 May 2006 also emphasized the importance local/regional ownership of regional co-operation as one of the cornerstones of the SAP and encouraged the SEECP to take concrete decisions on its role in the context of the

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<sup>181</sup> For further details on Stability Pact, see <http://www.stabilitypact.org/>

<sup>182</sup> Commission of the European Communities, Communication from the Commission, "The Western Balkans on the road to the EU: Consolidating Stability and Raising Prosperity", p.13

<sup>183</sup> Commission of The European Communities, "Communication From The Commission, 2005 Enlargement Strategy Paper", p.9

<sup>184</sup> The EU Commission's 2004 SAP Report mentioned the increased role of the SEECP under the heading of "Ensuring Complementarity of Regional Initiatives" as follows: "Both the Serbia and Montenegro and subsequent Bosnia and Herzegovina Chairs in Office secured a high level of political coordination among SEECP members on key issues, in particular as regards Justice and Home affairs the "Sarajevo Declaration" was adopted. The SEECP made significant contributions to various EU/Western Balkan events, such as the Thessaloniki summit in June, the Trade ministerial and the Justice and Home Affairs Ministerial meeting in November 2004. The SEECP plays a crucial role in securing effective regional ownership of the reform process and in bringing about regional cooperation"

ongoing discussions with the European Commission and the Stability Pact<sup>185</sup>. For the time being, there is no final decision for the future set-up of the regional co-operation in the Western Balkans. However, it is clear that local/regional co-operation initiatives, particularly the SEECP, will gradually undertake the role and functions of the SP in the region.

### 3.1.3. FINANCIAL ASSISTANCE

Since the Thessaloniki Summit of June 2003, the European Partnerships set the short and medium-term reform priorities in each of the SAP country in their CARDS funded projects. The EU assistance focused on the challenges identified in the framework of the European Partnerships and each country has its specific action plan accordingly. The SAP countries are expected to fully integrate the priorities of the European Partnerships and Action Plans as a condition to their domestic policy agenda, including not only legislative but also budgetary and administrative planning without delay<sup>186</sup>. Moreover, the main focus of CARDS programme has gradually shifted to institution-building primarily at the state level, justice and home affairs, capacity building in the public administration, judiciary, police, border services, reform of the media, assistance in drafting legislation, investment, regional co-operation and other measures to achieve gradual approximation of the SAP countries with the European market, EU norms, structures and eventually harmonization with EU *acquis*<sup>187</sup>.

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<sup>185</sup> Council of the European Union, Council Conclusions on the Western Balkans, 2728th EXTERNAL RELATIONS Council meeting - Brussels, 15 May 2006

<sup>186</sup> Commission of The European Communities, "Communication From The Commission, 2005 Enlargement Strategy Paper", pp. 11-12

<sup>187</sup> Commission of The European Communities, Report From The Commission, "The Stabilisation and Association Process for South East Europe, Second Annual Report", Brussels, 26.3.2003, COM (2003) 139 final, p.17-18, available at

[http://eur-lex.europa.eu/LexUriServ/site/en/com/2003/com2003\\_0139en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2003/com2003_0139en01.pdf); see also Commission of the European Communities, Report from the Commission, "The Stabilization and Association Process for South East Europe, Third Annual Report", p.7

In terms of the Thessaloniki Declaration and Thessaloniki Agenda for the Western Balkans, it was agreed an increase in the CARDS assistance and medium term additional funds to address remaining challenges like constitutional and status issues and to prepare regional countries for prospective EU membership. The EU assistance to the region under CARDS has reached to around €5.4bn for the period of 2000-2006. The EU Commission declared that “an additional €71 million were allocated to the Western Balkans in the 2004 budget and in addition to the CARDS programme €873 million had been disbursed by the end of 2003 as part of macro-financial assistance to the region, except Croatia”<sup>188</sup>. In 2005, The EU assistance to the Western Balkans was €539 million, including support to the regional programme for which Croatia remained eligible<sup>189</sup>. After becoming a candidate country, Croatia became eligible for all three pre-accession financial instruments: Phare for institution-building and economic and social cohesion, ISPA for environment and transport infrastructures and SAPARD for agricultural and rural development. Croatia also remained eligible for the CARDS Regional Programme in 2005 and 2006. Pre-accession financing to Croatia amounted to EUR 105 million in 2005 and EUR 140 million in 2006. Croatia also participated in Community Programmes<sup>190</sup>. Below tables illustrated the allocation of CARDS allocation for 2000-2006 concerning the share of regional countries, and privileged sectors and the CARDS allocation to Serbia and Montenegro, including Kosovo for 2005-2006.

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<sup>188</sup> Commission of the European Communities, Report from the Commission, “ The Stabilization and Association Process for South East Europe, Third Annual Report”, p.10

<sup>189</sup> Commission of The European Communities, “Communication From The Commission, 2005 Enlargement Strategy Paper”, p.11-12

<sup>190</sup> Commission of The European Communities, “Communication From The Commission, 2005 Enlargement Strategy Paper”, p.7

**TABLE 4: CARDS PROGRAMME ALLOCATION FOR 2000-2006 (million euro)**

	2000	2001	2002	2003	2004	2005	2006	TOTAL
<b>Albania</b>	33.4	37.5	44.9	46.5	63.5	44.2	45.5	315.5
<b>Bosnia and Herzegovina</b>	90.3	105.2	71.9	63.0	72.0	49.4	51.0	502.8
<b>Croatia (transfer to pre-accession from 2005)</b>	16.8	60.0	59.0	62.0	81.0	-	-	278.8
<b>The Republic of Macedonia</b>	13.0	56.2	41.5	43.5	59.0	45.0	40.0	298.2
<b>Serbia and Montenegro</b>	650.5	385.5	351.6	324.3	307.9	282.5	257.5	2559.8
<b>Interim Civilian Administrations</b>	10.0	24.5	33.0	32.0	35.0	36.0	35.0	205.5
<b>Regional</b>	20.2	20.0	43.5	31.5	23.0	47.9	43.5	229.6
<b>Other</b>	141.5	118.0	11.0	17.0	22.5	19.7	16.1	345.8
<b>Macro-Financial Assistance</b>	70.0	120.0	100.0	15.0	16.0	33.0	50.0	404.0
<b>TOTAL</b>	1045.7	926.9	756.4	634.8	679.9	557.7	538.6	5130.2
<b>Croatia, pre-accession 2005-6</b>						105	140	245
<b>TOTAL including Croatia, 2005-6</b>						662.7	678.6	5385

Source: [http://ec.europa.eu/comm/enlargement/cards/financial\\_en.htm](http://ec.europa.eu/comm/enlargement/cards/financial_en.htm)

**TABLE 5: CARDS PROGRAMME ALLOCATION FOR 2005-2006 (million euro) FOR SERBIA AND MONTENEGRO, AND KOSOVO**

<b>Sector</b>	<b>State Union</b>	<b>Serbia</b>	<b>Montenegro</b>	<b>Kosovo</b>	<b>TOTAL</b>
<b>Justices &amp; Home Affairs</b>	<b>1.8</b>	<b>24.8</b>	<b>3</b>	<b>11.6</b>	<b>41.2</b>
<b>Administrative Capacity Building</b>	<b>5.6</b>	<b>87.5</b>	<b>11</b>	<b>29.5</b>	<b>133.6</b>
<b>Economic &amp; Social Development</b>	<b>3</b>	<b>124</b>	<b>16.3</b>	<b>64.8</b>	<b>208.1</b>
<b>Environment, Natural Resources</b>	<b>0</b>	<b>22.5</b>	<b>6</b>	<b>6</b>	<b>34.5</b>
<b>Democratic Stabilisation</b>	<b>3.4</b>	<b>28.5</b>	<b>3.7</b>	<b>11.5</b>	<b>47.1</b>
<b>Other</b>	<b>2.2</b>	<b>46.2</b>	<b>6.5</b>	<b>20.1</b>	<b>75</b>
<b>TOTAL ALLOCATION</b>	<b>16</b>	<b>333.5</b>	<b>46.5</b>	<b>143.5</b>	<b>539.5</b>

Source: [http://ec.europa.eu/comm/enlargement/cards/financial\\_en.htm](http://ec.europa.eu/comm/enlargement/cards/financial_en.htm)

The EU Commission proposed Instrument for Pre-accession Assistance (IPA) as an accession driven instrument for both candidates (Croatia, Macedonia, Turkey) and potential candidates (Bosnia and Herzegovina, Serbia and Montenegro Albania) on 29 September 2004 for the period covered by the next Financial Perspectives of 2007-2013<sup>191</sup>. The IPA was designed for simplification and co-ordination of pre-accession assistance, which will replace the PHARE, ISPA and SAPARD instruments, as well as CARDS and the pre-accession instrument for Turkey as a single framework from 2007 onwards. Since IPA framework included both candidates and potential candidates under the same instrument, it was assumed by the EU that it would simplify and facilitate the transition of a country from one status (potential candidate) to another (candidate)<sup>192</sup>.

<sup>191</sup> For further information on the 'New Architecture for External Actions on 29 September 2004' see [http://europa.eu.int/eur-lex/en/com/cnc/2004/com2004\\_0626en01.pdf](http://europa.eu.int/eur-lex/en/com/cnc/2004/com2004_0626en01.pdf)

<sup>192</sup> European Commission, "Instrument for Pre-accession Assistance, "IPA", available at [http://europa.eu.int/comm/enlargement/ipa\\_en.htm](http://europa.eu.int/comm/enlargement/ipa_en.htm)

The IPA has mainly five components: Transition Assistance and Institution Building, Regional and Cross-Border Cooperation, Regional Development, Human Resources Development, Rural Development. In the framework of IPA, potential candidates will benefit from the first two components of IPA: transition assistance and institution building, and regional and cross-border cooperation. The EU assistance in the areas of infrastructure, regional development and labour and social policies will also be available to potential candidates within the institution-building component. Potential candidates will be able to use institutional building in two respects. Firstly, they should concentrate on institution building to strengthen the fulfillment of Copenhagen political criteria, to enhance administrative and judicial capacity and to encourage some alignment with the *acquis communautaire*. Secondly, for their preparation for managing the Structural Funds once they become candidate countries. The institution building component should be used to build capacities and to ensure the correct programming and management structures. The candidacy status will provide the access to the remaining three ‘structural’ components of IPA, which are Regional Development, Human Resources Development, and Rural Development. However, potential candidates will not be granted an automatic increase in the level of support once they become candidate. On the other hand, candidates will benefit from all those five components of IPA. Candidate countries will use the institution building component of IPA for full alignment with the community *acquis*. The structural components of IPA -Regional Development, Human Resources Development, and Rural Development- reserved only for candidates and aimed to prepare them to manage EU Funds after accession<sup>193</sup>. As for the reason of differentiation between the candidates and potential candidates in IPA framework, the EU stated that “the new instrument had to feature a real differentiation between the two groups of countries, in order to take account of the political decision which promotes a country from potential candidate to

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<sup>193</sup> European Commission, “Instrument for Pre-accession Assistance, “IPA”, available at [http://europa.eu.int/comm/enlargement/ipa\\_en.htm](http://europa.eu.int/comm/enlargement/ipa_en.htm), **See also** Commission of the European Communities, Communication from the Commission, “The Western Balkans on the Road to the EU: Consolidating Stability and Raising Prosperity”, p.14

candidate status, and address the differences between potential candidates and candidates concerning their administrative, programming and management capacity”<sup>194</sup>.

### **3.2. CONTEXTUAL CHANGES AND REDISCOVERED ‘ABSORPTION CAPACITY’ OF THE EU**

One of the most prominent factors determining the pace of relations between the EU-Western Balkans and the EU integration process of the Western Balkans has been the own dynamics and internal problems of the EU. In the aftermath of 2004 CEE enlargement, the political climate for further eastward enlargements has changed. The failure of the ratification of the Constitutional Treaty of the EU in the referenda made in France (29 May 2005) and Holland (1 June 2005) slowed down the European political integration process and raised questions on the future of European project. Indeed, enlargement of the EU has become a scape-goat for the intensification of the internal disarray of the EU<sup>195</sup>. France and Holland raised their demands for the suspension of the any further enlargement of the EU in the near future<sup>196</sup>. As an instance, due to French veto, the candidacy of Macedonia was at odds with the EU and about to failing until the last minute at the Brussels European Council in December 2005<sup>197</sup>. Additionally, the United Kingdom’s contention with France and Germany over the allocation of the EU budget of 2007-2013 and its proposal to preclude any serious pre-accession assistance for the Western Balkans multiplied the dismay of the Western Balkans<sup>198</sup>. Moreover,

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<sup>194</sup>European Commission, “Instrument for Pre-accession Assistance, “IPA”, available at [http://europa.eu.int/comm/enlargement/ipa\\_en.htm](http://europa.eu.int/comm/enlargement/ipa_en.htm)

<sup>195</sup> The Economist Intelligence Unit, (2005), “Special Report, Twenty Questions on the Future of Europe: The EU after “non” and “nee””, June 2005, p. 2, available at <http://www.eiu.com>

<sup>196</sup> European Stability Initiative, (2006), p.1

<sup>197</sup> “Macedonia's Candidacy may Suffer Delay”, EurActiv, 19 December 2005, available at <http://www.euractiv.com/en/enlargement/macedonia-candidacy-may-suffer-delay/article-150823>

<sup>198</sup>European Stability Initiative, (2005), “Moment of Truth for Macedonia, the EU Budget and the Destabilization of the Balkans”, 14 December 2005, p. 3, available at <http://www.esiweb.org>

the new member states of the EU, while supporting the idea of further enlargement of the EU at least in wording, had worries for financial assistance as long as they have needs for assistance from the EU funds within the EU budget of 2007-2013<sup>199</sup>. Last but not least, the troubled world economy and the impasses of the EU in the globalization process forced the EU member states to have more competitive and knowledge based economy through ambitious Lisbon strategy<sup>200</sup>. The impediments of the EU in the global economy diminished the motivations for immediate further enlargements.

At this point, it is possible to set a linkage between the discontent of the Western Balkan countries with regard to their EU accession process and the discussions on enlargement fatigue and absorption capacity of the EU<sup>201</sup>. After the accession of eight CEE countries plus Malta and Cyprus in 2004, the Western Balkan countries feared that ‘they would be left on the margins of new and integrated Europe instead of catching up with the rest of the continent due to enlargement fatigue in the EU’<sup>202</sup>. In the 2005 Enlargement Strategy Paper, the EU Commission frankly highlighted its considerations on balancing the Union’s capacity to absorb new member states and the maintenance of the momentum of European integration.

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<sup>199</sup> “Milestones Towards a Reunited Europe: Agenda for Integration of South-Eastern Europe into European Union”, South-East Institute For Strategic Development of International Relations and European University Institute, Robert Schuman Center for Advanced Studies, May 2003, p.4

<sup>200</sup> Wim Kok, (2003), “Enlargement of the European Union Achievements and Challenges, Report of Wim Kok to the European Commission”, European University Institute, Robert Schuman Center for Advanced Studies, p.3, available at [http://ec.europa.eu/comm/enlargement/communication/archives/pdf/report\\_kok\\_en.pdf](http://ec.europa.eu/comm/enlargement/communication/archives/pdf/report_kok_en.pdf)

<sup>201</sup> Othon Anastasakis and Dimitar Bechev, (2003), “EU Conditionality in South East Europe: Bringing Commitment to the Process”, South East European Studies Programme, University of Oxford, April 2003, pp.4-5, available at <http://www.sant.ox.ac.uk/areastudies/SEESP-publications.html>; See also European Stability Initiative, (2006), “Beyond Enlargement Fatigue?”, 24 April 2006, p. 2, available at [www.esiweb.org](http://www.esiweb.org) - [esi@esiweb.org](mailto:esi@esiweb.org); Andrew Rettman, “Time for pause in enlargement, Top Commission Official Says”, EUobserver, 23.02.2006, available at <http://euobserver.com/15/20977>; Mark Beunderman, “Balkan States Get Cautious Confirmation of EU Entry Goal”, EUobserver, 10.03.2006, available at <http://euobserver.com/9/21106>

<sup>202</sup> European Stability Initiative (ESI), (2003), “The Road to Thessaloniki: Cohesion and the Western Balkans”, 12 March 2003, p.1, available at [www.esiweb.org](http://www.esiweb.org) - [esi@esiweb.org](mailto:esi@esiweb.org)

Although the absorption capacity of the EU as a membership criterion was firstly introduced at the Copenhagen European Council of 1993, the commitment of the EU for visible membership perspective for the CEE applicants was substantial and the CEE countries had a clear time framework for EU accession. Additionally, the possible opposition of several member states to the CEE enlargement was eliminated by defining the Copenhagen criteria needed to ensure relatively smooth integration of the CEE countries. On the other hand, absorption capacity was rediscovered by the EU as a membership condition after its fifth enlargement, which tied eventual EU accession of the Western Balkans to the internal dynamics, willingness and political decision of the EU. That is to say, even if the applicant Western Balkan country -signed and successfully implemented its SAA, then granted candidate status, then started accession negotiations, then successfully closed all those chapters in the negotiation framework and fulfilled all the membership criteria- could not be a EU member state due to absorption capacity of the EU at that time. Moreover, The EU Commission in its 2005 Enlargement Strategy paper also declared that “by their very nature, negotiations are an open-ended process”<sup>203</sup>. Therefore, “the accession negotiations can last for widely varying numbers of years, depending on the country’s performance in the fulfillment of the specific criteria in the SAP and implementation of the SAA”<sup>204</sup>. In this sense, unlike the CEE enlargement process including Bulgaria and Romania, the EU refrained from announcing a time framework for the accession of Western Balkans countries, and opted for an open ended process together with a promotion possibility in terms of fulfillment of membership conditionality and performances of the new applicants. Moreover, in the view of the EU Commission, in order to keep the momentum of European integration alive, further enlargements will not be realized in a group mentality like CEE enlargement process. As an instance, so far, Croatia started its accession negotiations in October 2005, thus left the SAP group. Therefore, the so called

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<sup>203</sup> Commission of The European Communities, Communication From The Commission, “2005 Enlargement Strategy Paper”, p.11

<sup>204</sup> Commission of The European Communities, Communication From The Commission, “2005 Enlargement Strategy Paper”, p.11

enlargement fatigue, absorption capacity and the own dynamics of the EU preoccupied the European agenda, and prevented concrete EU commitment for the membership of the Western Balkans since the Thessaloniki Summit. This contextual change and paradigm shift in the EU strategy has further increased the discontent of the laggard countries of SAP like Bosnia and Herzegovina, Serbia, Montenegro, and Albania. According to the Report of the International Commission on the Balkans, in the absence of headline grabbing violence and the sense of urgency to the public in the EU member states, many European politicians hold on to the hope that current status quo or slight revisions in the EU strategy like the acceleration of integration process for the Western Balkans are working just fine<sup>205</sup>. Correspondingly, the 2005 Enlargement Strategy Paper reaffirmed that through a manageable accession process within the SAP, the Western Balkans countries will go ahead at the pace dictated by each country's performance in meeting the rigorous standards, and the EU will ensure the smooth absorption of new members in the long run<sup>206</sup>.

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<sup>205</sup> International Commission on the Balkans, (2005), p.4

<sup>206</sup> Commission of the European Communities, Communication From The Commission, "2005 Enlargement Strategy Paper", pp.2-3

## CONCLUSION

Over a decade after the Dayton/Paris peace agreements and seven years after Kosovo crisis, the Western Balkans is now a relatively stable region. The current situation is far beyond post conflict stabilization, reconciliation and reconstruction. The Western Balkans countries of Croatia and the Republic of Macedonia as candidate states; and the remaining Western Balkan countries as potential candidates, have been in a process of transition and EU integration. However, despite the fact that both the CEE countries and Western Balkans were given EU integration perspective, the Western Balkans has lagged behind in the transition and EU integration process. The EU, in explaining the reasons of the laggardness of the Western Balkans, generally underlined the root causes and regional specificities. According to the EU, even though the EU is committed to integrate the region into the European mainstream; wars and ethnic crises in the region since the violent disintegration of Former Yugoslavia, and the still persisting institutional, political and economic backwardness of the region delayed Western Balkans' transition and the EU integration process. From the point of view of this thesis, the troublesome internal dynamics of the region was only one side of the coin to explain the reason of the laggardness of the Western Balkans in the EU accession process. The other side, actually the dominant factor, determining the EU commitment, membership conditionality and the main dynamic of the EU-Western Balkans relations was preferences, priorities and internal dynamics of the EU.

This thesis also argued that although in the time period from Dayton Peace agreements (1995) to the present (2006), the Western Balkans has moved from post war reconstruction and reconciliation to European integration; the EU integration process of the Western Balkans was differentiated in terms of membership conditionality and EU commitment from the CEE enlargement process. It was ascertained that the initial difference between the prospective Western Balkans enlargement and the CEE enlargement was the rationale and

motivations of the EU in launching an enlargement process. The emerging historical momentum with the end of the Cold War, the collapse of the Soviet Union and communism prepared a ground for Eastern European enlargement of the EU in the early 1990s. Nonetheless, the EU did not manage the accession of the countries of the Eastern Europe in a 'bloc to bloc' basis, instead divided such a heterogeneous region into sub-regions depending upon its own priorities and preferences and Eastern European countries' economic, political and security characteristics and performances in transition. In line with the EU's strategy, different measures on the EU accession, different integration strategies, and aid and trade access have been adapted by the EU in the 'twilight zones' of the Eastern Europe. Despite the fact that geographically the Western Balkan region was part of Eastern Europe; the EU membership of the Western Balkan countries was a pipedream until the end of the Kosovo crisis of 1999. In the early 1990s, the first coherent initiatives and strategies of the EU were for the 'containment' of this troubled region and then after the Dayton Peace Agreements (1995), the EU strategy targeted mainly post war reconstruction and reconciliation. Only in the aftermath of Kosovo crisis, the EU presented an enlargement platform for the Western Balkans through SAP framework and granted 'potential candidate' status to the regional countries. The main reasons of this shift in the EU strategy were bitter experiences driven from the ethnic wars and crises with the dissolution of the Former Yugoslavia, the fragility of the stability in the Western Balkans and the EU's attempts to rehabilitate its questioned international actorness resulting from its inaction during these brutal ethnic wars and crisis.

In the aftermath of Kosovo crisis, the success of Central and Eastern Europe in transition and EU integration inspired the EU Commission and member states to replicate a parallel model in the Western Balkans by using the 'golden carrot' of membership. Then, the EU path dependently followed a parallel methodology used in the CEE enlargement by launching the SP, SAP and its main instruments. It was assumed that the recipe had worked once for the transition and integration of the CEE countries, consequently it would work for a second time for the Western Balkans as well. In this sense, this thesis pointed out that the EU, just like

in the CEE enlargement process, assumed that stabilization, transition and EU integration of the Western Balkan countries would be overlapping processes. The prospect of EU membership in terms of bilateral relations and regional cooperation through the Stability Pact (1999) and Stabilization and Association Process (SAP) and its main instruments were tailored as appropriate tools for not only transition and the long term EU integration but also stabilization of the region. On the other hand, the comparison between the CEE and Western Balkans enlargement process revealed that the EU has pursued a flexible and long term enlargement strategy with increasing membership conditionality for the Western Balkans and has refrained from giving a clear and visible membership perspective to the regional countries. The tailored EU strategy supported the establishment of multiethnic states ranging from weak states to protectorates, froze the constitutional and status issues as long as the ‘minimum security and stability’ were maintained for the implementation of EU rules and standards, and intended to establish free market model in the region. Hence, in order to ensure ‘minimum stability and security’ in the region, the EU intended to transform the regional problems from one phase [crisis] to another [the preservation of externally driven status quo in the region after the Bosnian war and Kosovo crisis] without totally solving them in terms of the preferences of the regional countries. The EU assumed to substantiate these goals through regional cooperation, increased conditionality, and differentiation of the regional countries by creating a competition atmosphere with regard to their reform process.

With regard to how the EU’s Western Balkans strategy and membership conditionality worked in the Western Balkans’ preparatory stages for pre-accession; this thesis explained that the entire EU-Western Balkans relations and EU commitments since the first coherent EU regional strategy, the Royaumont process, was accompanied by strict and increasing conditionality compared to the CEE enlargement. The Copenhagen criteria were the fundamental part of the EU’s doctrine for the accession of the CEE countries and have been the main reference point for the Western Balkans as well. Additionally, fundamental principles invented during the CEE enlargement process- principle of conditionality,

differentiation and own merit- were also applied to the countries of the Western Balkans. However, the EU added new conditions and benchmarks for the preparatory stages for the pre-accession process of the Western Balkans which were not expected to be met by the CEE countries. The Copenhagen criteria and this new set of conditions were prerequisite for entering into any contractual relations with the EU in the preparatory stages for the pre-accession process of the Western Balkan countries.

At the time of the Thessaloniki European Council of June 2003, there emerged awareness both in the EU circles and Western Balkans for the necessity of a rethinking and revision concerning the membership perspective and EU strategy applied in the Western Balkans. Despite the fact that the Thessaloniki European Council strengthened the commitment of the EU for the prospective EU membership of Western Balkans by introducing new mechanisms and pre-accession instruments from the CEE enlargement process, the outcomes of the Thessaloniki Summit did not create a paradigm shift. More clearly, the EU commitment was not substantial enough to create a breakthrough in the EU's already existing Western Balkans enlargement strategy. The facilitation of EU integration process for the laggards vis-à-vis current constitutional and status issues through signing Stabilization and Association Agreements (SAAs) and the launch of the Instrument for Pre-accession Assistance (IPA) replacing CARDS neither substantially increased the volume of assistance nor changed their 'potential candidate' status. The initiated formula for challenges ahead in the region like constitutional and status issues and the problems of weak states in transition and EU integration was the enhancement of membership perspective within SAP but without a time framework and with increased conditionality and a flexible/long term approach.

This thesis finally argued that after the fifth CEE enlargement of the EU, expected new paradigm shift in the EU's Western Balkans strategy leading to clear and visible membership commitment and the further eastward enlargements including the Western Balkan still highly depends on the preferences, priorities and internal

dynamics of the EU. This thesis clarified that, as the region achieved ‘minimum security and stability’ to sustain stability and EU integration, the political imperative to enlarge and to include all Western Balkan countries has been weaker and is still weakening. The EU commitment for immediate further eastwards enlargement has been fading particularly in the face of the discussions on absorption capacity, enlargement fatigue, and the political future of the EU and the impediments of the EU in the globalization process. Within this context, although the EU is well aware of the possibility of new circles of crisis vis-à-vis current constitutional and status issues in the region and the problems of weak states in transition and EU integration process, there would not be such a shift in the EU’s Western Balkans strategy. And a motivation for presenting an enlargement process in the near future comprising the entire Western Balkan countries would not emerge, as long as the EU does not feel a sense of urgency straining the stability of the region. As a result of its lack of interest for launching an immediate accession process to the region, the EU rediscovered the absorption capacity as a main membership condition and further differentiated the regional countries in terms of their own merits in fulfilling the EU’s conditionality and standards. After the ‘big bang’ CEE enlargement, it became clear that further eastward enlargements of the EU particularly the Western Balkans will not proceed in a group mentality as of the CEE enlargement. Western Balkan countries will move forward at their own pace with regard to their reform and adjustment process. This revealed a fact that in the face of problems in its internal dynamics, the EU tailored a manageable, long term and flexible enlargement strategy for the Western Balkans. The EU opted for containing the regional problems in terms of its own priorities in a gradual manner and in an anchoring and aid mentality within SAP framework. In this sense, granting candidate status, opening accession negotiations and finally EU accession will depend on the technocratic evaluation of the Commission and political decision of the EU Council. In the light of these developments, Croatia started accession negotiations, thus upgraded to the EU accession process and left the group of Western Balkans. Macedonia was also given candidate status, thus working to be eligible for the opening of accession negotiations. Yet, no date for the opening of

accession negotiations was given to Macedonia. For the Republic of Macedonia and Albania, the real question that how distant is the full membership of the EU after signing SAA and granting candidate status remains. Then, as for the laggard countries of Bosnia and Herzegovina, Serbia and Montenegro and Kosovo after the resolution of its final status, owing their still non standard positions to persisting structural deficits in state building, institution building and open status and constitutional issues, the question of whether the differentiation policy of the EU depending on the progress in each country together with a flexible approach would sustain regional cooperation, reform process and the rapid transition of the weak states or not is unanswered . This thesis came to conclusion that the prospective EU membership has evolved to be an open ended process. Thus, the crux of the matter since the 2004 CEE enlargement of the EU has been bringing EU commitment to the action. More clearly whether the EU would bring its political declaration of commitment for the EU integration to the action for the stabilisation, clear membership perspective and development needs of the region. Indeed, the level of EU commitment will determine the success of membership conditionality in the Western Balkans.

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