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## Reforms, Democratization and European Integration of Serbia

**Summary:** *Though Serbia may be considered as one of the most difficult cases in the EU enlargement process during the last two decades, the very perspective of EU and NATO membership is in itself a major stabilizing factor in finding solutions for these problems in a peaceful and efficient way. According to the author, there are at least six reasons why the Stabilization and Association Agreement should be concluded and Serbia should enter the accession phase of whatever length it could assume: to help consolidating the international and regional positions of the Republic of Serbia, to stabilize the domestic political scene and to consolidate the pro-European political forces in the country, to preserve the enhanced administrative capacities which enabled the negotiations up to now to be successful and efficient, to keep the EU financial and technical assistance at the same level with other potential candidates in the Western Balkans, to strengthen accomplished regional arrangements and to help the easier fulfillment of undertaken obligations and, last not least, for sending a good message to foreign economic partners in regard to further improvement of the investment and general business climate in the country. As the author concludes, the continued and even intensified dialogue between Serbia and EU is in the interest of both sides.*

**M**easured by the weight of the political challenges, Serbia has been one of the most difficult cases in the EU enlargement process during the

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last two decades. On the other hand, the very perspective of EU and NATO membership is in itself a major stabilizing factor in finding solutions for these problems in a peaceful and efficient way.

After the referendum in Montenegro, on May 21, 2006, at which the majority of the citizens opted for independence, the State Union fell apart and one issue from the long list of problems was solved. Seemingly, a second issue was taken from the list as well. At the referendum on October 28 and 29, 2006, Serbia got a new Constitution with a clear-cut constitutional definition of Serbia (comprising Kosovo). A full consensus was achieved about Kosovo's status as an integral part of the Republic of Serbia, but with granted 'substantial autonomy'.

However, the key problem has not been solved by constitutional formulations. Answers to the questions of what Serbia is and where her borders are, will depend on the outcome of the competition/harmonization of the two proposed resolutions on the status of Kosovo presented to the UN Security Council, both of them relying upon the *Ahtisaari Plan*, but developed in seemingly different directions.<sup>1</sup> This is the third, and the most difficult issue to be solved in a relatively short time span, deeply influencing the domestic political scene in Serbia, but in the region and Europe as well.

The fourth issue, the main political obstacle and precondition for a regular and continuous negotiating process with the EU and NATO, remains the arrest and extradition of General Mladić to the *International Criminal Tribunal for the Former Yugoslavia*, in The Hague. In the context of previously listed problems and very tense political climate it was not possible to be done before the parliamentary elections, held on January 21, 2007. Obviously, it remains to be one of the first tasks of the new government, as well as the Kosovo status issue.

On the list of problems, although resulting from the previous one was the interrupted negotiating process with the EU, adding specific weight to the overall political burden of Serbian society. After the negotiations on the *Stabilization and Association Agreement* (SAA) between the State Union Serbia and Montenegro and the European Union were called-off on May 3, 2006, it became evident that there was an obvious discrepancy in how the technical aspects of these negotiations and their political assumptions were evaluated. While prevailing were assessments that Serbia and Montenegro made visible

<sup>1</sup> The American resolution, supported by the EU, offers endorsement of Ahtisaari's recommendation of 'supervised independence' plus other provisions of the Ahtisaari's Settlement, whereas the Russian resolution offers the Ahtisaari Settlement with the continuation of the Resolution 1244, and no status change.

progress in the preparations, organization and the conduct of negotiations, political obstacles represented an even greater problem for bringing them successfully to an end. The continuing progress of Montenegro on the way to the *Stabilization and Association Agreement*<sup>2</sup>, after becoming independent, has confirmed the decisive weight of political criteria.

After a few dramatic days in the Parliament of Serbia between May 8 and 15, 2007, due to election of the Speaker of the Parliament, Tomislav Nikolić (Vice-President of *Serbian Radical Party*), whose mandate lasted five days, he resigned and the new Government was elected, with old/new Prime Minister Vojislav Koštunica (*Democratic Party of Serbia*). A week later, the new Speaker of the Parliament Oliver Dulić, (*Democratic Party*) was elected with support of the parties represented in the Government (*Democratic Party, Democratic Party of Serbia and G17*). Serbia has got a coalition of democratic parties with key positions in all institutions of political power, but with continued 'feudalization' of the sectoral/ministries divisions and a delicate balance of lack of confidence. In that complicated constellation, Serbian society has to address the list of previously mentioned internal/foreign policy issues, including other serious social and economic problems and challenges. All political options seem to be situated in the spectrum determined by the polarization of Kosovo-European integration.<sup>3</sup> Cooperation with the *Hague Tribunal*, seemingly a completely separate issue, is also an integral part of the main Serbian political dichotomy related to the approach of how to deal with the past.

### Transformative Power of the EU – Resuming Negotiations

For the Republic of Serbia the priorities are issues related to her relations with the EU, but also to the main internal developments on how to resume the SAA negotiations as urgently as possible.<sup>4</sup> It was crucial to restore these negotiations, conclude the *Stabilization and Association Agreement* and enter the accession phase of whatever length it could assume, for the following reasons:

- to help consolidating the international and regional positions of the Republic of Serbia (security, political and economic concerns), as a new

<sup>2</sup> Montenegro initialed the *Stabilization and Association Agreement* on March 15, 2007.

<sup>3</sup> About 30% of population ready to opt for Kosovo if have to choose between the two, and about 20% of citizens who would accept the state of emergency and give up democratic order, according to the recent public pools.

<sup>4</sup> Commissioner for Enlargement, Oli Rehn proposed on June 1, 2007, to resume negotiations with Serbia on The *Stabilization and Association Agreement*, which were called-off on May 3, 2006.

state that emerged from the State Union Serbia and Montenegro, as well as sharing the responsibility for the outcome of the negotiations on Kosovo's final status.

In order to share the burden of threats to stability in the region the EU should address its transformative capacity rather than military and policing expansion. The Western Balkans is perceived as a mixture of weak states and international protectorates where the EU already has almost half of its deployable military forces.<sup>5</sup> There are assessments that the EU has not

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a clear and comprehensive vision on crisis management. As it was stated by the *International Commission for the Balkans*<sup>6</sup>, the choice for the EU is enlargement or empire – the EU could easily be perceived as a neo-colonial power in Kosovo, Bosnia and Herzegovina and even Macedonia, which would have direct implications for Serbia. The unfolding of the dialogue on the status of Kosovo could be more relaxed if the outcome were situated within a clear and foreseeable European perspective for

both sides. Having in mind that the distinction between internal and external security has become blurred, it could be assumed that Serbia and the EU are sharing quite a number of common concerns.

- in order to stabilize the domestic political scene and to consolidate the pro-European political forces in the country.

The European integration process is weakening the power basis of old structures in the ruling elite and strengthening the pro-European political option. Partial reforms, coinciding with 'a step ahead – two steps back' negotiation model of Serbia and the EU, allowed small groups of the ruling elite to get rich on the account of putting the country behind for EU membership. Left without effective external monitoring of domestic policies Serbia has been led back to the non-transparent decision making, centralization of power, control of information and recovery and consolidation of old political and power structures.

Serbia has neither the appropriate quality of political competition (demonstrated by the homogenization on the political scene on the issues

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<sup>5</sup> I. Krastev, "The Balkans Explosion that Could benefit Europe", *Europe's World* (2005), p. 114, www.europesworld.org.

of Kosovo's status and the Constitution), nor the active leverage of EU conditionality to counterbalance retrograde developments. In Serbia, the limits of the transformative power of EU integration are evident in a variety of ways – nationalist discourse remains prevalent; ICTY condition remains unfulfilled; constitutional and status issues continue to dominate discourse; minority rights and the return of refugees remain uncertain.<sup>7</sup> The lack of a clear and predictable European perspective prevents necessary changes in the character and strength of different interest groups. The European option has not yet become consolidated and irreversible and costs of giving up fast legal and institutional changes have not been considered as unbearably high. Strong mechanisms of translating EU conditionality into reforms of state and economy cannot be activated as long as the negotiation process has been blocked.

- in order to preserve the enhanced administrative capacities which enabled the negotiations up to now to be successful and efficient.

Instead of creating stable, representative and accountable democratic governance there are slow and partial improvements in the functioning of democratic institutions and respect for the rule of law, which is endangering the reform process and alienating Serbian citizens. The enlargement process proved to be an elite-focused process. It is not easy for the elite to push through reforms that are unpopular domestically especially when the prospect of membership remains distant. The lack of real progress on the way to European integration is making it difficult to persuade Serbian institutions to adopt, implement and harmonize with EU norms, legislation and practices.

- in order to keep the EU financial and technical assistance at the same level with other potential candidates in the Western Balkans, especially on a long-term basis.

Continuing the *Stabilization and Association Process* in its full capacity provides a framework for political dialogue, as well as a basis for EU technical and financial assistance. It helps promote the expansion of trade and economic reforms and keeps track of gradual European integration. The very perspective of integration has its own gravitation effect; on the other hand EU

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<sup>6</sup> "The Balkans in Europe's Future", *International Commission on the Balkans*. Report April 12, 2005, p. 11.

<sup>7</sup> M. McGrattan, "The Transformative Power of EU Integration in Montenegro and Serbia since the 2004 Enlargement", Conference paper at 2006 ASN Conference *Globalization, Nationalism and Ethnic Conflict in the Balkans and its Regional Context*, Belgrade, September 28 – 30, 2006.

conditionality represents an active leverage of changes. At this very moment both of these elements of transformative power of European integration are missing and Serbia will be, in the mid-term perspective, left without a number of key mechanisms of assistance available for candidate countries, because of postponed institutionalization of its relations with the EU.

The time factor in regard to the continuation of negotiations is of decisive importance because if there is going to be further delay serious problems, both procedural and substantial, can emerge which will bring into question the previously achieved results in negotiating the SAA, and especially related to the text of the SAA which was harmonized to a great extent by two sides.

- to strengthen accomplished regional arrangements and to help the easier fulfillment of undertaken obligations, in conditions when all regional partners make progress in establishing their institutional links with the EU.

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The *Stabilization and Association Process* is both a bilateral and a regional process that establishes relations between the SAA countries and the EU and encourages co-operation among the SAP countries, as well as their co-operation with the neighbors. Regional co-operation is a key element in the EU's policy towards the Western Balkans. The Western Balkan countries committed themselves to promote concrete objectives and initiatives, along the lines prescribed by

the *Thessalonica Agenda*, in the areas of regional free trade, visa-free movement within the region, collection of small arms, creation of regional markets for electricity and gas, development of transport, energy and telecommunication infrastructures, environment protection and water management, research and development, cross-border co-operation and parliamentary co-operation (Minić J. and Kronja J., 2007). It would be difficult to keep Serbia very active in fulfillment of regional cooperation priorities without parallel intensive dialogue with the EU.

It should be stressed that the Republic of Serbia was one of the most active protagonists in initiating negotiations on a free trade zone in SEE, as well as in the creation of the *Common Energy Market* in SEE. In these two sectors, as well as in developing regional transport infrastructure, Serbia is interested in elaborating an enhanced program for a quicker and more efficient implementation of the *acquis communautaire* and of the related EU sectoral

policies, what is expected to be accomplished in cooperation with partners from the EU and with their technical assistance.

- for sending a good message to foreign economic partners in regard to further improvement of the investment and general business climate in the country, which is directly linked to the further harmonization of the legislation and technical standards with EU norms and rules.

Serbian economy recorded for several years high growth rates (e.g. 6.2% in 2005 and 5,8% in 2006)<sup>8</sup> and mostly positive economic indicators except for the rate of inflation, high foreign trade deficit and high level of unemployment (jobless growth<sup>9</sup>). In the year 2006, the inflation rate was one digit and exports increased dramatically. Serbia recorded budget surpluses in the last few years, and FDI inflow through the privatization process steadily increased reaching in 2006 over 4 billion Euros. The early transition phase has been mostly completed and structural changes have been initiated. Privatization is well advanced and institutional reforms critical for private sector development have been advancing. Labor costs are well below the Central European average and the private sector has become the main vibrant source of growth and employment.

However, the level of competitiveness is still inadequate. There is a relatively high share of gray economy, although considerably reduced by introducing the VAT at the beginning of 2005. There is a lack of working capital and credit support, as well as the unsatisfactory infrastructure. Corruption and organized crime are still issues of high concern.

Directly linked with the negotiating process with the EU is the unsatisfactory pace of reforms and ineffective implementation of regulations. Although the actual Serbian Parliament has passed over one hundred laws and amendments to laws, since spring 2004, of these just about one half are reformist and most of them have emerged from fields of finance, health and

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<sup>8</sup> V. Gligorov *Economic Developments and Prospects in the Western Balkans*. Power Point Presentation, The Viena Institute for International Economic Studies, 2007, slide 31.

<sup>9</sup> B. Slay, N. Maddock, N. Kulić *Macroeconomic Challenges and Growth Prospects in Southeast Europe*. (Bratislava: UNDP Regional Bureau for Europe and the CIS, 2006), p. 8.



agriculture. It was expected that the dynamic growth, regional integration efforts, as well as the initial steps of integration into the EU could accelerate the catching-up process with the Central European and other EU countries and facilitate economic prosperity and reforms in Serbia. With negotiations on the SAA called off, these hopes have been inevitably reduced. After the initial enthusiasm related to the successful development of negotiations people became pessimistic and distrustful in nascent democratic institutions. Besides, there is a danger that the explosive mix of unresolved problems in the region will contribute to the criminalization of politics and internationalization of criminal networks.

### Other Issues Relevant to the Bilateral Relations of Serbia and the EU

The second set of issues relates to the need for a detailed comprehension of the financial framework of the EU's cooperation with the Republic of Serbia in the context of a new mid-term financial perspective of the EU for the period of 2006 – 2013, for which the assistance for all candidates and potential candidates was defined in the amount of about 11.5 billion Euros.<sup>10</sup> For Serbia it is necessary to comprehend the realistic possibilities for making use of the planned single *Instrument for Pre-Accession Assistance* (IPA has five components, and as a potential candidate Serbia can use only two), as well as the scope of possible additional benefits in the field of macro-financial assistance, the EIB credits, the credits of the newly established *European Fund for SEE* etc. It is crucial to get appropriately prepared to match the EU plans related to the composition of the total assistance package for Serbia and simultaneously, to prepare relevant arguments for the list of priorities identified for the EU assistance in the relevant institutions of the Republic of Serbia (The *Multi-Annual Indicative Planning Document for 2007 – 2009* is prepared, but because of low level technical negotiations only, there is no necessary level of awareness in Serbian administration about the scope of the

<sup>10</sup> *Instrument for Pre-accession Assistance (IPA), Multi-Beneficiary Multi-annual Indicative Planning Document (MIPD) 2007 – 2009*. (Brussels: European Commission, March 4, 2007), Draft version, p. 4.

task and the level of matching funds and activities that are expected from the Serbian side.

The problem of the efficient absorption of the EU assistance could be anticipated. Serbia has serious problems in making the domestic administrative structures capable of receiving and managing EU assistance efficiently. It could appear as a problem when national administration will overtake functions of the *European Agency for Reconstruction* when its work ends in two years. Suspension of negotiations with the EU is making this problem additionally more difficult because it reduces incentives, motivations but also the necessary overtaking of relevant obligations.

Besides, the *National Investment Plan* (NIP)<sup>11</sup> was launched in summer 2006, and on September 28 the Serbian Parliament approved the revised budget for 2006, reducing budgetary surplus to allow the beginning of its implementation. In the next three years NIP is to provide annual investments which are almost the double of the inflow of EU assistance. The main problem is the fact that NIP has not been coordinated with the three-year *Multi-annual National Indicative Program* for the implementation of two IPA components, which was negotiated with the Serbian Government. Furthermore, NIP is not based on the priorities of a long-term *National Development Plan*, either. It is not clear how the Serbian Government plans to provide matching funds for the projects that are supposed to be supported by IPA. There are no appropriate commitments of that kind in the budget for the year 2007 and no planned framework for the following two years. This will be one of the difficult tasks of the new Government ranked high at the list of priorities, in order to make IPA assistance operational in 2008.

Having in mind that on the mentioned list of problems the efficient absorption of the EU assistance is something that depends to the maximum extent on the administrative capacity of national institutions and clear political will to proceed in the European way, it is hard to keep the direction without permanent dialogue and harmonization with EU rules and standards.

The third set of issues relates to the facilitating of the visa regime for Serbia, which represents maybe the most important psychological factor in stabilizing the pro-European sentiments of the broadest strata of the population. It is important to follow the planned dynamics of further moves of the European Commission and other respective EU institutions in the process of liberalizing the visa regime for countries of the Western Balkans and to agree about what is concretely expected from Serbia in order to accelerate this process. Serbia was the last in initialing the *Agreements on visa Facilitation*

<sup>11</sup> *Srbija – Nacionalni investicioni plan 2006/2007*, (Belgrade: Ministry of Finance, 2006).

and Readmission between the European Community and Western Balkan Countries, on May 16, 2007.<sup>12</sup>

In May 2006, a roundtable international conference *The Western Balkans: Regional Response to Visa Liberalization Issue* was held in Belgrade providing important conclusions and recommendations. One of the most important is that the EU visa policy towards the Western Balkan countries is hampering reforms in the region and its European integration process. This view was unanimously shared by all participants coming from the regional countries.

The fourth set of issues is related to youth and particularly to their inclusion into internal educational programs, which the EU has opened for the countries of the Western Balkans at the end of 2004, but up to now a comprehensive strategy on how to join them was not yet completed in Serbia. In this regard, a particular line of partnership (twinning) should be demanded for the new Ministry of Youth and Sport.

Austrian, German and Slovenian governments, as well as some other European and non-European countries have initiated in the last two years different programs in order to help a higher mobility of students from Serbia, involving hundreds of them without any single incident. That proved to be a very efficient initial step showing that visa liberalization for some segments of the population does not represent any risk for the EU countries and brings at the same time great benefits to the whole of Serbian society.

### **Institutional Capacities for Negotiations with the EU**

Having in mind all the mentioned difficulties, the achievement of the representatives of the administration during the short-lasting negotiations with the EU is even greater; they managed to prepare and organize negotiations and to achieve genuine progress in fulfilling the conditions for signing of the SAA. Representatives of the European Commission were very pleased with the technical level of the preparations and the negotiations themselves, stressing that the performance in the negotiations was very near to that of

<sup>12</sup> The main benefits from the facilitation are: visa handling fee is not going to increase over 35 EUR with total exemption of visa fee for certain categories of applicants; for businessmen, students and journalists and people from academia the necessary set of documents for getting visa is simplified; for certain categories of frequent travelers the issuing of multi-entry visas with long periods of validity is provided; holders of diplomatic passports are exempted from the visa obligation. *Agreements on Visa Facilitation and Readmission between the European Community and Serbia* are initialed today, IP/07/680, Brussels, May 16, 2007. For more information visit the following website: [http://www.ec.europa.eu/commission\\_barosso/frattini/index\\_en.htm](http://www.ec.europa.eu/commission_barosso/frattini/index_en.htm).

the candidate countries, and even of some of the new members. Big progress in regard to the technology of negotiations was evident, so that there was very concrete dialogue on the majority of issues and on the ways to settle problems. This positive shift is explained as a result of both the formation of an enhanced negotiating structure and the double-track negotiations which prevented mutual obstruction between Serbia and Montenegro in the period before the suspension of the negotiations and the Montenegrin referendum.

In the *Report on the Preparedness of Serbia and Montenegro for Negotiations with the EU on the Stabilization and Association Agreement*<sup>13</sup> it is stated that there is sufficient administrative capacity to start negotiations. It is assessed that there are structural weaknesses in the functioning of the parliaments and executive bodies, although there was progress in these fields. The reform of public administration is seen to be still at the beginning and generally speaking, the administrative capacities are at a low level. However, it is assessed that both republics made efforts to start reforms of public administration through numerous legislative activities. The report clarifies that Serbia has the basic capacities to deal with European integration, and particularly with the negotiations on the SAA, although this capacity is not evenly distributed to the different levels and branches of the administration. It is pointed out that the administrative, governmental and parliamentary structures which deal with the European integration processes must be strengthened in order to have the harmonization of the legislation with European norms and standards done in a more systematic way.

The institutional capacity for associating with the EU is one of the most significant criteria for the evaluation of the readiness of a given country to enhance its status in the process of European integration. The fulfillment of all aspects of the *Copenhagen criteria* relates to the enhancement of institutional capabilities, both in regard to guaranteeing democracy, the rule of law, human and minority rights, and in regard to building a functional market economy and capacities to accept responsibilities implied in full membership. The most recent reports on the work done, the strategies and action plans for the

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<sup>13</sup> *Report on the Preparedness of Serbia and Montenegro for Negotiations with the EU on the Stabilization and Association Agreement*. (Brussels: Commission Staff Working Paper, April 12, 2005).

different segments of the negotiating structure indicated that there has been serious work in these fields. For example, the process of education for these activities only in 2005 encompassed over 2,000 individuals from different parts of Serbian administration.<sup>14</sup> Dozens of seminars, courses and study tours were organized, numerous relevant literatures were published and a few thousand pages of the *acquis communautaire* were translated. Besides, cooperation with the media, the universities, the non-governmental organizations and the wider public was intensified. Particularly significant is the big progress accomplished on the local level, where towns and municipalities have been involved in different programs of the EU and the Council of Europe, as well as in numerous horizontal networks of local communities, or twinning programs for cities, so that the capacities for European integration are being enhanced on all levels.

Apart from the European Commission, the EU member countries, candidates for membership, numerous foundations and international organizations (UNDP, OSCE, Council of Europe, etc.) have also rendered considerable assistance in acquiring the necessary knowledge. Representatives of the administration of Serbia had the opportunity to assist colleagues from Bosnia-Herzegovina to prepare for the commencement of SAA negotiations in 2006. This is the first time that 'export of know-how' occurred in this field.

The problem remains to attach a more meaningful role to diplomacy and the broadest lobbying. Directly related is also the problem of a two-way communication and the capacities to absorb information, initiatives and recommendations in the parliaments, line ministries and other institutions, as well as their capacity to lobby within their international contacts and jurisdictions. This refers also to political parties and other political actors, such as organizations of the civil society, or experts' institutions which in the new EU member-states played an important role in the preparations for EU membership and contacts with EU bodies and bilateral partners.

In short, the administrative capacity for negotiations with the EU does exist, it is rather satisfactory and has been rapidly improved, particularly since the negotiations on the SAA were announced and afterwards started. The parliaments supported this process by their resolutions. However, clear political will and the broadest political and social consensus regarding European integration remained an open issue. They are the main precondition for the EU association process to acquire a relevant institutional framework.

<sup>14</sup> J. Minić, I. Knežević (eds) *Institucionalne sposobnosti SCG za evropsku integraciju – uporedna studija SCG i Slovačke i prilozi sa konferencije*. (Belgrade: European Movement in Serbia and Research Center of the Slovak Foreign Policy Association, 2006), p. 17.

Apart from that, at the agenda of the Republic of Serbia there are also the broader challenges of becoming a member of NATO (after joining the *Partnership for Peace* in December 2006), the *World Trade Organization* and other international organizations and frameworks of international cooperation, as well as the ever more demanding agenda for regional integration in the Western Balkans and South Eastern Europe.

### Future of Serbian Integration into the EU – General Context

At this moment, it seems that there is no adequate absorption capacity for further enlargement, either political, or functional or financial. Moreover, mentioning for the first time the size of the countries aspiring for membership as one of the future criteria, the European Parliament is obviously sending a message to Turkey (and Ukraine). But, the EU now faces a lengthening of the queue of small states aspiring to become members, which will be an additional challenge for the EU plans to accommodate and maintain functionality within future enlargement.

The first problem is the political will. Although it was demonstrated that the problems related to the fifth enlargement – which included ten new countries of Central and East Europe, Malta and Cyprus – have to a great extent been overcome and that the advantages, first of all economic and security ones, are significant, the accession of Bulgaria and Romania, which is part of this very same enlargement package, provokes further tensions. Croatia's prospects for membership are much less an issue, and Turkey's membership is becoming more distant. Other countries of the Western Balkans are somewhere in between with an improved rating among the European public, but with a distant prospect if judged by political decision-makers. Of course, this opens a certain room for maneuvering, provided that countries of the Western Balkans demonstrate sufficient political will, initiative and results in further approaching the EU. It was pointed out that increased lobbying, pressures and constant initiative from the WB countries would be necessary in order to move the pendulum of political will in the EU for further enlargement.

The EU's institutional capacity for enlargement will be problematic until the new EU Constitution, or some other functional setting will be passed. Enlargement is by no means a central issue of the new Constitution, it is

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a rather marginal one. However, it is not questionable that prior to further enlargement the internal decision making and governance mechanisms must be defined and, which is more important, the very character of the EU. It is not to be excluded that its political capacity will once again be tested in the Balkans, as was the case in the beginning of the nineties with the disintegration of Yugoslavia. The EU should overtake increased security, political and economic responsibility for Kosovo, keeping at the same time decisive influence in Macedonia, Albania and Bosnia and Herzegovina, and not disrupting stability and the European perspective of Serbia. The question is whether in the EU there is a clear plan, efficient instruments and a single will to perform such a complicated task. Postponing enlargement for the Western Balkans and changes in regard to the form it should take do not seem to be an efficient policy.

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A separate issue is financial support to the Western Balkans' European road. In a difficult process of adopting the EU budget for 2007 – 2013, the item related to EU's global role, which encompasses the integrated *Instrument for Pre-Accession Assistance (IPA)* for candidates and potential candidates, as well as assistance to new neighbors and developing countries, falls within items which have been reduced to the greatest extent. This in itself is a message on how the member states, which made such a decision, position EU's foreign policy role and the enlargement policy. The entire IPA for seven years has a fund of 11.5 billion in current Euros. This practically means that potential candidates – Albania,

Bosnia and Herzegovina, Montenegro and Serbia will have more or less the same annual amounts of assistance as was the case up to now, and that it will be used only for the first two components within IPA, those which finance transition and institution building and cross-border cooperation. Within these, Serbia will receive about EUR 180 million annually, starting from 2007. Candidate countries – Croatia and Macedonia – will have a bigger (by some estimates even the double) volume of assistance they had before, as they will have access to additional instruments planned for rural development, infrastructure and promotion of human resources. In the case that Serbia, Montenegro, Albania and Bosnia and Herzegovina also become candidates

for membership, the possibility to use additional forms of assistance will automatically be opened for them, too.

## Conclusion

After Romania and Bulgaria joined the EU, and most probably, in a not so distant future Croatia as well, in the Western Balkans will remain 'weak', 'failed' or 'unfinished' states (Albania, Montenegro, Macedonia, Bosnia and Herzegovina and Serbia) and Turkey which will need (for different reasons) significant time and efforts to join the EU. These countries were recently offered 'phased accession'<sup>15</sup>, 'intermediate step towards full membership', 'privileged partnership', 'European Economic Area plus', 'light membership', 'long-term European perspective', 'broader spectrum of operational possibilities' and finally, joining the 'EU-backed Commonwealth'.<sup>16</sup>

There is a realistic danger for Serbia, Montenegro, Albania and Bosnia-Herzegovina to enter into a process of further marginalization and destabilization in case that they do not acquire the status of candidates for EU membership quickly, which would imply their significant commitments and obligations and greater EU assistance. And yet, so much has been done for overcoming the consequences of Yugoslavia's disintegration, armed conflicts and NATO intervention. Some analysts think that only a new explosion of violence, and unavoidable crisis and tensions resulting from 'an explosive mix of unresolved problems' could once more attract attention and political readiness of the EU to engage intensively in the Balkans again in an appropriate degree.<sup>17</sup> Or, that with its present policy of watering down the obligations overtaken in Thessalonica in 2003 the EU endangers its huge fifteen-year investments into controlling and suppressing armed conflicts, in building peace and stability and in the reconstruction of Western Balkans.<sup>18</sup>

That would imply a risk of renewed instability in the Western Balkans<sup>19</sup>, especially in the year when the most complicated of the status issues were

<sup>15</sup> 2005 *Enlargement Strategy Paper*, Communication from the Commission, Brussels, 09.11.2005., COM (2005) 561, p. 3.

<sup>16</sup> I. Varvitsiotis, "Let's build on Neighbourhood Policy with an EU-backed 'Commonwealth'", *Europe's World* (2006), [www.europesworld.org](http://www.europesworld.org).

<sup>17</sup> I. Krastev, "The Balkans Explosion that Could Benefit Europe", *Europe's World* (2005), [www.europesworld.org](http://www.europesworld.org).

<sup>18</sup> G. Knaus, "From Salzburg to Rome – EU Policy in the Balkans", *ESI Newsletter* No.5/2006, [www.esiweb.org](http://www.esiweb.org).

<sup>19</sup> I. Krastev, "The Balkans Explosion that Could Benefit Europe", *Europe's World* (2005), [www.europesworld.org](http://www.europesworld.org); J. Rupnik J, "EU: 'We Cannot Afford a Pause' in Enlargement", *RFE/RL* October 11, 2006, <http://www.rferl.org/featuresarticle/2006>.



expected to be solved (Kosovo and revision of *Dayton Agreement*). The Western Balkans could remain a ghetto of poverty and instability, surrounded by EU members. Fragile states could lose one of the most powerful leverages of transformation – a clear European perspective. The reforms could slow down, as well as popular support for difficult structural changes which are in the initial phase. The problem of size of these countries does not exist. But, the size of problems they could provoke could be considerably greater than the problem of preparing them intensively for European integration. Stability and security issues are still of primary concern, although the message of the International Financial Institutions is that the whole region of South Eastern Europe could become one of the most attractive investment areas in Europe (*Investment Reform Index 2006*). This would be possible only if the firm structure of the association and accession processes are preserved. Whatever the name of the arrangement would be, in the coming months and years the Western Balkans will need even stronger EU involvement and support. Otherwise, some new options could emerge in the region, as well as political radicalism and anti-European attitude.

Therefore, the suspension of further negotiations on the Stabilization and Association Agreement represents for Serbia a loss of time, dynamics and means on a daily basis, which gets her further away from the EU and all neighbors. Having in mind that the reason for this is only one of the political conditions – cooperation with *The Hague Tribunal* – and that in all other fields a sufficient level of cooperation for signing the agreement was achieved, the elapse of time can increase the list of conditions and further impede progress in relations with the EU. Brussels did not deny the possibility to sign the agreement once this condition is fulfilled. It is also possible that the status of Kosovo will emerge as an additional condition, and this status would be much easier to solve if the *Stabilization and Association Agreement* were in the phase of intensive preparations. The worst situation is the present one, in which the entire political energy of the Serbian elite is oriented exclusively to the issue of Kosovo, without an adequate counterbalance of European future. This can explain a high and dangerous level of political homogenization of Serbia in a retrograde direction. It would be ideal to have dialogue between Serbia and the EU continued as soon as possible, in the interest of both sides.

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