



THE BALKANS AND  
NEW EUROPEAN RESPONSIBILITIES

Strategy paper  
Presented to the  
special meeting of

**"THE CLUB OF THREE AND THE  
BALKANS"**

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Dr. Wim van Meurs, C•A•P, 22.10.00

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# Strategy Paper for The Club of Three and the Balkans

## Preface

The 1999 “Balkan war” has changed the European Union’s processes of integration and enlargement as much as it has changed the region itself.

“Balkan wars” marked both the beginning and the end of the twentieth century. In 1912–1914, crises on the Balkans changed the face of Europe irreversibly and so did the 1999 Kosovo war. At the beginning of the century, however, the Balkans provided a powder keg at the height of Westphalian power politics, carving agonising dividing lines across the continent. After another World War, the political will in Paris and Bonn to end great power rivalry became the corner stone for economic integration in Western Europe. The breakdown of the Berlin Wall erased the East-West dividing line, but eventually created a new division, between Europe and the Balkans. Thus, “1989” confronted the EU with a threefold challenge – integrating Central and Eastern Europe into the EU institutions as well as stabilising the Balkan region, while at the same time reforming the Union in order to cope with both these challenges. The EU has made an immense contribution to the transition in the Central and East European states by offering reform assistance and an accession perspective. Conversely, after ten years the EU has a much poorer record in dealing with state disintegration, ethnic conflict and humanitarian catastrophes in the Balkans: Prior to the Kosovo war, Europe’s engagement was neither consistent, nor unified, nor decisive. In this respect, the Stability Pact and Europe’s engagement for its implementation opened a new era, a new quality of Europe taking on responsibility. Thus, at the beginning of this new century, the Balkans may provide the ignition for Europe’s next big idea of not merely precluding

conflict among its members, like the Union Robert Schuman envisioned fifty years ago, but taking responsibility for and actively engaging in internal and external security for all of Europe.

Europe's capacity to act – the foreign-policy and security dimension of European integration – entails a special responsibility for France, Britain and Germany, both within the Union and in its relations with the USA and the Russian Federation. Eventually, the dynamics and success of a European security identity may depend on strategic understanding and density of dialogue between these three. Therefore, the Club of Three offers a welcome opportunity for a trilateral meeting of top-ranking European decision-makers for a creative brainstorming on issues ranging from the low grounds of Europe's way forward in the Balkan imbroglio to the heights of daring visions on the finality of European integration and Europe's future role in the world.

## Key Arguments

- *In more than one respect, the Western Balkans pose a real threat to the security and stability of the current and future EU member states as well as to the credibility and authority of the EU as a global actor. Europe has to come to terms with new incumbent responsibilities and act accordingly.*
- *Use of the term "Southeastern Europe" rather than "Western Balkans" would imply recognition of the fact that the region already is part of Europe, that its problems are European problems and that any viable solution has to be a European solution, involving both the deepening and the widening of the Union.*
- *Any European solution for the Balkans is irrevocably linked up with Eastern enlargement, but a market-driven, partial integration of this region might impede the processes of enlargement and EU reform, without much public support in the EU-15, with severe criticism from among the ten accession states and with no workable majority among the elites of the region.*
- *In current practice, two partially contradictory key strategies are being implemented in Southeastern Europe: The Stability Pact follows the principle of regionality, albeit recipient countries have to fulfil some preconditions, and the Stabilisation and Association Process is based on conditionality, albeit regional co-operation is among these.*
- *As a stand-alone strategy for economic reform multilateral, intra-regional integration is not a viable scenario for the Balkans. The countries of the region have many structural reform deficits in common, but because of the socio-*

*economic heterogeneity of the region and its long tradition of mistrust and non-co-operation, the prospects for regionality in economic co-operation, trade and regional infrastructure as a take-off strategy for sustainable reform and stabilisation should not be overestimated.*

- *With the accession of the ten Central and East candidates, "Southeastern Europe" would be empty; the "Western Balkans" would be left behind as the powder keg and poorhouse of Europe. Thus, the EU is de facto dividing a region with the left hand, while promoting multilateral co-operation among the states of the same region with the right hand. Only a well-balanced model for the differentiation of pre-accession might alleviate part of these contradictions.*
- *In hindsight, at the first Financing Conference the donors' responsiveness sometimes related more to the Western preferences than to the Balkan remedies. Therefore, the authority of the Stability Pact Office should be upgraded to include a stronger dimension of setting priorities for the project application phase and mechanisms to suggest projects to donor organisations.*
- *The effective implementation of the Pact as a long-term endeavour also requires an overarching strategic framework defining priorities and structuring the division of labour with other international organisations with their inevitably diverging interests and views. The Pact is not an exclusive EU initiative, the European Union merely has a "leading role" at the Regional Table. The implementation is bound to raise again and again the question, if and to what extent the EU would be able and willing to take full responsibility for the Stability Pact.*

- *In addition to regionality and external co-ordination, the harmonisation of the regional Pact with the conditional instruments of the Stabilisation and Association Process is another priority issue on the agenda. Conditionality entails one fundamental dilemma: Preconditions for reform assistance and enhanced relations favour countries that have already managed to fulfil minimum conditions of stability and reform on their own, while the countries with the largest stabilisation deficits would fail to qualify for the conditional EU offers.*
- *In total three parallel processes of differentiation are on the European agenda: differentiation in Eastern enlargement differentiation of integration within the current EU-15 and differentiation of pre-accession for Southeastern Europe.*
- *The third model of differentiation for Southeastern Europe would resemble EU integration as a functional coalition of the willing and able, moving integration forward in those policy areas with political windows of opportunity and promising prospects of success. A longer process of integration, organised along the lines of functionality and conditionality rather than on a regional basis might be the golden mean between the abstract vocation for EU membership and unrealistic breakthrough models, while at the same time constituting an improvement in the management of expectations and apprehensions. The Amsterdam Treaty, moreover, has created a new right policy instrument for a differentiation of pre-accession: a Common Strategy for Southeastern Europe.*
- *The Common Strategy would produce a solid and consistent policy framework for the co-operation with international organisations, among EU institutions and for the decision-*



*makers in the region. By making a credible commitment to a trajectory of integration with proper conditionality, the EU would mobilise its strengths of prosperity and stability for Southeastern Europe and establish itself as a responsible lead organisation, thereby relegating other international institutions to a supporting role.*

- *The second half of 2000 is bound to witness new impulses in two related European projects: the security and defence dimension of the European Union and a Common Strategy for Southeastern Europe. In view of the subsequent rota of Presidencies, the French Presidency might well be the last chance to such a Common Strategy prior to a possible first round of enlargement in 2003.*
- *European strategies for Southeastern Europe depend on the EU member states' ability and willingness to take full responsibility for security and stability along and beyond the future EU borders.*
- *A perspective has been opened for an EU that is politically effective, militarily capable and self-confident in its own ability to act. The Helsinki European Council recognised that there will be times when the Union will be a more appropriate security actor than NATO. Eventually, the EU might be able to provide security tools that cover the full spectrum of conflict prevention, non-military crisis management, diplomatic negotiations, low-intensity military conflict management and post-conflict economic reconstruction, peacekeeping, police forces or humanitarian aid.*
- *As Romania and Bulgaria have already joined CEFTA and in view of the substantial developmental asymmetries as well as limited internal trade potential of the region, inclusion in*

*CEFTA or bilateral agreements with the EU in the framework of the Stabilisation and Association Process might be better options. To that end, the EU would have to champion a modification of the CEFTA accession criteria, e.g. by making CEFTA membership conditional upon a Stabilisation and Association Agreement with the EU rather than a Europe-Agreement.*

- *Overall, options for functional differentiation of integration are manifold in trade, economic co-operation as well as Justice and Home Affairs, without significant repercussions on the European side. The power and availability of European strategic options and resources in this field, however, also suggest Europe taking full responsibility and command.*
- *NATO's first war made the Europeans realise to what extent they were dependent upon Washington, both in terms of political decision-making and in terms of military capabilities. Despite the American insistence on burden sharing, the European focus seems to be on the institutional arrangements, taking foreign policy, security and defence as the policy domains to move the European project forward with the three major players on board.*
- *The Balkans may be Europe's one and only chance to develop such a profile and capability. Even if Common European Security and Defence Policy is still largely on the drawing board and despite all differences of opinion on transatlantic relations, Balkan policies, EU reform or NATO-EU relations, it has already achieved a truly remarkable sense of common purpose between Berlin, London and Paris.*

## **I. European Responsibility for the Balkans**

Ten years after the “reunification of Europe”, the volatile disintegration of Yugoslavia has revived Southeastern Europe’s traditional repute as a region of intractable ethnic conflicts, failing states and reform deficits. At the beginning of the 21<sup>st</sup> century, the prime objective of the international community and the EU in particular is the restoration of security and stability in Southeastern Europe. In view of the structural deficits and developmental asymmetries, stability for Southeastern Europe is a formidable task going way beyond humanitarian aid and post-war reconstruction. Current developments dim the future perspectives of the region: Ethnic conflicts and national enmities present obstacles to regional co-operation; there exists a backlog of political and economic reforms in comparison with the Central and East European accession states, the future status of Kosovo is undetermined, and – paradoxically – the imminence and proximity of EU Eastern enlargement is problematic.

### **The Balkans as Part of Europe**

The existence of a Balkan enclave refutes the logic of European territorial completion.

With the accession of the ten Central and East European states in the foreseeable future, a new EU outer border will be defined both to the East and to the Southeast. The Eastern border seems quite certain for years to come: By means of the Partnership and Co-operation Agreements and the more recent Common Strategies for Russia and Ukraine, the EU has successfully strengthened bilateral relations with Moscow and Kiev without the option or even perspective of accession. Conversely, all the countries of Southeastern Europe now do have this perspective,

“A divided system of states in Europe without an overarching order would in the long term make Europe a continent of uncertainty.”

J. Fischer,  
Berlin, 12.05.2000

no matter how distant: The endurance of a “non-EU” enclave in the Western Balkans would refute the logic and dynamics of the enlargement process. Therefore, all international and European initiatives for this region will from now on be seen in the light of EU accession.

In Central and Eastern Europe, the EU triumphed by offering the accession process as a consistent framework for the stabilisation and transformation of the region, at the price of dealing with the far more volatile Southeast on an *ad-hoc* basis of crisis management. Since Dayton, however, Southeastern Europe has become a predominantly European responsibility and a permanent European concern. The credibility of the EU as an essentially open community of values, rule of law and an anchor of stability is at stake and so is its stability. The disproportionate potential of the Western Balkans to seriously threaten stability, security and prosperity for all of Europe is a major lesson from the early twentieth century. As an emerging global player, the EU needs to demonstrate its qualifications by ending ethnic strife and the violation of human and minority rights on its continent, and by achieving stability and development in Europe as a whole.

From a European perspective, questions of security and integration typically coincide in Southeastern Europe. So far (hard) security risks have predominated:

⇒ A plethora of troubled ethnic relations and disputed borders exists in the region. Ethnic stereotypes and mutually exclusive national histories have been instrumentalised by political entrepreneurs for over two centuries: They now have many causes and few remedies. In some states they were a temporary mobilising force during the transition

period, in others they have come to replace political and economic reform as an elite legitimisation.

- ⇒ The Milosevic regime is the prime example of a regime thriving on external threats or crises for nationalist mobilisation replacing economic reform, a regime with an immense disruptive potential for the region.
- ⇒ The uncertain future of Kosovo adds to regional insecurity as it is the nexus between the Serbian and Albanian questions. Kosovo is also decisive for the viability of alternatives to the ethnic nation-state, be it a multiethnic democracy in Macedonia or an ethnic federalisation in Bosnia-Herzegovina.

Increasingly, however, soft security risks are on the rise, such as: the criminalisation of the economy, social inequality, poverty migration, regional centrifugal tendencies, failing states and economic crises. The sheer proximity of the prosperous European Union and the massive Western reconstruction and reform assistance for the region have both stabilising *and* destabilising consequences:

- ⇒ Weak, failing and sometimes even “delinquent” states endure despite deplorable economic parameters and without reform strategy. These states do not survive *despite* of the proximity of European stability and welfare or European reform assistance: Paradoxically, their survival is largely *due to* this proximity and aid. In this region, the principle of the ethnic nation-state is bound to produce violent conflict as well as institutionally and economically non-viable mini-states. Once established, however, national elites develop a vested political and economic interest in the endurance of weak states.

“The Balkans situation is an acid test of our ability to deliver the effective action on which our credibility depends. Here, if anywhere, the gap between rhetoric and reality has to disappear.”

R. Prodi,  
Strasbourg, 05.02.2000

The misnomer „Western Balkans“ contradicts all European objectives and expectations for Southeastern Europe.

⇒ Typically, the system of blocked or state-controlled market reform, criminalisation of the economy and the corruption of state institutions unable to provide stability and redistribution is well entrenched. Ultimately, the gap between most states in the region and the Central and East European accession states (let alone, the EU-15) is widening, both economically and politically – causing deprivation for all except a small elite.

*In more than one respect, the Western Balkans pose a real threat to the security and stability of the current and future EU member states as well as to the credibility and authority of the EU as a global actor. Europe has to come to terms with new incumbent responsibilities and act accordingly.*

The term “Western Balkans”, therefore, introduced in EU-speak at the 1998 Vienna European Council, is for more than one reason highly inappropriate. Not only does it suggest that structural problems like economic underdevelopment and ethnic nationalism are now reduced to this shrinking region on the European periphery. Discursively, it places this region outside Europe, while constructing a region against indigenous realities and perceptions.

Thus, elimination of the misnomer “Western Balkans” and reintroduction of the now almost empty term “Southeastern Europe” ought to be a first, but symbolic consequence of the Commission’s statement to the extent that “in the longer term the EU can best contribute to stability in the region by drawing it closer to the perspective of full integration into its structures, ... and should confirm that the countries of the former Yugoslavia and Albania have the ultimate vocation to become members of the European Union.” *Use of the term “Southeastern Europe” rather than “Western Balkans” would*

*imply recognition of the fact that the region already is part of Europe, that its problems are European problems and that any viable solution has to be a European solution, involving both the deepening and the widening of the Union.*

### **Europe's Strategic Options**

“We will show that we have a commitment and an obligation to help this region to a different type of future, one that is based on membership of the European Union and NATO.”

T. Blair,  
Sofia 17.05.1999

The 1999 Balkan events changed the European Union's process of reform and enlargement as much as they have changed the region itself. Since the EU has opened a long-term accession perspective for the countries of the Western Balkans, it is becoming increasingly clear that some form of inclusion of the region in the EU enlargement process is the most promising and cost-effective way of promoting security, stability and prosperity, both for the region and for Europe as a whole.

In view of the region's disproportionate potential for hard and soft security risks, the financial burden of reconstruction and stabilisation as well as the potentially counter-productive multiplication of EU initiatives for the region, several experts and think tanks have argued the case for solving the dilemmas of Europe's Southeastern periphery with one all-out effort in the framework of the EU enlargement process. Proposals for accelerated, partial integration – be it a “New Associated Membership” for Southeastern Europe, a “New Deal” for the Balkans or the “Euro-isation” of the region – are generally based on a breakthrough solution for the structural deadlock of the region. Rather than trying to implement the regional Stability Pact under the adverse conditions of an isolated Serbia and rather than trying to cope with the destabilising asymmetries caused by the regionality-conditionality dilemma of pre-accession, these models compare the economic might of Europe

and the diminutive economic dimensions of the Western Balkans. Indeed, in the rational terms of bare economic figures, the costs of an accelerated economic integration would appear quite minimal, also in comparison with a separate development strategy for the region and non-integration.

Typically, what all breakthrough scenarios have in common is a priority for economic rather than political or civil-society incentives and a preference for European solutions over bilateral remuneration of reform efforts or intra-regional co-operation. Partial membership would introduce a model of enlargement “light” for the Balkans – the EU were to accept compromises in the adoption of the *acquis*, by the countries of the region were to give up some of the principle rights of full membership. In a three-year period the region would then move to free trade and thereafter to a customs’ union, to a currency board pegged to the Euro and thereafter to the Euro currency. An accelerated partial integration of the region in the EU (e.g. together with the first round of enlargement) would have a number of obvious advantages, of which avoiding an explicit modification of the Copenhagen Criteria not be the last. Partial integration, installing market mechanisms and the legal and institutional framework necessary for private investment more or less overnight would forestall the economy from depending on state subvention or international assistance, while preventing weak governments from backing out of their reform programmes. The new Schengen-borders of Eastern enlargement would also no longer hamper intra-regional trade and bilateral relations with the EU. Last but not least, this strategy would not affect the EU reform process, decision-making in general and the working relations of the member states.



Many objections to an accelerated partial integration or a “membership light” come to mind: A model of accelerated partial integration of the whole region would mean turning EU enlargement strategies inside out by cutting corners on the conditionality principle. Such a reversion of principles would be utterly unfair to the Luxembourg Six and the Helsinki Six – or would at least be perceived that way – and might discredit the enlargement process as a whole. Partial integration of Southeastern Europe would be grist to the mill of anti-Europe populists. Newly independent nation-states are unlikely to accept such a loss of sovereignty. Local industries would face EU competition on the domestic market. More importantly, for larger parts of the local economic and political entrepreneurs, a multitude of border regimes, weak states and defunct reforms are more profitable than externally controlled reform processes and regional co-operation: Political economy matters as much as macroeconomics.

*As argued, any European solution for the Balkans is irrevocably linked up with Eastern enlargement, but a market-driven, partial integration of this region might impede the processes of enlargement and EU reform, without much public support in the EU-15, with severe criticism from among the ten accession states and with no workable majority among the elites of the region.*

### **Regionality or Conditionality**

In current practice, two partially contradictory key strategies are being implemented in Southeastern Europe:

⇒ The Stability Pact follows the principle of regionality, albeit recipient countries have to fulfil some preconditions;

⇒ The Stabilisation and Association Process is based on conditionality, albeit regional co-operation is among these.

The Stability Pact for Southeastern Europe, an initiative of the German Presidency, has been praised as the first comprehensive European solution for the Balkans, taking full account of the regional and structural character of the obstacles to political democratisation and market-reform. Thanks to the Stability Pact, European attention for the Southeastern periphery has indeed remained high more than one year after the end of Operation Allied Force, as was impressively demonstrated by the Financing Conference in March 2000. Nevertheless, the Stability Pact as a comprehensive long-term structural project is under tremendous pressure of time and expectations (from donors *and* recipients) to produce accountable, sustainable results in the short term.

The Stability Pact's regionality dates back to the EU's 1996 Regionality Approach, bearing witness to the recognition that most of the structural deficits and reform obstacles are common to all countries of the region. The reasoning is that regional problems call for regional solutions, making regional co-operation an absolute condition and priority. Yet, some of the obstacles the Stability Pact has to overcome in the implementation phase are directly related to the regionality principle.

Due to the substantial differences in political and economic transition within the Southeastern European region and the EU's conditionality principle, the bilateral contractual relations with the EU differ from country to country: accession negotiations for Romania and Bulgaria, Co-operation Agreements for Albania and Macedonia, Bosnia and Croatia only figure as recipient countries of the Stability Pact and Yugoslavia is under

a regime of sanctions. In many respects, Southeastern Europe is no more a region now than Central and Eastern Europe was ten years ago. Consequently, regional co-operation is impeded by the heterogeneity of both the national transition processes and the bilateral relations with the EU: Conditionality creates asymmetries and tensions that regionality cannot compensate.

The Royaumont process has come to focus its regional approach on political and civil society confidence-building, producing few substantial results so far, and largely shunned issues of economic co-operation. In this field, the Southeast European Co-operative Initiative with functional co-operation of those willing and able in the region as an alternative concept has produced tangible results in this field. *As a stand-alone strategy for economic reform multilateral, intra-regional integration is not a viable scenario for the Balkans. The countries of the region have many structural reform deficits in common, but because of the socio-economic heterogeneity of the region and its long tradition of mistrust and non-co-operation, the prospects for regionality in economic co-operation, trade and regional infrastructure as a take-off strategy for sustainable reform and stabilisation should not be overestimated.* Already, trade with the EU is the mainstay of the faltering economies of the region. (Evidently, the unresolved status of Kosovo and the exclusion of Yugoslavia right in the centre of the region constitute additional obstacles.) Even in the case of the ten accession states, regional co-operation has played a minor role since 1989, compared to the development of bilateral relations with the Union: CEFTA, Black Sea Economic Co-operation and other initiatives are not an alternative, but rather a sensible addition to the integration process. Regional co-operation and trade relations were weakened rather than strengthened by

competition for EU membership.

The ultimate paradox of the regionality principle is the division of the region involved by the process of EU enlargement. Slovenia, Romania and Bulgaria are negotiating EU accession and thereby symbolically “leaving” the Balkans. *With the accession of the ten Central and Eastern candidates, “Southeastern Europe” would be empty; the “Western Balkans” would be left behind as the powder keg and poorhouse of Europe. Thus, the EU is de facto dividing a region with the left hand, while promoting multilateral co-operation among the states of the same region with the right hand. Only a well-balanced model for the differentiation of pre-accession might alleviate part of these contradictions and reinforce the Stability Pact’s way of involving the neighbouring countries.*

Therefore, political confidence building and *Völkerverständigung* as the ultimate goals of regional co-operation should not lead to unwarranted expectation of regional economic reform potentials: Declaring regional co-operation a prerequisite for pre-accession may therefore be both counterproductive and unfair to national reform progress in the adverse and unstable environment of the Balkan region.

Yet, regionality is not the only bias: The Stability Pact as an initiative by consolidated democracies and prospering market economies, faces tension between Balkan remedies and European predilections. It did not come as a surprise that almost all project applications for the Financing Conference of the Stability Pact in March were handed in by Western governments, NGOs and international organisations. Nor did it come as a surprise that – in terms of funding involved – \$260 million or 12 per cent of the project funding goes to the First Working Table on democratisation and human rights, \$1.8

billion or 84 per cent to the Second Working Table on economic reconstruction and development and \$78 million or a mere 4 per cent to the Third Working Table for security issues. Projects of the First Working Table dealing with democratisation and minorities tend to be long-term projects involving cumbersome negotiations and political setbacks, while frequently producing unquantifiable “soft” results. Conversely, projects of the Second Working Table dealing with reconstruction of national economies, regional infrastructure and trade facilitation produce concrete, accountable results in the short or medium term. The security issues and military hardware dealt with in the framework of the Third Working Table are neither to the liking of most NGOs in the field, nor do they seem to fit the European self-image and the European idea of conflict resolution. Within the Third Table, Justice and Home Affairs is an intrinsic European topic closely related to a perspective of EU integration. These are, in addition to economic stability and civil society development, typical strengths of the European Union. The other sub-table, arms control, military budgets and regional defence co-operation seem to be somewhat outside the framework of the Stability Pact. *In hindsight, at the first Financing Conference the donors’ responsiveness sometimes related more to the Western preferences than to the Balkan remedies. Therefore, the authority of the Stability Pact Office should be upgraded to include a stronger dimension of setting priorities in the project application phase and mechanisms to suggest projects to donor organisations.*

*The effective implementation of the Pact as a long-term endeavour also requires an overarching strategic framework defining priorities and structuring the division of labour with other international organisations with their inevitably diverging*

*interests and views. The Pact is not an exclusive EU initiative, the European Union merely has a "leading role" at the Regional Table. The implementation is bound to raise again and again the questions of, if and to what extent the EU would be able and willing to take full responsibility for the Stability Pact.* After an eventual incorporation of the Southeast European Co-operative Initiative in the Stability Pact, problems of "external" co-ordination and duplication would mostly concern co-ordination with the World Bank on transition strategies and with NATO on security issues. The leading role of the World Bank for Working Table Two seems an obvious choice. The lead organisation for the Third Working Table, however, is not NATO, despite the dominant presence of the Atlantic Alliance in the region. As Moscow argues that security and stability in Europe should be the responsibility of the UN and the OSCE rather than NATO's, placing NATO in charge of this Working Table would have endangered the co-operation with the Russian government, which was deemed crucial for a sustainable solution in the Balkans.

*In addition to regionality and external co-ordination, the harmonisation of the regional Pact with the conditional instruments of the Stabilisation and Association Process is another priority issue on the agenda.* Despite its careful phrasing, the promise of EU integration in the Stability Pact and its renewal in the 1999 Progress Report irrevocably linked the process of regional security and stability in Southeastern Europe to the process of EU enlargement. The EU, however hastened to create a nexus between the accession perspective for the Western Balkans and the Copenhagen Criteria: "The EU will draw the region closer to the perspective of full integration into its structures. This will be done through a new kind of

contractual relationship ... on the basis of the Amsterdam Treaty and once the Copenhagen Criteria have been met". Thus, conditionality is made the guiding principle for the "pre-pre-accession" of the Balkans.

In reaction to the proclamation of the Stability Pact, the projected follow-up to the Co-operation Agreements was reworked to a Stabilisation and Association Process, although the exact relation between the regional Pact and the new form of bilateral contractual relations with the EU is still an open question. The basic principle of the Stabilisation and Association Agreements, now being negotiated with Macedonia and Albania, is conditionality, although regional co-operation is one of the main conditions. The conditions include along with Dayton compliance a Helsinki-like declaration on the inviolability of borders, respect for human and minority rights as well as good-neighbourly relations. Stabilisation and Association Agreements will be granted bilaterally to states fulfilling basic criteria of political stability, good neighbourly relations and economic reform.

Conditionality creates asymmetries and tensions that regionality cannot compensate.

*Conditionality entails one fundamental dilemma: Preconditions for reform assistance and enhanced relations favour countries that have already managed to fulfil minimum conditions of stability and reform on their own, while the countries with the largest stabilisation deficits would fail to qualify for the conditional EU offers. The (pre-)accession process creates new frontiers between poor and rich, secure and insecure countries. Enlargement needs to deal with this dilemma and offer appropriate alternative forms of relations with the EU, as the subsequent increase of asymmetries within the region should not be underestimated as a key factor of regional destabilisation.*

The shock and ramifications of the Kosovo war have already modified the conditionality of accession negotiations: No doubt the Helsinki Six, including Romania and Bulgaria, are way ahead of the Western Balkans in terms of good governance, democratisation and market reform. Yet, the opening of accession negotiations earlier this year was only partly based on the recent, undisputed reform merits of these countries. The European Commission's 1999 Progress Reports gave thumbs up for political reform, but admitted bluntly "Bulgaria and Romania do not meet either economic criterion. Encouragingly, Bulgaria continues to make significant progress and shows sustained efforts in the economic reform process, but started from a very low level. Regrettably, the situation in Romania has, at best, stabilised compared with last year." The Kosovo war made the Commission rethink its priorities and recommend an opening of negotiations with six more candidates, based on "the need to achieve peace and security, democracy and the rule of law, growth and the foundations of prosperity throughout Europe." Thus, the EU demonstrated enhanced awareness of the strategic and political dimension to enlargement.

The question arises if yet another modification of the enlargement strategy would be feasible – giving speed priority over quality or ranking security and stability higher than the political and economic accession conditions. Conversely, the conditionality principle of the current step-by-step pre-accession and enlargement process collides with the regionality principle of other European strategies for Southeastern Europe. An integration process excluding (parts of) Southeastern Europe might heighten asymmetries, thereby risking regional destabilisation and the emergence of parasite economies based on crime, clientelism and corruption rather than economic



reform. These are the dilemmas of potentially counterproductive consequences and interference with other EU projects generated by conditional integration of Southeastern Europe.

### **Differentiation of Pre-Accession and the Common Strategy for Southeastern Europe**

*In total, three parallel processes of differentiation are on the European agenda:*

Differentiation is the key. Yet, differentiation of integration within the EU-15, differentiation in Eastern enlargement and differentiation of pre-accession in Southeastern Europe are three different pairs of shoes.

- ⇒ Differentiation in Eastern enlargement with a commitment to monitor the actual implementation of the reform measures more closely was introduced to resolve the tension between quality and speed, but nevertheless bound to produce groups of candidates entering the Union if only for institutional reasons.
- ⇒ Differentiation of integration is taking place within the current EU-15. “Flexibilisation”, “concentric circles”, “avant-garde” or a “network Europe” are catchwords for the differentiation of the integration process within a Union facing a doubling of membership and increasing international responsibilities. In fact, the European Economic Area, the Schengen Agreement and the Euro-11 of the Monetary Union are differentiation put into practice.
- ⇒ Differentiation of pre-accession for Southeastern Europe, a differentiated process for states with a perspective, but without member or candidate status, would complement this model.

This third form of differentiation would consist of a set of objectives and principles, taking account of and building upon existing instruments with their regionality and conditionality

biases as well as of the interferences with the parallel process of EU reform and Eastern enlargement.

A functionally differentiated integration would assist and commit individual Southeastern European states in their preparation for EU candidacy, grouping other initiatives and forms of regional co-operation around the Stabilisation and Association Agreements. By setting objectives and preconditions, it would contribute to the efficacious implementation of the Stability Pact. Functional integration might include (unilaterally or regionally) the introduction of the Euro, observer status in EU institutions, an extension of the European Economic Area, unilateral trade facilitation, free trade agreements (similar to those of the accession states) as well as a European Security Area. None of the instruments should be allowed to interfere in the Eastern enlargement process, while further offering (at best) the same conditions as the accession states have. Some options of differentiation in pre-accession might best be implemented on a regional basis: A Southeast European Free Trade Association would have to be a functional coalition of regional states willing and able to comply with EU conditions rather than a minimum consensus of the whole region. Thus, functional integration would neither disrupt the conditionality of the (pre-)accession process nor preclude regional co-operation between accession states and non-accession states in the region.

*The third model of differentiation for Southeastern Europe would resemble EU integration as a functional coalition of the willing and able, moving integration forward in those policy areas with political windows of opportunity and promising prospects of success. A longer process of integration, organised along the lines of functionality and conditionality, rather than*

*on a regional basis, might be the golden mean between the abstract vocation for EU membership and unrealistic breakthrough models, while at the same time constituting an improvement in the management of expectations and apprehensions. The Amsterdam Treaty, moreover, has created a new right policy instrument for a differentiation of pre-accession: a Common Strategy for Southeastern Europe.*

Unlike the Stability Pact, the Common Strategy for Southeastern Europe should be exclusively EU, arranging the multitude of EU policies and instruments for the region.

Some say, the much-applauded Stability Pact pre-empted the formulation of an EU Common Strategy for Southeastern Europe, as envisaged by the Vienna European Council. The Stability Pact was indeed – *avant la lettre* – conceived as the Common Strategy for Southeastern Europe the ongoing ratification of the Amsterdam Treaty did not yet allow. In view of the urgency amidst the escalation of the Kosovo crisis, it should be seen as a highly successful undertaking. Nevertheless, a EU Common Strategy for Southeastern Europe might still have its virtues: Unlike the less controversial Common Strategies for the Russian Federation and Ukraine, which basically reiterate the Partnership and Co-operation Agreements, a Common Strategy for Southeastern Europe would have to be something qualitatively novel.

⇒ The Common Strategy would rearrange Stability Pact, Stabilisation and Association Process, CARA-programme, Europe-Agreements and Accession Partnerships into a well-structured package, specifying the conditions, timeframes and supportive measures for each stage. Thus, a Common Strategy would give the countries and statesmen of the region a clear picture of the road ahead. Rather than upgrading the negotiation of the first Stabilisation and Association Agreements with Macedonia and Albania this year to a premonition of a future Common Strategy for

Southeastern Europe, the upcoming Eastern enlargement should instil urgency in this endeavour.

- ⇒ The Common Strategy were to reconcile the potentially conflicting instruments of the Stability Pact, oriented towards regional co-operation, and the Stabilisation and Association Process, a precursor of the current enlargement strategy based on conditionality and bilateral negotiations. The convergence of regionality and conditionality would imply a modus of functional differentiation of pre-accession, identifying concrete options and policy areas. To that end, the policy implications of a regional organisation for free trade and economic co-operation and the European Commission's suggestion of a "virtual" rather than "partial" integration would have to be concretised.
- ⇒ *Unlike the intergovernmental Stability Pact, the Common Strategy could take full account of the fact that Southeastern Europe involves many institutionalised policy domains in Brussels: External Relations, the Stability Pact, Common Foreign and Security Policy, Enlargement, Development, Trade and Humanitarian Aid. Likewise, the Common Strategy was to define the leading role and the responsibilities or commitments of the Union as a whole in relation to other international organisations involved.*
- ⇒ Finally, of course, a Common Strategy would authorise the Council of the European Union to act decisively by Qualified Majority Voting. Thus, in accordance with the objectives, timeframes and resources of the Common Strategy joint actions and common positions might follow. The Common Strategy might furthermore enhance the co-ordination between member states on such crucial, but highly controversial issues like the regime of sanctions on

Yugoslavia, the status of Kosovo and the treatment of Montenegro.

*The Common Strategy would produce a solid and consistent policy framework for the co-operation with international organisations, among EU institutions and for the decision-makers in the region. By making a credible commitment to a trajectory of integration with proper conditionality EU would mobilise its strengths of prosperity and stability for Southeastern Europe and establish itself as a responsible lead organisation, thereby relegating other international institutions to a supporting role.*

In terms of sharing burdens and responsibilities within the EU-15, a Franco-British-German partnership seems to be developing. London shouldered the heaviest burden of all European partners in terms of troops deployed and sorties flown in the Kosovo war. Meanwhile, during its Presidency, Berlin took the lead in designing the Stability Pact as an encompassing post-war arrangement for the stabilisation of the region. Now, on the eve of the French Presidency, Paris has proposed a European Balkan Conference with the states of the region, indicating a more assertive Europe determined to enhance its involvement in the region. Eventually, a European Balkan Conference might be the beginning of a structured dialogue along the lines of the Eastern enlargement process.

*Thus, the second half of 2000 is bound to witness new impulses in two related European projects: the security and defence dimension of the European Union and a Common Strategy for Southeastern Europe. In view of the subsequent rota of Presidencies, the French Presidency might well be the last chance to such a Common Strategy prior to a possible first round of enlargement in 2003.*

“Ultimately, the Union has the consolidation of peace on our continent as its vocation. It is its responsibility, taken on step by step and irreversibly.”

J. Chirac,  
Paris, 30.05.2000

## II. Redefining Europe's Responsibilities

The offering of an accession perspective to all countries of the region has essentially made the stabilisation of Southeastern Europe part of the EU enlargement process, and thereby a European internal affair. The logic of enlargement thus makes security, reconstruction and market reform, Justice and Home Affairs, democratisation and minority rights in Southeastern Europe first and foremost European responsibilities. Ultimately, the changes might involve decision-making rather than just burden sharing. *European strategies for Southeastern Europe depend on the EU member states' ability and willingness to take full responsibility for security and stability along and beyond the future EU borders.*

Conversely, the destabilised Southeast of the European continent, with its Kosovo crisis and a potential for another Kosovo-type conflict will serve as a yardstick or even a litmus test for the adequacy of Europe's willingness and ability for autonomous action. This test case, however, involves far more than merely security, which has thus far not been Europe's strong point. Europe is still far away from having the autonomous political and military capacity to deal with a full Kosovo-type operation with recourse to US assets. *Yet, a perspective has been opened for an EU that is politically effective, militarily capable and self-confident in its own ability to act. The Helsinki European Council recognised that there will be times when the Union will be a more appropriate security actor than NATO. Eventually, the EU might be able to provide security tools that cover the full spectrum of conflict prevention, non-military crisis management, diplomatic negotiations, low-intensity military conflict management and post-conflict*

*economic reconstruction, peacekeeping, police forces or humanitarian aid.*

Each of these European policy issues – not only the prominent debate on a Common European Security and Defence Policy and the re-arrangement of responsibilities – pertains directly to transatlantic relations: strategies of economic reform; EU enlargement as a strategy for the Balkans; humanitarian intervention under the authority of the Security Council and international law; and the Balkans as part of a larger geopolitical theatre. Thus, the 1999 “Balkan war” changed transatlantic relations as much as it has changed the region itself or the European Union’s processes of differentiated integration and Eastern enlargement. Paradoxically, the Western Balkans may prove both the first and the last opportunity for a redefinition of relevant European responsibilities and capabilities.

### **European Economic Area**

In a European strategy aiming at alleviating the tensions between regionality and conditionality by means of functional differentiation, a European Economic Area might figure high. Despite Stability Pact and Stabilisation and Association Process, it will take the countries of the Western Balkans decades to fulfil the economic conditions of the Copenhagen Criteria and to see their vocation to become members eventually honoured. In the meantime, frustrated expectations would discredit pro-European, reform-oriented elites, leaving their constituencies in the hands of political entrepreneurs. Growing social asymmetries, economic crises and criminalisation at the very border of the Union, moreover, would pose a serious threat to the stability and prosperity of Europe. Therefore, the EU faces the challenge to

bridge this extensive transition period with credible commitments and tangible offerings, without endangering its own achievements, ability to act and internal legitimacy.

The Union has not only a particularly strong record in economic reform as well as Justice and Home Affairs, but also some experience in differentiation of economic integration. The participating countries of the European Economic Area, however, all qualify for EU membership, but have chosen not to apply for the moment. Integrating the five Balkan states in a free trade area might be an option, but it requires a strategic choice on the part of the EU. The five could either be integrated in the CEFTA, an organisation bound to lose some of its founding members in the next few years, or a new South East European Free Trade Area might be created to act as an EU partner in trade regulations and co-operation negotiations. *As Romania and Bulgaria have already joined CEFTA and in view of the substantial developmental asymmetries as well as limited internal trade potential of the region, inclusion in CEFTA or bilateral agreements with the EU in the framework of the Stabilisation and Association Process might be better options. To that end, the EU would have to champion a modification of the CEFTA accession criteria, e.g. by making CEFTA membership conditional upon a Stabilisation and Association Agreement with the EU rather than a Europe-Agreement.* Unilateral granting of trade preferences by the EU as an alternative would be most effective if it also included the thus far protected segments of agricultural production.

European solidarity in Justice and Home Affairs, as envisaged in the Stabilisation and Association Process, implies yet another European strategic choice – between improvement of national border controls and abolishment of intra-regional borders.



Border controls and customs' tariffs may perpetuate bureaucratic corruption and hamper cross-border co-operation, but cannot be realistically abolished in view of the current security and stability risks in the region. Therefore, assistance in the third pillar will take the form of improving law enforcement, judiciary and border controls with training, institution building and equipment. The European aspect concerns the extension of the Schengen border. Eventually, it would separate Romania and Bulgaria from the Western Balkans as much as the EU outer border would put an end to the Slovenian-Croatian free trade agreement. At this point, a conflict of interest between Eastern enlargement and the stabilisation of Southeastern Europe has to be resolved by enhancing the autonomous trade preferences with the states of the region.

The Federal Republic of Yugoslavia is basically excluded from all EU programmes by a regime of economic sanctions, while at the same time heavy-handedly blocking much of regional co-operation and intra-regional trade-flows by keeping the level of insecurity high. With many hopes for a change of regime in Belgrade disappointed, and with anti-European political forces not only ascertaining the support of the *nouveaux riches*, but also mobilising the losers of transformation, sanctions are hardly an adequate answer. Apart from strictly focusing the sanctions regime to hurt the Belgrade nomenclature, intensifying the co-operation with well-disposed regional and municipal officials (rather than opposition parties) might increase leverage.

*Overall, options for functional differentiation of integration are manifold in trade, economic co-operation as well as Justice and Home Affairs, without significant repercussions on the European side. The power and availability of European*

*strategic options and resources in this field, however, also suggests Europe taking full responsibility and command.*

The Kosovo War has placed Europe's next big idea on the agenda: a defence and security union.

### **Common European Security and Defence Policy**

The recent progress on Europe's next big idea, a defence and security union, would have been quite unthinkable without the experience of the Kosovo War. Although the concept of a Common European Security and Defence Policy was originally laid out in the Maastricht Treaty, NATO recognition came only with the Washington *communiqué* of April 1999. *NATO's first war then made the Europeans realise to what extent they depended on Washington, both in terms of political decision-making and in terms of military capabilities. Despite the American insistence on burden sharing, the European focus seems to be on the institutional arrangements, taking foreign policy, security and defence as the policy domains to move the European project forward with the three major players on board.*

The original division of labour, with the USA and NATO taking the lead in establishing a security regime and crisis management, and with the EU taking the lead in the economic reconstruction in the Balkans, is crumbling. The Kosovo War has not only made the Europeans aware of their deficits in military capacity, strategic assessment and political decision-making, but also created a drive for a self-confident and capable European policy in security and foreign affairs. The crisis in the Balkans might be the one and only opportunity for Europe: Crises outside Europe would hardly justify such a step forward in European integration. Furthermore, potential crises along the

CIS borders would lack the current Russian consent for an increased EU role in security issues.

Currently, NATO and EU are increasingly building up parallel institutions and initiatives for security in Southeastern Europe. Eurocorps makes a substantial contribution to KFOR, but relevant NATO programmes and instruments of Partnership for Peace, the Euro-Atlantic Partnership Council, the Southeast European Brigade and 19+7 South East European Initiative remained separate from the Stability Pact's Working Table dealing with security issues. So far NATO had the better offerings and the highest priority for the countries of the region. With NATO membership becoming a chimera for Southeastern Europe despite of an open-door policy, a European Security Area with Russian consent or acquiescence might become an appealing alternative. European security solidarity would, unlike a NATO defence guarantee, entail the complete arsenal, all the way from diplomatic joint actions through conflict prevention, and from military action to post-conflict reconstruction. The open question at the moment is what responsibilities Europe would be able and willing to shoulder – between the Petersberg Tasks and Article 5 Defence. A European Security Area beyond the EU outer border would include Southeastern Europe and constitute yet another element of differentiation: Having defined the steps and conditions of the Western Balkans' road to EU accession, Europe would logically have to shoulder the main responsibility for crises in the region.

Even though it will take Europe at least 15 years to create the necessary political institutions and military capacities, a gradual transfer of responsibilities for the Balkans from the USA and NATO to indigenous EU institutions might be the best solution for four related problems: allay American apprehensions

concerning a decoupling of European security; lend credibility to Europe's commitment to the Balkans; arrange for assured access to NATO assets for the European Security Area; and assert the Common European Security and Defence Policy as the next push in European integration, as well as in the trilateral of Franco-British-German relations. It would, most of all, make a new arrangement of responsibilities between USA, NATO, EU and OSCE the political order of the day.

France, Great Britain and Germany are to shoulder new responsibilities in a Europe of political and security integration.

### **New European Responsibilities**

The special responsibility of France, Great Britain and Germany, both for Europe's role in Southeastern Europe and the Common Foreign and Security Policy, derives not only from their weight within the Union of fifteen. In a way, they also represent "Europe" in other relevant institutions like the Contact Group (together with Italy), G-8 and the UN Security Council (without Germany). In a Union of 25 to 30, moreover, a foreign-policy and security union would inevitably bring together the willing and the able in a new open form of differentiated integration. Thus, theirs is a leading role, as much in developing a European view and profile in global affairs as in committing the other EU members in the implementation of a Common Foreign and Security Policy.

With a European model of differentiated integration for Southeastern Europe, the extension of the Union approaches finalisation. Consequently, the Three will face the no less formidable task of structuring Europe's relations with new neighbours without recourse to Europe's most successful and – some say only – foreign policy instrument: the accession process. Ironically, the United States have so far perceived of

(EU and NATO) enlargement in a much wider geopolitical framework, including Russia, the Caucasus and the Middle East. Europeans have been more concerned about the internal cohesion of an enlarging Union and therefore objected to the idea of enlargement as a foreign policy instrument. Recently, with President Clinton reiterating the idea of Russia's inclusion in NATO and EU, it is the Europeans who are thinking ahead by defining Europe's profile as a global actor beyond enlargement. The Kosovo crisis demonstrated that the United States is far more prepared to act unilaterally and to use force far more rapidly than its European allies, explaining the extent to which policy divergence can no longer simply be reduced to burden-sharing. As the world's only superpower, the United States has never been in greater need of a European ally. Given these circumstances, a new transatlantic partnership is needed that is founded upon a Europe politically mature and militarily capable enough of standing alongside the United States as a partner, and thereby enhancing its autonomous role as an international security actor. Thus, multilateralism is the key for a European profile. Consequently, the EU has a much keener interest in a reform of international law on humanitarian intervention, especially by bringing authority back to the United Nations and preventing auto-legitimation from becoming the general rule. The NATO intervention in Kosovo should thus remain a one-time exception and warning rather than a precedent. A reform might follow the line of Foreign Minister Fischer's UN speech, a motivated veto in the Security Council, or a rereading of the Charter's preamble, allowing humanitarian intervention as long as territorial integrity and sovereignty of states are not violated. Ultimately, resolving the inherent tension between human rights and the right of national self-determination has to remain high

on the international agenda. The European strategy of involving and committing Russia implies a return to the Security Council and a strengthening of common, multilateral structures beyond EU member institutions that include Russia, such as the OSCE, G-8 or the Contact Group. It might in the long run also imply an increasing role of a European Security Area.

*The Balkans may be Europe's one and only chance to develop such a profile and capability. Even if Common European Security and Defence Policy is still largely on the drawing board and despite all differences of opinion on transatlantic relations, Balkan policies, EU reform or NATO-EU relations, it has already achieved a truly remarkable sense of common purpose between Berlin, London and Paris.*