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Contents

Vladimir Gligorov
European Union in the
Balkans p. 1

Wim van Meurs
The European Union and the
Balkans: From Stabilization
Process to Southeastern
Enlargement p. 4

Jovan Teokarevic
Regional Cooperation
and Cracking Down on
Organized Crime: Europe
in the Balkans p. 7

Maja Krizanovic
The Stabilization and
Association Process in
Bosnia and Herzegovina:
A Long Road Ahead p. 9

Tobias K. Vogel
Responsible Disengagement:
the International Community
in Bosnia-Herzegovina p. 11

Ana Dinescu
The European Bet p. 14

Matei Paun
Romania: Change will
not happen p. 16

Ioana Morovan
More losses than
gains in the program
"Phare 2000" p. 18

Editorial

Four years after the European Union launched its first concerted effort to assist the countries of the newly imagined "Western Balkans" at the Cologne summit in April 1999, leading to the creation of the Stability Pact, the face of the region has changed dramatically. Stability in itself is no longer the main concern for Southeastern Europe. Instead, integration and participation in the European Integration process have become the most important priorities for most governments of the region. The European Balkan Observer (EBO) seeks to monitor, analyze and comment on this process of integration.

Articles by Vladimir Gligorov and Wim van Meurs offer concrete suggestions for the European Union's policy towards Southeastern Europe. In an article on the *implications* of the assassination of Serbian Prime Minister Zoran Djindjic, Jovan Teokarevic highlights the need for a cross-border crack down on organized crime.

Ana Dinescu examines in an analysis the larger challenges of European identity, across the divide between current and future members of the EU, as become painfully obvious in the debates over the Iraq war. Some four articles shed a light on two countries of the region: Bosnia-Herzegovina and Romania. While Tobias Vogel explores how Bosnia has come to rely on international intervention and means of reducing such dependencies, Maja Krizanovic details the steps taken by the country towards European Integration.

Romania is the focus of two other articles, which also point to challenges for the Western Balkans. Matei Paun comments on the absence of consolidation of the political system. An analysis by Ioana Morovan looks at the problems experienced with Phare programs in the country.

We hope you enjoy this first issue of the European Balkan Observer. Comments and contributions to the European Balkan Observer are welcome!

Florian Bieber

European Union in the Balkans

By Vladimir Gligorov

Most countries of the Balkans are plagued by weak governance and distorted economies. Vladimir Gligorov argues that the European Union should increase its presence in the region and offer a clear membership perspective to the countries of the region.

Southeastern Europe has been left out of the current wave of European Union enlargement. Still, it is a region which is in many ways integrated with the European Union. Indeed, the European Union is very much present in the Balkans: it is the main trade and investment partner, it plays a major role in various security arrangements in the Balkans, and it is increasingly politically involved in whatever goes on in this region. It is also increasingly understood in the European Union and in the Southeast Europe that integration is going to happen some time in the future. Indeed, the countries in Southeast Europe are at various stages in the process of EU integration. The question is: has the time come to speed up the process of integration? And if so, in which way?

I want to argue that the enhanced process of EU integration of Southeast Europe, which looks very much like the process of enlargement that will be completed in 2004, should be relied on to address the key problems of this region. This process should mark a turnaround in Balkan politics and economics *from balkanization to europeanization*. What are the key problems and how will EU integration help solve them?

The two most fundamental problems in the Balkans are *weak public governance* and *distorted economies*.

Weak Governance

Public governance is weak for a number of reasons, most of which are quite well known. In much of the Balkans, non-standard political arrangements can be found. These stand in the way of democratization and distort the representation of public preferences. Narrow nationalistic and populist interests have a very strong influence on the political agenda. As a consequence, positive political developments are slow, and security risks, both external and internal, remain high. Existing political arrangements in some of the key areas in the region have been put in place in order to contain the existing security risks and to manage the particular post-conflict situation. They are, by their very nature, temporary, but they are not easy to change. Thus, they are increasingly turning into obstacles to further development. This is because they have been based on the logic of balkanization and not of europeanization.

Distorted Economies

Apart from weak public governance, the economies in Southeast Europe are distorted. Without going into details, it is clear that both the public and the private sectors are plagued with significant problems and imbalances. Also, there is an unusually large informal sector that is, in a number of ways, more im-

portant than the formal one.

Probably the key problem is to be found in the labor markets. Unemployment is high or very high, however measured. Employment in the informal sector is also very high. The incentives for migration are also very high. This situation in the labor market is supported or complemented by a similar situation in the enterprise sector. Both the formal and the informal sectors operate in distorted business environments. Both rely on market distortions as well as on one or another type of subsidy or cost evasion.

This distorted microeconomic picture is complemented by significant macroeconomic imbalances. External and fiscal balances are basically unsustainable. Fiscal deficits are high as are the current account deficits. Those are often financed from aid and soft credits as well as from the sale of assets. But their sustainability is a constant problem. Macroeconomic imbalances are a consequence of the slow transition, which means that the public sector is still very large, and a lack of competitiveness, which keeps exports low and imports high.

Think European

Conflict management and post-conflict management measures have addressed these problems. Concentrating only on EU involve-

ment, its current strategy for the Western Balkans has been one of stabilization and association. Association with the EU has been seen as stabilizing, in the sense of its influence on both the domestic and the external political agendas. In principle, that is the right approach. Indeed, the prospect of EU integration is the right instrument to address the two key problems in the Balkans. The question is whether the incentives included in the current Stabilization and Association Process are the right ones, or rather whether they exist in sufficient measure.

EU Membership as an Engine for Change

The answer that is emerging is that they are or could be if they were strengthened further in terms of commitment, political involvement and financing. There is a danger that this emerging consensus will end up bringing about a process of integration that will just be more of the same. This will prolong the process much beyond what is really needed. Also, though the final result is probably not in question, the path to it may be quite risky and costly and not an optimal one in any case.

This is because the key difference that the EU should make in the region is to induce it to think in European terms. In order to accomplish that, the EU needs to increase the level of its commitment to the region. It needs to give the region a clear prospect of future membership in the EU, a commitment that is free of any ambiguity and uncertainty. The best way

is to declare all the countries in the region candidates for EU integration. It is that message that should come out from the Thessalonica summit in late June of 2003.

The commitment to treat the Balkan countries as candidates for membership would have to be backed by appropriate changes in the level and the procedure of EU involvement. Much more effort should be extended on policies and procedures of harmonization. Also, greater financial resources should be set aside to support the process of accession. Both would enable the EU to take the lead in the transformation of the Balkans and to increase its involvement in the whole process.

Within the EU integration process, the security, political and economic problems of the region could be seen in a different light and addressed accordingly. Three issues can just be mentioned here.

Constitutional and other regional security problems connected with nation and state building could be addressed within the process of EU integration. If the EU should be able to contribute to something, it should be to turn the conflicts over territories into regional cooperation.

The political agenda would change to give the problems of EU integration top priority. That would change the public debate and would influence the behavior and the political profiles of the political parties and non-party organizations.

Economic development could be addressed directly in a variety of ways. Clearly, macroeconomic stability would increase and

business risk would decrease. The insistence on the rule of law and on the strengthening of institutions in general would have the desired positive effect on economic growth and thus on labor markets and on the markets, too.

Microeconomic deficiencies and distortions could be addressed by a combination of market liberalization and micro-management measures. In the former instance, increased access to EU markets could easily be implemented by the removal of all the remaining non-tariff restrictions to imports from the Balkans. It is to be understood that the EU market is the key growth engine of the Balkans.

In the case of the latter, i.e., micro-management, various instruments used in the EU cohesion policy should be used to address the two main problems simultaneously: weak local governance structures and the need to restructure economic activities and thus increase the opportunities for sustainable employment.

A New Perspective

The first step in implementing the new strategy should be the one that is easiest to make: a change in the perspective. Rather than adopting the rules of balkanization, those of europeization should be introduced.

Rather than supporting the existing barriers or, in some cases, building new ones, or at best bringing down barriers very, very slowly, a bold policy of removing political and economic barriers and of integration should be adopted

and supported politically, institutionally and financially.

Summary of the presentation at the public hearing on "A New European Union Strategy for South Eastern Europe" at the European Parliament on 18 March 2003.

Vladimir Gligorov is a staff economist at the Vienna Institute for International Economic Research and member of the BeCEI board.

The European Union and the Balkans: From Stabilization Process to Southeastern Enlargement

by Wim van Meurs

Now that instability is no longer the prime concern for the region, Wim van Meurs argues that there is a need for the EU to develop its strategy for the region. In addition to promoting regional ownership of the cooperation process, he argues for enhancing the institutional and strategic framework for integrating the region within the European Union.

Historically, the term "Balkans" is widely associated with fragmentation, violent conflict, backwardness and misery. Only very recently, the region started to generate a common vision: the perspective of future EU membership. The EU perspective is emerging as the *Archimedean point* of the entire process of stabilization and development for the region, providing both the peoples in the Balkans and the international community with a real prospect for a breakthrough that would lead the region away from the divisions and the conflicts of the past and towards stability, co-operation and prosperity. The 1999 Helsinki European Council gave the prospect for integration of the Western Balkans in EU structures a new geographic logic and strategic momentum, particularly as the existence of a Balkan enclave would refute the concept of a European territorial *finalité*. More-over, basic pre-conditions for eventual EU membership, such as the Helsinki principles, the Copenhagen criteria and the adoption of the

Acquis Communautaire, are more and more becoming the guiding principles and the role model for political and economic reform and institution building in the countries of the region. The EU countries have by now accepted that the entire region is already part of Europe, that its problems are European ones, and that any viable solution has to be a European solution.

Today, the European perspective is represented in the region institutionally by the Stabilisation and Association Process (SAP) as well as in some respects by the Stability Pact (SP). Although the EU's bilateral agreements with the Balkan countries were originally modeled along the lines of those for non-accession states, the SP and the European promise triggered a redefinition along the lines of Eastern enlargement, resulting in the Stabilization and Association Process. Yet, there is heterogeneity within the region defying the pattern of conditionality and regionalism as practiced in Eastern enlargement. Unlike the case of East Central

Europe, considerations of stabilization and scale require that regional co-operation in South East Europe operates *prior to* and *parallel to* the EU integration process instead of being treated as its natural consequence and a *follow-up* to integration.

SP and SAP are not a perfect match and do not jointly provide a comprehensive framework for the European perspective in the region. Strategically, SP and SAP are based on contrasting contractual principles. The SP prioritizes regional co-operation as a stabilizing remedy for the structural deficits as well as recent conflicts in the region. The SAP prioritizes the power of bilateral conditionality and consequently identifies regional co-operation as only an auxiliary mechanism. The bilateral conditionality of the SAP or the pre-accession process causes a new fragmentation or divide within the region and competes with the SP's logic by promoting integration via Schengen borders and an internal market. By its very logic, conditionality rewards

those countries that have successfully mastered the quantifiable and urgent challenges of political and economic reform rather than the less tangible long-term objectives of regional co-operation. In sum, while the European integration constitutes the Archimedean point for the region, individual weaknesses and fundamental tensions between the two main instruments of the European perspective in the Balkans persist. Inherently, conditionality exacerbates rather than alleviates disparities between candidate and associate countries. Croatia's recent application for candidate status is the logical consequence of a strategic dilemma. The EU has introduced roadmaps with "conditionality within the conditionality" to remedy the same issue (albeit on a qualitatively different scale) in the case of the two remaining candidates, Romania and Bulgaria. The complexity and unpredictability of the Balkans' road towards Europe calls for the re-thinking and re-arrangement of some of the available instruments for crisis management, conflict prevention, reform assistance, regional co-operation and European integration in the direction of strengthening the European perspective in the region.

Challenges and Opportunities Ahead

Distinctive features of Southeastern Europe that merit deeper attention in the process of defining objectives and strategies of regional co-operation and EU integration involve the projected *duration* of the

integration process and the structural *heterogeneity* of the region as such. Even in the best-case scenario, a set of strategies and institutions both qualitatively and quantitatively different from the ones employed in the enlargement process in East Central Europe are needed in the Balkans in order to cope with the specific requirements for stability in the region and in order to successfully complement the Stabilisation and Association Process towards EU integration. Overall, the integration process will be significantly more arduous, heterogeneous and asynchronous. A more realistic scenario for the Southeastern enlargement process after 2004 calls for a consistent and transparent overall strategy with more coherent sets of policies and instruments providing concrete "stepping stones"—distinct incremental incentives linked to tangible interim benefits. The paradigm for Southeastern Europe has irrevocably changed *from stabilization to enlargement*. Thus, what is necessary today and will become an even more pressing need after Eastern enlargement is a comprehensive re-arrangement of existing institutions and policies in a single strategic framework: Europe and the region need now *an Agenda for Southeastern Enlargement*.

Enhanced Strategic Complementarity

Complementary strategies partly *precede* (in a logical rather than temporal sense) the actual Stabilisation and Association Process (e.g. the start-up assistance), partly *accompany*

the SAP in parallel (e.g. regional co-operation) and partly *proactively* block interfering factors to the process (e.g. crisis management). In sum, bilateral conditionality and regional co-operation are separate strategic objectives promoting separate but equally important and complementary reforms and should not be allowed to emerge as competing agendas. The responsibility here lies both with the local political elites in demonstrating forward-looking leadership and with the EU in ensuring that regional co-operation is not construed (and thereby discredited) as a substitute to EU membership. For the issues this involves both a new quality of public policy in the region and a strategic prioritization of functional forms of co-operation.

Policy Recommendations

SEECF: Rationalization and true regional ownership require a SEECF with stronger capabilities—not necessarily institutionalized—including regular ministerial meetings in key areas of (potential) regional co-operation: security, economics and trade, energy, etc.

Stability Pact: The Pact ought to define its own agenda selectively and aggressively based on actual and potential added value in complementarity to the SAP. Consequently, its table structure has to be reconsidered and certain other tasks regionalized, transferred to the EU or phased out in the medium term. Thus, the strategic capacity of the Office of the Special Co-ordinator will have to be strengthened.

Enhanced Institutional Congruence

The logical next question is about the congruence of the *institutions* to shoulder the tasks for assisting in the development and the implementation of these complementary strategies. In this regard, a major question is whether the current proliferation of international and regional initiatives and, particularly the pluralism that characterizes the institutional interface between the EU and the region, is appropriate and helpful. Yet, since the current situation is not the result of a comprehensive international approach to the realities in the Balkans but rather, as usual, the outcome of the well-known complexity of the international community and the *sui generis* set-up of the EU, the question is rather how to do better with the available instruments and mechanisms currently employed in the region and not to try to reinvent the wheel. The obvious consequence of the requirement for enhanced institutional congruence under the current circumstances is the need for a *new deal for the current key initiatives in flexible arrangements under an informal common roof*.

Policy Recommendations

DG Southeastern Enlargement: SAP and EU candidate status should be upheld as separate (albeit sequential) trajectories for EU integration. Yet, the EU perspective for the Balkans, the logic of regionality and the concept of SAA Plus imply that as of 2004 DG

Enlargement takes responsibility for both the remaining candidates of Eastern enlargement and for the SAP states of Southeastern enlargement.

Informal Consultation Council: The ICC ought to be enhanced and upgraded to become the common roof for consultation among key strategic actors for the Agenda of Southeastern enlargement: the EU Council Secretariat, the European Commission, the SEECP, the SP and the EU Presidency, the USA, SP, SECI, World Bank, NATO as well as (temporarily) the SRSG for Kosovo and the HR for Bosnia-Herzegovina. *European Reconstruction Agency*: In line with the paradigm shift from stabilization and reconstruction to integration, the agency will have to be renamed and take responsibility for CARDS assistance and evaluations either for all or none of the Western Balkan countries and entities.

An Agenda for Southeastern Enlargement

Adopting an Agenda for Southeastern enlargement would, therefore, signify the progressive and balanced shift of the position of the international community and the local leadership: from stabilization to enlargement; from international micro-management of the region to macro-management with greater local responsibilities; and from an international institutional proliferation to an integral institutional framework. The development of a flexible and informal common roof under which all current strategic objectives, actors and initiatives would be re-

arranged to create dynamic synergies would be the acknowledgement of this paradigm shift. The above strategic complementarity and institutional congruence of the Southeastern enlargement process has to be consolidated in the next 2-3 years with the 2004/2005 Eastern enlargement as a deadline.

Policy Recommendations

Functional Co-operation: Without raising the specter of virtual, partial or second-class membership, the EU might intensify co-operation in selected policy areas (e.g. the fight against organized crime; environmental policies; and security issues). Functional co-operation would be beneficial for the entire region and for the EU, too.

SAA Minus: In order to include all countries and entities of the region in the SAP and the SAA path, a special SAA minus has to be defined for those incapable of fulfilling the SAA admission criteria in the medium term, e.g. due to unresolved status issues. Once the constitutional constellation and the SAA procedure for Serbia and Montenegro have been arranged, Kosovo would be a prime candidate for a SAA minus with reduced conditionality and reduced but effective assistance and benefits.

SAA Plus: Conversely, the logic of conditionality requires that each country's "graduation" from SAA to candidate status depends on the reform criteria of the SAA, not on the planned duration of the SAA. The separation and sequencing of SAA and candidate status, however, is not violated by selectively "mirror-

ing" relevant pre-accession instruments and offering them to the more advanced SAA states, e.g. screening for the adoption of the *Acquis*, certain economic instruments and assistance for administrative capacity-building. Eventually, this SAA Plus approach might significantly shorten the actual phase of accession negotiations and strengthen the country's "locomotive role" within regional co-operation.

Cross-Conditionality. Coherence of EU strategies for crisis management, regional co-operation and integration implies that "cross-conditionality" can be applied more vigorously and transparently: Non-compliance with international obligations (ICTY, Res. 1244 or Dayton) could be linked to progress in the SAP.

Interim Incentives: The projected duration of the EU integration process for the Western Balkans requires stages within the SAP, marked by distinct reform conditions and interim incentives for individual SAA countries. Interim incentives might involve

the lifting of visa regimes or specifics of the free movement of peoples, goods, services and capital. *Pan-European Benefits:* In view of a projected European *finality* including the Western Balkans, some exclusive EU benefits can be turned into "pan-European" benefits to strengthen regional and European solidarity, without violating SAP conditionality. Citizens from the region could qualify for EU educational programs and for staff positions at the EU. Information campaigns about the EU ought to include the region on equal footing, and observer status for the states in the European Parliament or the next Inter-Governmental Conference might be worth considering.

In conclusion, what may have worked reasonably well in the Eastern enlargement process requires additional endeavours in the case of Southeastern enlargement due to the qualitatively and quantitatively different challenges posed by this region. A consistent *Agenda for Southeastern Enlarge-*

ment after 2004, including the establishment of an *Informal Consultation Council* to provide the much-needed strategic and institutional coherence and orientation under EU leadership, as well as an enhanced *Stabilisation and Association Process*, will be needed *soon*, in order to secure a credible Balkan trajectory to Europe.

The article is an updated version of the executive summary and recommendations in: Wim van Meurs, Alexandros Yannis, *The European Union and the Balkans. From Stabilisation Process to Southeastern Enlargement* (Gütersloh: Bertelsmann Foundation, Sept. 2002), the result of a joint project of the Bertelsmann Foundation, the Hellenic Foundation for European and Foreign Policy (ELIAMEP) and the Center for Applied Policy Research (CAP).

Wim van Meurs is a senior research fellow at the Center for Applied Policy Research in Munich.

Regional Cooperation and Cracking Down on Organized Crime: Europe in the Balkans

By Jovan Teokarevic

The assassination of the Serbian Prime Minister Zoran Djindjic demonstrated that economic and political reforms cannot be carried out without reducing the influence of organized crime. Jovan Teokarevic argues not a step further can be made in European or regional integration as long as the dark shadows of the past continue to conceal a different and better image of Serbia.

Apart from other consequences it will most likely produce, the assassination of the Serbian Prime Minister Zoran Djindjic will also affect the prospects of regional cooperation and in-

tegration in the Balkans. Of three levels from which those prospects could be assessed—the national, the regional and the European—the first one seems to be the most important.

For the citizens of Serbia the assassination of Djindjic was a brutal awakening from the illusion that reforms, in the aftermath of Milošević's dictatorial and criminal regime, would be

easy and would not demand too much energy, sacrifice or time. If we were all seduced by the peaceful transition to democracy in October 2000, after the assassination of 12 March of this year we have lost any right to fool ourselves: the shortcuts to a better future perhaps do exist, but definitely not without facing our own past. And that past is worse than our public wants to know and admit, and stronger than we all thought. Precisely because of that only the struggle against its essence—organized crime—could constitute reformist policy in our country today.

This development does not mean, of course, that other aspects of reform should be marginalized. It does mean, however, that reform in other areas will be denied and rendered meaningless without a systematic and ambitious effort to introduce the rule of law. One should be very clear: not a step further can be made in European or regional integration as long as the dark shadows of the past continue to conceal a different and better image of our country, one that had been advanced among other by Zoran Djindjic. The Balkans and Europe are rightfully asking for a credible partner from Belgrade and Podgorica whom they say they want to support. At this moment, to be credible for cooperation means at least two things: to have an ambitious and realistic vision of your own path to the future, and to be dedicated to reforms without reserve. If our future could be briefly described in terms of EU membership, the immediate task in front of us is the consolidation of

democracy. And this consolidation seems impossible without the eradication of extra-institutional forms of power, which have so far especially characterized the state of affairs within the police, the army and judiciary—certainly the most sensitive and equally the most neglected areas in the post-Milošević era.

A State of Strong Institutions

Although today regional cooperation can in no way be reduced to the relations between states, it could also hardly exist without states, strong due to their functioning institutions rather than the power they wish to accumulate. Such a state, not only and not primarily because of regional cooperation, is to be built not only here, but all around our region, as well.

It seems that a wide societal consensus on this is not so difficult to reach, at least judging from the vast political mobilization of Serbia's citizens for the struggle against organized crime.

This kind of support can grow additionally, if adequately supported in turn from abroad. The lack of political will needed for the struggle against organized crime, here and in other Balkan states, could however continue to be a problem, as could inadequate reform management.

As for regional cooperation and integration in recent years, our country has really become the region's leader, judging by the dedication and numerous initiatives undertaken by our diplomatic corp.

One should recall this with pride, particularly on the eve of the summit of heads of Balkan states and governments scheduled for the be-

ginning of April in Belgrade, at the end of our year-long presidency of the Process of Cooperation in South East Europe. We are, nevertheless, more active than our neighbors within a context strikingly characterized by the very absence of enhanced cooperation.

Due to this feature, the Balkans does not exist as a unique region.

The inherited dividing lines are additionally strengthened by new ones originating from the different pace of Euro-Atlantic integration among the states.

Functional ties

There are two ways to improve the level of cooperation and integration in our region. Functional cooperation is one of them, the essence of which is putting all big unresolved issues aside, while pushing for cooperation in economy and other areas of practical significance for people on either side of the border. The assumption is that in this way cooperation will keep growing, getting deeper all the time, in the same way in which the European Community began to develop in Western Europe half a century ago—by taking small steps and keeping the grand vision alive. The signing of numerous bilateral free trade agreements, followed by similar initiatives in other areas, like energy, traffic, Euroregions, has brought good initial results in recent months, particularly within the framework of the Stability Pact. Although major success is still to come, cooperation has also been initiated among the police, customs and judiciaries of the region in the struggle against crime,

against crime, i.e. in the struggle against not only a common evil but the biggest transborder phenomenon in the region, too.

In the long run, significant results might not come about unless this functional approach is followed by another general and parallel approach to the Balkans. It should be promoted by the international community, as a strategic response to two problems/specificities of the Balkans. In comparison with other parts of post-communist Europe, all states in the Balkans share two things: underdevelopment and insecurity. That is why their resolution should rely neither on initiatives from below, nor on the current balance of power in any country, i.e. on things of crucial importance within the functional approach.

The alternative asked for here should not be read as an international protectorate over the region. Rather, it should be a strategy

shared by the international community and the Balkan peoples, and they would both be responsible for it.

One of the most interesting elements of this strategy should be regional cooperation and integration.

Security Community

Such a "big picture" approach could at the same enhance regional cooperation and integration in another way: the creation of a so-called «security community», in terms of the well-known political scientist Karl Deutsch. The three criteria he had identified for the post-WWII security community in the Western part of the world are valid in the present Balkan context, too. The security community exists if governments in the region share common values, if their behavior could be predicted and if there exists the possibility for an efficient joint reaction to the crisis. These standards are obviously quite low, but

even as such they are difficult to comply with nowadays. The region still lacks regional institutions and enough political will for cooperation, while there is an abundance of mutual prejudices, impermeable borders and other obstacles of every possible kind.

The formula, which combines the principles of the functional approach with those of the security community, reaffirms the model of integration in Western Europe from half a century ago, with all the necessary current Balkan specificities. This is a "Europe in the Balkans" formula, the success of which will, of course, ultimately depend on the work we put into it.

The crisis triggered by the assassination of the Serbian prime minister tends to minimize what little cooperation there is. This event should be used as a catalyst for greater cooperation in the Balkans.

Jovan Teokarevic is the director of the BeCEI.

The Stabilization and Association Process in Bosnia and Herzegovina: A Long Road Ahead

By Maja Krizanovic

Due to the complex nature of Bosnia-Herzegovina, European Integration has been governed by complex structures and frequently delayed. Maja Krizanovic argues that steps towards a stronger Bosnia state, such as the creation of an internal Bosnian market, need to be taken to avoid Bosnia lagging behind in the integration process.

Bosnia and Herzegovina's Stabilization and Association Process for the membership in the European Union began around four years ago. It could hardly be said that Bosnia and Herzegovina has made significant progress since then. The problems facing Bosnia and Herzegovina are numerous. Besides the hor-

rible war that destroyed the country's human, natural, industrial, and other resources and infrastructure, Bosnia and Herzegovina is facing an extremely complicated state structure and a lack of political will. Despite the decision of the Council of Ministers of Bosnia and Herzegovina to initiate the process of the accession to

the EU in 1999, the follow-up strategy to implement this decision was never an issue at the Council of Ministers or Parliament sessions.

In the last decade, the state has become extremely weak and not self-sustainable. It is currently a half-protectorate with enormous debts. In addi-

tion, Bosnia and Herzegovina does not have a properly developed infrastructure to support the European integration processes. The complicated state structure which incorporates four levels of government (state-level, two entities, ten cantons and the District of Brcko) has also resulted in divided internal market.

European integration and regional co-operation constitute a unique opportunity for Bosnia and Herzegovina. The Stabilization and Association Process (SAP) as the first step on the road to membership in the EU could significantly help Bosnia and Herzegovina recover its economic and political stability. EU assistance here has two aspects: 1. direct aid from the EU to Bosnia and Herzegovina, and 2. regional cooperation, supported by EU aid.

Step One: Consultative Task Force

The EU Declaration of Bosnia and Herzegovina, signed on 8 June 1998, initiated a new phase in relations between Bosnia and Herzegovina and the European Union. This document initiated the implementation of the general and specific conditions of the regional approach of the EU to the countries of the western Balkans.

Bosnia and Herzegovina, like other countries in the region that are *potential candidates* for EU membership, has to complete both the process of stabilization and of association. For this reason the path to full EU membership will be longer and more complex for Bosnia and Herzegovina and

the other countries of the Western Balkans than was the case with other accession candidates.

One of the major aims in the stabilization process for Bosnia was fulfilling the conditions from the Road Map. The Road Map is divided into three larger units:

- Respect for human rights, democracy and rule of law;
- Political measures;
- Economic measures.

The Consultative Task Force (CTF) offered operative support for the Road Map. This joint body, comprised of EU and Bosnian experts, was set up to formulate recommendations, which were communicated to the state authorities in Bosnia. The Consultative Task Force began work on 10 June 1998 in Brussels. The CTF established an internal market monitoring group and several working groups with the aim to establish a sustainable Bosnia and Herzegovina and develop instruments for bringing Bosnia closer to fulfilling some technical preconditions for closer cooperation with the EU.

There have been eleven plenary sessions of the CTF and it took more than two years for the Road Map to be proclaimed as satisfactory by European Commission.

The conditions set out in the Road Map were ultimately met in 2002. Currently Bosnia and Herzegovina is expecting the announcement of the beginning of a Feasibility Study, the next step in the SAP. The study, an enormous task to be drafted by the European Commission in cooperation with the Bosnian leadership. First, the

commission sends a questionnaire to the main coordinative body in the country comprised of three main areas—political, economic and relating to the ability to assume specific obligations resulting from a Stabilization and Association Agreement. It is expected that this questionnaire will contain some 300 questions. This is particularly difficult for Bosnia as the country still lacks many state level institutions that would facilitate coordination. Second, the replies go back to Brussels, resulting in the commission issuing a report in response to the answers given, in which is will arrive at a positive or negative assessment of the process.

The Bosnian infrastructure for the SAP

An important aspect to implement the conditions of the SAP is infrastructure that will support all necessary activities and areas of concern. Such infrastructure and all activities that go along with it are greatly underdeveloped. In order to institutionalize this Process, the Ministry of European Integration of Bosnia and Herzegovina was established in 2000. During the mandate of the Ministry and CTF, the adoption of legislation and establishment of institutions at the state level were severely obstructed by the entity representatives in the working groups. This obstruction occurred even in the case of strengthening state-institutions that were part of the EU *Acquis*.

With the establishment of the new government this year, the ministry has been reorganized into the Direc-

torate of European Integration under the Prime Minister's Office with the aim of enhancing the attention given to European Integration. At present, this Directorate is supposed to be the main coordinating body in the country.

The terms of Reference of the Directorate have, however, not been completed yet. Some issues that were under the mandate of the ministry have been abolished and some new ones have been added (for example, the Stability Pact initiative was administered by the Ministry of European Integration which is now a directorate of the ministry of foreign affairs). Three main areas of concern that have been addressed by the Law on Ministries and Other Administrative Bodies of BiH are: law harmonization, coordination of EU aid and a strategy of integration.

In addition to the directorate, the activities of the European integration process are supposed to be supported by several other state institutions. When it comes to export to the EU, some of the institutions have already been established and those are the Institute for Accreditation, the Institute for Standards, Metrology and Intellectual Property on the state level and the Veterinary Office under the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina. These institutions are intended to support, for example, the prior chapters of the White Book in establishing a single economic market in the country (Chapters 2, 5 and 12: Free Flow and Safety of Industrial Products, Agriculture and

Public Procurement).

The problem encountered is that those institutions are facing a lack of adequately trained staff for creating a legal framework as the pre-condition to conclude for example, a series of PECA (Protocols on European Conformity Assessment) Protocols, market surveillance, qualifying for the CE mark—a homogenization of various individual European standards into one set of standards for the entire European Union—and so on.

The main financial instrument to support the SAP is the CARDS program of which Bosnia and Herzegovina became a beneficiary in 2000, together with Croatia, Serbia and Montenegro, Macedonia and Albania. Besides the regional CARDS program, there are national CARDS programs. The national program for the period 2002-2004 for Bosnia and Herzegovina includes five priorities: stabilization and democratization, development of human resources in the institutions, economic and social development, environment and natural resources, and justice and home affairs. The budget for this program is €465 million. The institution that will be responsible is the state Ministry of Treasure and it is expected that this Ministry will be under direct monitoring of EC.

A Black Hole?

There are numerous challenges Bosnia's EU accession process, such as positive conclusion of the Feasibility Study, signing the

Stabilization and Association Agreement, the National Program of Adoption of the *Acquis Communautaire*, negotiations on certain *Acquis* chapters and, finally, the membership itself. While some neighbors are a step or two ahead (Croatia, Macedonia), there is the danger that Bosnia and Herzegovina is wasting time and money and trying the patience of the EU while at the same time lacking (not able to establish) even a single administrative and economic space. The lack of adequate state structure reinforces this. The entities-level governments have adopted more laws and regulations than the state level government and, in the most cases, the entities are function independently with almost no cooperation and no harmonization among them, while the state level remains weak.

The divided market of Bosnia and Herzegovina could be united through the instruments of the Stabilisation and Association Process and the White Book directives. CARDS is offering generous support in financial means. If Bosnia and Herzegovina does not take advantage of this opportunity, it is hard to imagine how the country could survive the global competition. The only alternative would be for Bosnia and Herzegovina to become a black hole in the region.

Maja Krizanovic is a temporarily member of the Commission for drafting the Book of Rules for Directorate of European Integration in Bosnia and Herzegovina and an EU Trainer.

Responsible Disengagement: the International Community in Bosnia-Herzegovina

By Tobias K. Vogel

The involvement of the international community in Bosnia over the past decade has been mostly dictated by external concerns and rarely by domestic concerns. Tobias Vogel argues that now that international organizations are considering their 'exit strategy', it is time to think about the legacy of the international involvement in the country.

When international civil servants began arriving in Sarajevo in early 1996, they came to implement a peace agreement whose main dynamics were driven by external concerns and agendas. Today, their impending departure is determined by similar factors—factors that have little to do with the situation on the ground.

The first High Representative, Carl Bildt, arrived with a briefcase containing \$210,000 in cash. Since then, up to \$15 billion in international funding has been spent on the physical and political reconstruction of Bosnia and Herzegovina, most of it allocated based on international priorities with little input from local government or civil society. In many cases, sidestepping local structures was critical to the success of such initiatives since both the governing and the governed were frequently opposed to social reform, the return of refugees, and the reintegration of the country. This situation is changing gradually, a change that is increasingly shaping the way international actors in the field design their interventions. However, the growing involvement of government at all four levels—the central state, the two entities (plus the Brcko District), the cantons, and the municipalities—in areas that have traditionally been the

preserve of international agencies, is part of an exit strategy rather than a strategy of sustainability. In the same way that the initial involvement of the "international community" in Bosnia (and later, in Kosovo) was driven by the peacemaking imperative rather than a genuine concern for effective institution-building, its gradual withdrawal is driven by the imperative of retrenchment. Depending on the operational definition of the innocuous term "necessary", President Bush's recent formula for a post-war Iraq—"we will remain in Iraq as long as necessary, and not a day more"—applies to Bosnia as well, providing a post-imperialist spin on a minimalist approach to post-conflict reconstruction.

At the same time, it is by no means clear whether the moral obligation of the "international community"—that is, those powers that let the war proceed unchecked for forty-two months, resulting in a quarter million dead and two million displaced—extends through today, and if so, where it will end. It is no doubt in the enlightened self-interest of the main actors, notably the European Union, not to let the region slip back into chaos or complete destitution. But does this precept really include the wholesale social and political reconstruction that

places like Bosnia, Kosovo or Albania seem to require if they are ever going to be plausible candidates for European integration? Is it really the task of the Western European taxpayer to provide funds for, say, the functioning of Bosnia's Statistics Agency or its Department for Civil Aviation?

The response one is most likely to get from today's peacebuilders is a qualified "no". On the one hand, there is no political or moral obligation for the European Union and its members to ensure the functioning of each and every state institution in Bosnia, especially given that many of Bosnia's government functions are duplicated down the various levels—a situation that is clearly unsustainable, as a recent World Bank study points out. On the other hand, functioning political institutions are in many respects a precondition for stability and a modicum of prosperity, or even just for the prevention of a descent into wholesale destitution.

Institutional Self-Interest and Legacies

This reasoning is reinforced by a healthy dose of institutional self-interest, notably with international agencies involved in the return of refugees. They are fighting to preserve the gen-

erous budget allocations from their headquarters to which they grew accustomed during seven years of "Annex 7 implementation" (Annex 7 of the Dayton accords spells out the right to return). International NGOs, of which there are still a rather large number in Bosnia, face similar institutional incentives to prolong their presence.

Many institutions have begun thinking in earnest about their legacy on the ground, and the timing and manner of their departure. The "Return and Reconstruction Task Force" or RRTF, a joint endeavor by the Office of the High Representative and the UN High Commissioner for Refugees, has just had its disengagement strategy approved by the "Peace Implementation Council", a body whose members include the main sponsors of the Dayton peace accords, providing for its phase-out by December 2003. The Dayton-mandated "Commission for Real Property Claims", or CRPC, will cease operations around the same time and hand over its massive restitution databases to local authorities. Even the UNHCR will have to drastically re-focus its activities in Bosnia and concentrate on its traditional core mandate of legal protection for asylum-seekers, ending ten years of "mission creep" in the Balkans.

The most dramatic departure to date has been the replacement of a UN-led "International Police Task Force" with a scaled-down force under the aegis of the European Union. This

resulted in a net loss of approximately 1,400 international and 1,650 national staff positions. A back-of-the-envelope calculation of the direct economic loss is indicative of the economic impact, especially in Sarajevo.

A very conservative estimate of the loss in local spending of international staff (estimated at \$1,000 per person and month) and income of national staff (at \$600) amounts to \$2.4m per month, a staggering sum in the context of Bosnia's impoverished economy—especially given the fact that most Bosnian employees of international organizations support entire families with their salaries. This total, moreover, does not include the local maintenance services for the UN's massive vehicle fleet, the trickle-down of frequent international trips through Sarajevo airport, the rent for office space, and many other expenses.

Implications of Disengagement

What are the implications of disengagement for the local authorities? The gradual withdrawal of post-conflict agencies like the RRTF or the CRPC heralds the arrival of a politics of the normal, at a time when the country has barely begun functioning as a unified state. Hopeful developments in the integration of Bosnia—including the creation of a State Court, a unified State Border Service, and possibly the introduction of a country-wide VAT this year, imposed by the international "High Representative"—

stand in contrast with a continuing reality of separation that bodes ill for its economic and political development and its chances for eventual integration into the European Union. Local power structures seem to understand this quite well, despite a return to power of the main nationalist parties on all sides. They seem to have become more receptive to the painful adjustment measures suggested by the International Monetary Fund and the World Bank, outlined in the national Poverty Reduction Strategy Paper. But does Bosnia have the resources—human, social, economic, and moral—to implement such a strategy? The choice for Bosnia's international overlords is clear-cut: to pass on power to unreformed local structures, thereby strengthening those forces that are most invested in preventing the politics of normality, or to accelerate reform allowing the permanent exit of the peacebuilders. Thus, the wish to leave might in fact contribute to a more functional Bosnia.

This choice is mirrored by the heavy responsibility that Bosnia's traditionally unaccountable politicians face now.

Breaking the Deadlock

Reform measures, if implemented, will seriously threaten the power base of entrenched interests in Bosnia. This is especially true at the lower levels of government, which were instituted under Dayton to allow for local, de facto ethnic, self-rule, but extends right to the top of national government as well. That the demotion of

obstructive political factions is possible was demonstrated by the internationally engineered fall, some time ago, of Edhem Bicakcic, a powerful Bosnian Muslim leader, and Ante Jelavic, a Bosnian Croat

hardline politician. But does the "international community", at a time when it seems preoccupied mostly with itself, have the stamina to see through a similar, across-the-board attack on the power bases of Bos-

nia's political godfathers?

Tobias K. Vogel is a Research Associate of the International Center for Migration, Ethnicity and Citizenship in New York and lives in Sarajevo.

The European Bet

By Ana Dinescu

The debates and disputes between 'old' and 'new' Europe over supporting the United States in the war against Iraq shed a light on deeper division across the continent. Ana Dinescu highlights more profound uncertainties of European identity and the need to have a Europe-wide debate on a shared European project.

The building of the new Europe must no longer be considered in terms of obsolete Cold-War concepts such as Eastern versus Western, Balkans versus Occident, and an important contribution to that process must come from the part of academic circles on both sides of the former Iron Curtain.

Beyond the political and on-the-spot "redefinitions"—such as the recent remarks of US Defense Secretary, Donald Rumsfeld, about the "new" and "old" Europe—all the European countries must abandon the old 18th century idea of evolution in terms of culture (classifying the countries hierarchically on the basis of their emulation of the Western-centered model of culture) and to think together toward a common future. That "evolution-based" framework used in the present context states that, before being considered "full-members" of Europe, with the European Union as its institutional symbol, the new-comers, i.e. the applicant countries, must first be successful in a

"de-barbarization" process, a period of "decontamination" of their cultural traditions and all other "bad habits". For many Westerners, these "cultural traditions" are often associated, as has been pointed out by Karl Kaser of Graz University, with the black market, corruption, folklorism, ethnocentrism and fragile political institutions. Such a pattern must be forgotten during shorter or longer periods of stays in "lazarets" as in the Middle Ages, where sailors spend time in quarantine, to ensure that they do not carry contagious diseases, the gates of the Europe. Such changes can take place, according to Kaser, only in a more open and sincere dialogue among the countries of Europe, at various levels, including academia.

Europe, still to be rebuilt from the ashes of the Cold War, needs a new "Weltanschauung", which can be provided only through interdisciplinary dialogue among specialists from different areas of study: history, anthropology, political science, linguistics,

etc. The dialogue must not be interrupted due to current international policy disputes related to the Iraq crisis. The split—more or less artificial—has been created in recent months between different European countries because of their support for a led-US war in Iraq.

The future of the region is shaped by the European Union, it is true, but the differences are still deep regarding the ways in which the enlargement process will take place and the time required to fulfill the technical criteria for accession. Some countries, like Romania and Bulgaria, have already specified a date when they expect to become full EU members (January 1, 2007). Some are already included in the first wave of accession while others are still developing a proper European accession strategy. After Communism and the conflicts following 1989, especially in the former Yugoslavia, new differences emerged or, at least, gained strength. New identities are in the process of

transformation. Bulgaria—the only country from the region that fully accepts its "Balkan" identity—tried to establish itself as the counterpart to the former Yugoslavia, supporting the NATO intervention in Kosovo in 1999. Greece and Macedonia are still trying to engage in a bilateral dialogue focused on the future and not on a conflicted past. Serbia is trying to recover from its traumatic recent history of stigmatization and is still looking for a better formula to reconcile its Serbian identity with its rediscovered European identity. Romania is pressed to choose between Europe and its new US "electoral affinities" in the political and geopolitical frame, fully assuming its European and Latin identity. Turkey's place in Europe is put into question: Is Europe ready to accept a Muslim identity as part of its common heritage?

Most of these countries are also facing another challenge to their identity from the inside: national minority problems on one side, and the problem related to migration from the countries of the former Soviet Union and Muslim countries, on the other. The European Union itself is confronted with immigrants, mainly from the East and Southeast, which have often been perceived by European citizens as a threat.

The "Paternalistic" Language of the EU

The reinforcement of nationalism in Europe, the frequent "paternalistic" language of the European

Union and the lack of a common European perspective—including both the East and the West in a coherent way—could condemn the EU to the fate of the Austro-Hungarian Empire, as was suggested by the Swiss scholar, Francois Ruegg from Fribourg University. It means that, eventually, lacking a solution for the present communication and representation problem of the Union among its member countries, the EU might face an implosion from within which will ultimately break-up the organization as such.

This view is perhaps a little bit exaggerated, we think, stemming from the genesis of the EU itself, which was created as a free association of members who accept, of their own accord, the European set of values and, subsequently, the European philosophy laid out in the *Acquis Communautaire*. The EU is not a *Völkerkerker* (prison of peoples), mainly because every member state can at any time decide to leave the organization. But, the "paternalistic language" emanating from Brussels frequently reminds citizens in the former Warsaw Pact countries of another kind of "paternalism", that of Soviet times. For this reason, the enlargement can also be viewed as a process of communication between Brussels and the capital cities of the candidate countries. And, more importantly, one has to think beyond the European Union as a structure, focusing more on what the concept of "Europe" means now, more than a

decade after the fall of the Iron Curtain. From the East, as well as from the West, the situation looks very complex. At the first glance, it might be only a problem of the ruling elites from both parts of Europe who are not prepared to face the challenges of a situation in a Brownian change, or, as in the case of the East, are still thinking in terms of mentalities (not sure what this means). But the problems are more profound: There is a deep lack of understanding from both parts of Europe that can be overcome through common projects dealing with various issues—civil society building, academic cooperation, common research projects etc. It is a bet with the future, one where the past, in most cases, has only a negative value: showing the mistakes that must be avoided.

This analysis is based on discussions at the 2nd conference of the International Association for Southeast European Anthropology (InASEA) in Graz, Austria, 20-23 February 2003.

Ana Dinescu is a journalist at the Foreign Affairs Desk of Romanian daily ZIUA.

Romania: Change will not happen

By Matei Paun

Delays in the Romanian transition to a functioning market economy and democracy are caused by an incomplete party system. Matei Paun suggests that political elites should be held accountable for the slow transition process.

Real and profound political and economic change will not happen in Romania in the foreseeable future. Change cannot happen. Any hopes to the contrary result in nothing more than furthering delusions about the future.

By change, one means reform, a positive transformation towards "Western" ideals of democracy, free markets and personal responsibility and choice. It is naïve to expect Romania's existing political class to change for the better. Such a request would be akin to asking them to commit mass political suicide—and who, in their right mind, would commit such an act of folly?

In a political landscape devoid of ideology, any step towards real positive change can only occur on the basis of personal material sacrifice—an unlikely choice in one of the poorest countries in Europe, crawling out from under several decades of Communist rule.

One cannot expect change from within to occur spontaneously. It can only be imposed from within through electoral change, or from without through foreign intervention or influence. In a political landscape lacking any ideology, tribal interests dominate and lead, invariably, to a world where horse-trading political favors for economic gains fills the ideological void. This is clearly illustrated

by Romania's recent history.

The Weakness of the Party System

In the last dozen years, no leading Romanian politicians have put forth any notions of political ideology, either left or right. Elections are won on the basis of personal charisma, manipulation of the media, and populism. In a society where economic survival itself is the main objective of the masses, material progress is quickly sacrificed in the name of preserving the status quo.

In such a social/political environment, it is no wonder that there is a real absence of a bona fide domestic political opposition. As such, there is little objective hope for an internal impetus towards real effective political change.

Currently, the so-called opposition, comprised of the Democratic and Liberal Parties, has little reason to effectively oppose the governing Social Democratic Party. While the Liberals make a weak attempt at laying claim to a "liberal" ideology, strong internal factions dominate them, guided by clear economic interests. On numerous occasions, they have shown themselves more than willing to cut a deal with whatever current government so as to maintain the lucrative status quo, which is the

source of their economic power. Once upon a time, their current leader, Theodor Stolojan, was a Socialist-supported premier who confiscated all hard currency holdings in a distinctly anti-free-market solution to Romania's very real economic problems.

The Democrats are, likewise, no different. Theoretically socialist, they are on opposite sides from the ruling socialists. Once again, personal rivalries and economic interests have turned this party into a loose group of different factions vying for economic power. Considering that, a decade earlier they had marched shoulder to shoulder with Iliescu's socialists, one wonders what has really driven them apart?

On the other side of the political spectrum, the center right parties are not even represented in parliament, having suffered a humiliating defeat in the 2000 elections. Here as well, several factions are vying for the middle ground, further dissipating their influence. In fact, Romania is one of the only countries in Europe to not have the center right represented in parliament.

The center-right's unmitigated failure to reform Romania in the late Nineties is all the more serious in that it destroyed any hope for an alternative to the status quo. Ulti-

mately, they were barely able to differentiate themselves from the other faction-ridden parties. Destroying hope is a far greater crime than confirming the worst in human nature—as demonstrated by their complete rejection by the Romanian electorate today.

On the so-called extreme right, the Greater Romania Party is nothing more than a custom-made lightning rod for disenfranchised voters. It rarely misses an opportunity to effectively support the governing PSD, which is, at least nominally, left of center. The Greater Romania Party has, in fact, played an important role in highlighting, particularly to the West, the need for cautious, as opposed to daring, economic reforms, and has served as a helpful counterpoint to the ruling party. Vadim Tudor, once a salient figure in Ceausescu's "court" and today the party's leader is no Haider or Le Pen, but rather a Zhirinovsky-like ideological caricature.

The governing party itself is split not along ideological lines, but rather along generational ones. The PSD is no more socialist than the Liberals are liberal. It, too, is widely split between a so-called reformist wing and a more conservative wing. Nevertheless, reform is ultimately in the eye of the beholder, and the past twelve years are testament to what reform means in Romania.

Change imposed from without has always been

the Romanian people's great hope. Embodied by the relatively short rule of the German Hohenzollern royal family, it captures the same deep-rooted yearning for principled and effective leadership. Today, this comes out in unparalleled support for any outside alternative to a domestic power base, be it the European Union, NATO, etc.

In twelve years of "transition," Romania has achieved what some of its neighbors achieved in a single year. Its present political class is, almost without exception, derived from the same ex-Communist nomenklatura that existed prior to 1989. The media is largely beholden to the various competing interest groups that have evolved out of this nomenclature. The justice system, corrupt and largely unreformed, is no more objective and certainly no more efficient now than it was a decade ago.

The Power of the Market?

Of course, one positive aspect which cannot be denied is the power of the markets to influence positive change, albeit slowly. The noticeable influx of multinationals has created "islands of impartiality" where the power and reach of the political class and its various interest groups cannot enter. As a result, economic sectors that have been opened up, such as the cement, telecom, real estate and

consumer goods industries, have also seen increased transparency and efficiency.

Nevertheless, scores of state-owned companies—including nearly the entire energy sector, over a third of the banking sector, important segments of the steel, chemical, mining and heavy machinery sectors—are all still controlled by the state, delivering important benefits to only a few insiders. The recent lack of progress in privatization highlights the government's keenness to hold on to what it still has, rendering the IMF and World Bank increasingly ineffectual.

For some, the "gray economy" provides an escape from the interference of the government and its cronies. But this is not a long-term solution and is, in fact, a double-edged sword, as it also serves the interests of the various groups supporting the political class.

The purpose of this article is not to condemn Romania to the dustbin of history, but rather to clearly identify the real underlying problems Romania is confronted with. Too often, foreign political expediency, superficial press reports and simple but naive excesses of optimism have led to the promotion of ineffectual policies.

Matei Paun is a financial analyst based in Bucharest.

More losses than gains in the program "Phare 2000"

By Ioana Morovan

The delays in the payments process of Phare program in Romania cost the beneficiaries big amounts of money, which almost overtake the value of funds. As Ioana Morovan explores, some managers of SMEs, which gained funds in the Phare 2000 competition of projects, have been waiting for more than a year and a half to sign the contract and to receive the first part of the money.

"Our product will be launched on the market with a one-year delay. When calculated the gravity of the loss is obvious: we could have made one client a month, at least. Multiplying 12 clients with €1.000, the price of the software, the result is a €12.000 loss, which is exactly the value of the funds we are bound to receive," says Catalin Balasescu, executive manager at Expert Consulting SRL, a small company having gained funds in the program Phare 2000. Expert Consulting created software for the internal management of a company, which should have been launched on the market last summer. The project's total value is €15.000, of which the first 80% were received no sooner than November.

"We have no idea why the payment was delayed so much", says Balasescu. "The main problem is that, in the meantime, we also lost from the variations of the exchange rate and we cannot pay our duties to our business partners", adds Balasescu. "And I guess our case may be considered a happy one, because we applied for a small amount of money. I wonder how the companies applying for €50.000 managed", concluded the executive manager.

This question has an answer. Ioan Cretu, the manager of the "Liftnet" company in Timisoara, solicited exactly the amount of

€50.000 representing the maximum amount available for one project. In his project, Cretu describes the production of mobile chairs, which function as lifts for persons suffering from locomotion disabilities. "We completed the business plan in 2001, when the competition for projects started. "No business plan written two years ago can be the same now. At that moment, having no funds, we had to use our own resources. Now, the only alternative is to modify this plan, adopting fewer expenses, overall, a lower budget. Changing the business plan, however, is complicated. We had to ask for the approval of the Regional Development Agency (RDA)", explains Ioan Cretu.

Facing Delays

Despite the delayed arrival of money, the company has not stopped its activity so far. They have given up some acquisitions, such as buying computers, but they have maintained their production level. "Last year we reached an almost €500.000 turnover and we are exporting almost 250 lifts to Germany every month", says engineer Cretu. Unfortunately, expenses are also very high. "If we sum everything up, we might conclude that we spent over € 62.000. This means that you must have a pocket full of money to

ask for Phare funds!" concludes Ioan Cretu.

Still, the region where "Liftnet" activates, "V Vest", is a region with minor problems. In this part of the country, the contracts have been signed earlier than in other regions and the payments have started. "In the west of the country, we haven't faced any special problems and money reached its beneficiaries", says Miruna Vitcu, spokesperson for the RDA V West.

Those institutions that sent their projects for the "Human Resources Development" section experience the most unpleasant situation. The contracts have been signed just a few days before the deadline, the 30 November. "For the "Human Resources Development" section no payment has been made yet. These contracts have been signed too late so the money arrival will be delayed consequently", says Liviu Musat, spokesperson for RDA III Sud-Muntenia. The main problem is that this is not the only case when the beneficiaries have not seen a single euro so far.

"The evaluation process is developing quite slow, that's why the delays occur", explains Luminita Mihailov, manager for RDA II Sud-Est. "There are usually at least six months between the registration of a project in competition and the signing of the contract. It is nothing unusual.

For example, the section "Grant Scheme for SMEs" was launched in May 2001. It is only in late November 2001 that the Ministry of Development and Prognosis approved the evaluation report that the agency made. Next, the report had to be approved by the Delegation of the European Commission. This stretched until April 2002. So, the contracts started to be signed in August 2002...but only the first 40 projects! The rest of them, in November 2002!", adds Luminita Mihailov.

The Importance of Phare

The Phare Programme is the most important financing instrument for helping the process of integration in the European Union. And it is also true that, with all help from the EU, it only depends on the candidate countries to make the program efficient. In the period 2000-2006, Romania receives about €250 million Phare funds each year, the second most important amount to receive, after Poland. At present, Phare focuses in Romania on

three important sectors: regional development, institutional development and investment sustaining. In the "Phare Annual report 2000" of the European Commission, it says that „While Romania achieved a satisfactory commitment rate on the 1998 program which expired for contracting at end 2000, little progress was made in the contracting of the Phare 1999 program (deadline for contracting end 2001) with only 15% of the overall budget allocated (€150 million) contracted at the end of 2000. The significant increase of funds from 2000 onwards correlated with the low commitment rate on the 1999 program demonstrates that there is a clear need to increase the administrative capacity of the Romanian authorities to comply with program conditionalities. The capacity to identify mature projects for financing will also be crucial for programming Phare 2001 and 2002".

Unfortunately, the „administrative capacity" did not prove better for Phare 2000 and Phare 2001 either. The facts show that there are

still many problems to be solved. As far as the regional development is concerned, Phare is one of the important keys as well. The Phare 2001 report shows that „further improvements in better aligning the Phare Cross-border co-operation program with Interreg were introduced at the end of 2000, in the context of the Communication "Phare 2000 Review – Strengthening preparation for enlargement". These are currently put into practice in the context of the Joint program for 2000-2006". In this respect, Romania is doing better than in the other components' case. There have been developed many cross-border projects, with Bulgaria and Hungary, for example projects concerning the development of the telecommunications infrastructure of the electricity companies for the improvement of the data exchange or ecologization of Danube and transportation facilities.

Ioana Morovan is an editor for the economic and financial newspaper *Capital* in Bucharest, Romania.

European Balkan Observer

Editor-in-Chief: Florian Bieber
Vitanovacka 23
11000 Belgrade
Serbia and Montenegro
Tel: +381/63/274522
Email: bieberf@gmx.net

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Address: Vitanovacka 23, 11000 Belgrade, Serbia and Montenegro

Info telephone: (+381) 63 442 442

Fax: (+381 11) 646 025

E-mail: info@becei.org

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Director of Research:

Michael Landesmann

Managing Director:

Ingrid Gazzari

Deputy Director:

Peter Havlik

Address: Oppolzergasse 6
A-1010 Vienna
Austria

Telephone: (+43 1) 533 66 10-0

Fax: (+43 1) 533 66 10-50

E-mail: wiiw@wsr.ac.at

Internet: www.wiiw.at