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## **REPORT**

on the communication from the Commission on the stabilisation and association process for countries of South-Eastern Europe (COM(1999) 235 – C5-0124/1999 – 1999/2126(COS))

Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy

Rapporteur: Jan Joost Lagendijk

## CONTENTS

	<u>Page</u>
PROCEDURAL PAGE .....	3
MOTION FOR A RESOLUTION .....	4
EXPLANATORY STATEMENT.....	11

## PROCEDURAL PAGE

By letter of 27 May 1999 the Commission sent Parliament its communication on the stabilisation and association process for countries of South-Eastern Europe (COM(1999) 235 – 1999/2126(COS)).

At the sitting of 7 October 1999 the President of the European Parliament announced that she had referred this communication to the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy as the committee responsible (C5-0124/1999).

The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy appointed Jan Joost Lagendijk rapporteur at its meeting of 13 October 1999.

It considered the Commission communication and the draft report at its meetings of 31 January, 24 February, 20 March and 21 March 2000.

At the last meeting it adopted the motion for a resolution by 33 votes, with 2 abstentions.

The following were present for the vote: Elmar Brok, chairman; Baroness Nicholson of Winterbourne and William Francis Newton Dunn, vice-chairmen; Jan Joost Lagendijk, rapporteur; Bastiaan Belder, Andre Brie, Michael Cashman (for Magdalene Hoff), Daniel Marc Cohn-Bendit, Rosa M. Díez González, Giorgos Dimitrakopoulos (for Marietta Giannakou-Koutsikou), Monica Frassoni (for Per Gahrton), Michael Gahler, Alfred Gomolka, Bertel Haarder, Efstratios Korakas, Patricia McKenna (for Elisabeth Schroedter), Pedro Marset Campos, Pasqualina Napoletano, Arie M. Oostlander, Reino Kalervo Paasilinna (for Mário Soares), Doris Pack (for Ursula Stenzel), Jacques F. Poos, Luís Queiró, Lennart Sacrédeus (for Gunilla Carlsson), Jannis Sakellariou, Jacques Santer, Jürgen Schröder, Ioannis Soulidakis, Hannes Swoboda, Maj Britt Theorin (for Pierre Schori), Freddy Thielemans, Gary Titley, Paavo Väyrynen, Geoffrey Van Orden and Matti Wuori.

The report was tabled on 22 March 2000.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

## MOTION FOR A RESOLUTION

### European Parliament resolution on the communication from the Commission on the stabilisation and association process for countries of South-Eastern Europe COM(1999) 235 – C5-0124/1999 – 1999/2126(COS))

*The European Parliament,*

- having regard to the communication from the Commission on the stabilisation and association process for countries of South-Eastern Europe (COM(1999) 235 – C5-0124/1999)<sup>1</sup>,
  - having regard to Rule 47(1) of its Rules of Procedure,
  - having regard to the communication from the Commission of 8 December 1999 on Community assistance for the stabilisation and association process for certain countries of South-Eastern Europe (CARA – Community Association and Reconstruction Assistance – programme (COM(1999) 661))<sup>2</sup>,
  - having regard to the report of the Finnish presidency and the Commission to the European Council in Helsinki on EU Action in Support of the Stability Pact and South-Eastern Europe, 10-11 December, Council 13814/99,
  - having regard to the decision on the introduction of a Stability Pact for South-Eastern Europe adopted in Cologne on 10 June 1999 and the Declaration by the participants at the Balkan Summit on the Stability Pact held in Sarajevo on 30 July 1999,
  - having regard to the Work Plan adopted by the Regional Table of the Stability Pact in Brussels on 16 December 1999 and the results of the deliberations of the three Tables,
  - having regard to the report of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy (A5-0069/2000),
- A. convinced that the issue of establishing peace, stability, democracy and the rule of law, as well as economic development, in South-Eastern Europe is one of the central challenges facing the European Union in the coming years and will also be a test of its ability to develop an effective civil and military crisis management strategy aimed at conflict prevention,
- B. convinced that the region's problems cannot be dealt with in isolation from one another or separately from the problems of the rest of Europe,
- C. whereas the Kosovo crisis once again made it clear that the Balkan region is part of Europe and that ethnic conflicts, the exodus of refugees and unstable economies can have an enormous impact on the stability of Europe as a whole,

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<sup>1</sup> Not yet published in the Official Journal.

<sup>2</sup> Not yet published in the Official Journal.

- D. convinced that the Stability Pact for South-Eastern Europe constitutes a proper conceptual framework for crisis prevention, in which the region is considered as a whole and the establishment of democracy, economic development and security are seen as interdependent elements,
- E. whereas all countries involved in the region should respect the resolution of United Nations concerning the respect of borders between the countries in the area,
- F. whereas all countries in the region – to varying degrees – have to combat the same problems: weak political institutions and legal uncertainty, the lack of media freedom, corruption and crime, ruined or neglected infrastructure and environment, inadequate economic activity and a low level of investment, high unemployment, an inefficient banking and taxation system, insufficient border management, an undersized private sector and inadequate economic legislation,
- G. whereas following the conflicts in former Yugoslavia, reconstruction is to be understood not only in the physical and economic sense but also as the reconstruction of social infrastructure, society and institutions, and hence the central aim of any reconstruction strategy must be the **reestablishment of the rule of law**,
- H. having regard to the severe damage caused by the Nato bombing to industrial and civilian infrastructure in the Federal Republic of Yugoslavia, the consequences of which affect the normal and basic conduct of daily life, including health, food supply, employment, energy supply etc.,
- I. whereas long-term stability in the region cannot be accomplished as long as the FRY remains in isolation, instigating a continuous gap in the region's geographical centre and the permanent presence of destabilising factors in the soft underbelly of Europe,
- J. whereas the offer made by the EU to Bosnia-Herzegovina, Croatia, the Federal Republic of Yugoslavia, the Former Yugoslav Republic of Macedonia and Albania to conclude Stabilisation and Association Agreements (SAAs) opens up to them the long-term prospect of EU membership,
- K. whereas the Stability Pact constitutes the link between these five SAA countries and the applicant countries Bulgaria, Romania, Hungary and Slovenia, since they all participate together with the EU and its Member States, the USA, Russia, Canada, Japan and Turkey, as well as the international organisations and international financial institutions, in the Regional Table, where programmes for the development of the region are discussed,
- L. convinced that the EU's offer of **integration** into the European structures and the support for **regional cooperation** are not to be seen as alternatives but as two complementary and mutually enhancing processes,
- M. whereas between 1991 and 1999 the EU supplied aid worth more than Euro 7.5 bn to the five countries in the region and will make approximately Euro 5.5 bn available for the period 2000-2006, as well as Euro 6.2 bn for Romania and Bulgaria,

1. Considers the Stability Pact for South-Eastern Europe as the central challenge for the European Union at present, and considers that it will be decisive for the future of peace and stability in South-Eastern Europe and the Union's political credibility;
2. Calls therefore on the EU to take over the central leading role in the Stability Pact using all the instruments, programmes and funding potential at its disposal;
3. Calls on the High Representative for the common foreign and security policy and the Commissioner for External Relations to ensure that the EU, as the principal donor for the region, is closely dovetailed with the Special Coordinator responsible for the implementation of the Pact;
4. Urges that this dovetailing and the strengthening of the European pillar within the structure of the Stability Pact should be used to reduce the number of actors on the Balkan stage and ensure greater transparency in the use of existing structures;
5. Supports the strategic concept of the Stability Pact as a preventive policy in which external and internal security, democratisation and the rule of law and economic development are to be dealt with on an equal footing and in parallel as interdependent issues;
6. Stresses the need to isolate extreme nationalist groups which resist all efforts to bring about a return to democratic dialogue and the economic development wanted by moderate parts of the region;
7. Considers the financing conference for Stability Pact projects scheduled for the end of March as a decisive test of the Pact's ability to implement political concepts in practice; expects the Commission to take over a central and leading role in project financing;
8. Calls on the Commission to cofinance practical projects from all three subject areas in the context of the new Association and Reconstruction Programme for the five countries of the Western Balkans ('CARA'), under the PHARE programme and exploiting Interreg; not only should regional economic projects be promoted, but particular attention should also be devoted to projects in the first subject area – democratisation and promotion of civil society as well as the third – regional disarmament, mine-clearance, improving police work and anti-corruption measures;
9. Urges, in this respect, the Commission to make an overall evaluation of the European Community Monitoring Mission (ECMM) with a view to discussing with the European Parliament the possibility to redefine its tasks with regard, in particular, to conflict prevention and confidence-building within the new framework of the Stability Pact;
10. States that, if any of the countries develops policies or undertakes activities which seek unilateral border changes or in any other way cause damage to the Stability Pact, it will be excluded from the financing procedures of the Stability Pact;

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11. Stresses that with the introduction of the Stabilisation and Association process the EU is offering the peoples in the region the prospect of being incorporated in the structures of the EU in the long term and giving them hope of a better future after years of suffering;
12. Considers the regional approach to the Western Balkans advocated by the EU since 1996 still to be valid, and takes the view that the principle of political conditionality should also apply to the Stability Pact;
13. Considers that there is an urgent need to submit a comprehensive aid programme for the five SAA countries in the interests of making the Stability Pact directly effective and providing the necessary financial support for the association and stabilisation;
14. Urges that particular emphasis be laid on regional cooperation and that programmes for several countries and cross-border projects should continue to be feasible in the context of the Stability Pact;
15. Takes the view that the sphere of responsibility of the European agency for reconstruction should be extended beyond Kosovo to the whole region covered by the new association and reconstruction process and that the agency must be responsible for implementing the horizontal EU programmes as well as for coordination with projects devised by other international donors;
16. Considers that in addition to the regional projects for each country special national programmes must be set up, tailored to the special needs and conditions of each country, and that the relevant EU delegations should manage their implementation on the spot;
17. Considers, in this context, Bosnia Herzegovina, Kosovo and Albania to be particular trouble spots, to which the EU and the international community must devote special attention, a rational and feasible division between the work of the institutions outside the Stability Pact, e.g. UNMIK, and the work of the Stability Pact being needed;
18. Believes, in this respect, that a strict armaments control policy is a fundamental factor for the stabilisation and the security of these three countries as well as the whole region; urges, therefore, Member States as well as all the signatories of the Stability Pact to set up a common programme so as to assist and train local police forces while keeping national armies as limited in size as possible;
19. Considers, with regard to the Federal Republic of Yugoslavia, that the selective lifting of sanctions might be a way of strengthening the Serb opposition and weakening the Milosevic regime;

20. Considers that a distinction should be made between sanctions against the establishment in Yugoslavia and sanctions against the people of the country, so that the latter sanctions may be gradually lifted, thus allowing democratic dialogue in Yugoslavia to be promoted;
21. Supports the participation of Montenegro in the political dialogue launched with the democratic forces in the Federal Republic of Yugoslavia;
22. Requests, in the interests of the whole region, the earliest possible re-establishment of conditions for ensuring the navigability of the Danube;
23. Welcomes the democratic developments in Croatia and encourages the new government to take the necessary steps to ensure that the EU can extend its aid towards the country and the negotiations for a Stabilization and Association Agreement to commence;
24. Insists on the need to provide direct assistance to the municipalities in the region and to further development cooperation and partnership between South-Eastern European municipalities and European Union municipalities, especially in the institution-building management of public service and local economic generation;
25. Calls on the Council and the Commission to ensure their active participation in the Conference on the Security and Development of the Adriatic and Ionian Seas to be held on 19 and 20 May this year, as a valid contribution to the work of the Stability Pact, as mentioned in the conclusions of the extraordinary meeting of the European Council in Tampere;
26. Is of the opinion that the Stability Pact is of great significance for the wider region as well and therefore asks for the Republic of Moldova to be given the opportunity to participate directly in the Stability Pact;
27. Considers the combating of corruption and organised crime to be a decisive precondition for creating a civil society based on the rule of law and democracy and in this context requests that appropriate attention be given to recruitment, training and adequate levels of pay for police forces;
28. Proposes that the SAA countries should be offered zero-tariff free trade with the EU, EFTA, EEA and CEFTA and offered compensation for the latest tariff reviews, as this action would boost the economy and undermine smuggling and organised crime;
29. Stresses the increasingly dangerous nature of the links between criminal organisations operating in certain countries of south-eastern Europe and those in the Member States nearest to the area, such as Italy and Greece; deplores the fact that these links live on illicit trafficking such as smuggling, drugs and trafficking in illegal immigrants;
30. Calls on the Council, the Commission and the Pact coordinator to promote a specific initiative for drawing up common agreements on police and judicial cooperation between the European Union and the countries concerned and to actively support the projects needed for its achievement;



31. Stresses the importance of independent media for the development of civil society; welcomes the draft 'Charter for Media Freedom' in the context of the Stability Pact, and considers that it should also receive tangible support in the form of precisely targeted projects;
32. Insists on the creation of a free and independent regional network of existing channels from each country in the region, to create links and synergies between national and local broadcasting in order to ensure fair and adequate information;
33. Calls for the teaching of tolerance and cooperation, not least in schools, and calls for particular attention to be devoted to this when school books, curricula etc. are being drawn up;
34. Supports the formation of concrete plans, which will contribute to the cultural and religious approach between the five countries and stresses the need for protection of the monuments and the cultural heritage treasures in the region with precise actions;
35. Stresses the important role of international and local non-governmental organisations (NGOs) in economic and social reconstruction; stresses also the need for the greater participation of as many local NGOs as possible in the reconstruction projects, retaining on the other hand strict and efficient control over their financial procedures in order to avoid corruption;
36. Reiterates its demand for active regional aid from the EU in the context of the Stability Pact, to promote regional infrastructure projects, such as the extension of European corridors 8 and 10, cross-border energy, environment and water projects and the joint improvement of border management and customs;
37. Welcomes the Commission's latest initiative for a 'regional environmental reconstruction plan' in the framework of the Stability Pact;
38. Calls on the Commission, in particular by means of coordination between the individual departments, to ensure that there are no barriers to trade between the countries in the region, in particular between the applicant countries and the other countries;
39. Supports the efforts of the Commission to create an effective mechanism for civilian crisis management;
40. Is open to the idea of creating a 'Rapid Reaction Fund', and in its capacity as part of the budget authority expresses its willingness to consult with the Commission at an early date about the practicalities of such a fund;

41. Expresses its willingness to take part in strengthening the parliamentary dimension in the region; it will therefore take the initiative of extending its existing bilateral relations with the parliaments in the region to include an annual multilateral meeting in the framework of the Stability Pact;
42. Instructs its President to forward this resolution to the Commission and the Council.

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## EXPLANATORY STATEMENT

### *I. Introduction*

South-Eastern Europe is the European Union's crisis-riven back yard. The Balkans, as a centre of conflict, will long continue to pose a permanent challenge to the EU's conflict-management and integrationist capabilities.

Not only has the Kosovo war, as the fourth war in former Yugoslavia in only eight years, provoked a rethink within the Union about the region, the Balkan crisis has also speeded up the Union's process of enlargement to include Central and Eastern Europe by boosting efforts to establish security-policy stability, and - with the Cologne and Helsinki European Council decisions on creating military and civilian capabilities for independent European Union crisis management - has helped to bring about a decisive new development in European security and defence policy.

Whereas since the fall of the Iron Curtain in the upheaval of 1989-1990, the states of Central and Eastern Europe were transformed into peaceful democracies with free-market economies and sought integration into Euro-Atlantic structures, in the Balkans it was the forces of extreme nationalism and ethnic delusion that prevailed. Civic and social breakdown, war and destruction, ethnic cleansing and mass deportations were the result.

Whereas the Union was, moreover, able to use the enlargement process to deliver a historic contribution to European reunification in Central and Eastern Europe, it could only look on helplessly at the violent **process of disintegration** in the Balkans, powerless to take any action that might have stopped the conflict. Not only was there a complete absence of any common political will to act, neither was there any underlying policy or structure of appropriate mechanisms that might have enabled the Union to contribute to effective international crisis management.

Only with the **Kosovo conflict** was there a change in direction. For the first time the realisation dawned that the region's problems could not be addressed in isolation from each other or separately from those of the rest of Europe. Practical implementation of this new insight came with the Cologne decision of 10 June 1999 on establishing a **Stability Pact for South-Eastern Europe** involving not only the Member States of the EU as initiator but also the USA, Russia, the international institutions and, of course, the countries of the region concerned.

From then on the region's potential for violence and instability would be met with effective preventive strategies, and as many of the countries of South-Eastern Europe as possible – including even the Federal Republic of Yugoslavia if the necessary conditions were complied with – would be brought within the ambit of an integrationist Europe and become firmly anchored within it.

Europe holds out the only prospect that can offer the peoples of the region a genuine chance of reconciliation and lasting peace.

Just as it did at the two other pivotal stages in recent history - the establishment of independent states in Central and Eastern Europe in 1989-1990 and the dissolution of the former Soviet Union in 1991 - the European Union now faces geopolitical challenges that call for the development of a **new policy** and **new mechanisms** for managing relations with another group of countries.

In May 1999 the Commission took its 1996 regional strategy a stage further by submitting its proposals for a **Stabilisation and Association process**<sup>3</sup>, which it considers as an important EU contribution to the Stability Pact and which is set to become an integral part of the forthcoming **EU common strategy** on South-Eastern Europe.

This new-style approach, holding out the prospect of contractual relations, will apply to the five countries of Bosnia-Herzegovina, Croatia, the Federal Republic of Yugoslavia, the former Yugoslav Republic of Macedonia and Albania. A first negotiating mandate was submitted for the former Yugoslav Republic of Macedonia in September 1999<sup>4</sup>.

To provide financial support for those countries, the Commission on 8 December 1999 adopted guidelines for an association and reconstruction project for the western Balkans, which are to supersede the existing Phare and Obnova regulations for those groups of countries and establish a uniform legal basis<sup>5</sup>.

With the **CARA Programme** the Commission is seeking both to bring the countries of the region closer to the EU and to strengthen those countries' relations with each other.

The purpose of this report will be to investigate the extent to which present EU policy on South-Eastern Europe is suited to the assumption of leadership responsibility within the Stability Pact.

For only the EU, with its democratic and political potential, its economic power and its aid programmes, is actually capable of influencing the formation of structures in the region. If the EU and its Member States do not assume this responsibility, there will be no pacification, no democratisation, no economic development in the Balkans since there is no actor other than the EU that can meet the 'South-Eastern Europe' challenge, which will also be in its own interests, of course.

## ***II. The Stability Pact – Regional development as crisis-prevention***

With the Stability Pact for south-east Europe created on 10 June 1999 in Cologne, the attempt is being made for the first time not only to **react** country by country in detecting symptoms and anticipating crisis, but also to seize the initiative by **acting** to forestall the potential for crisis that is a feature of the region as a whole.

The Stability Pact is to be understood as the mechanism of a developing 'culture of

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<sup>3</sup> COM(1999) 235, 26.05.1999

<sup>4</sup> See Swoboda report, A5-0031/2000

<sup>5</sup> CARA-Programme – Community Association and Reconstruction Assistance

prevention' that will draw on the successful principles of European integration and the Helsinki process under which Western Europe has been united and the division of the continent overcome.

The Kosovo crisis has once again made it plain that the region is a part of Europe. Ethnic conflicts, the exodus of refugees and unstable national economies all massively influence the stability of Europe as a whole.

All stabilisation efforts are concentrated on the five countries of the western Balkans (Croatia, Bosnia-Herzegovina, Albania, the Federal Republic of Yugoslavia with the international protectorate of Kosovo and the crisis-threatened semi-autonomous Republic of Montenegro) with their combined population of some 25 million and a joint GNP of some 50bn euro in 1998, equivalent to some 0.7% of total EU GNP and comparable to that of Greece.

The special feature of the Stability Pact however is that this core group of particularly unstable and economically underdeveloped countries is locked into the wider regional framework that includes neighbouring Bulgaria and Romania, Hungary and Slovenia, as well as Greece and Turkey, and that all of them together, in common with the countries of the EU, the USA, Russia, international financial institutions and international organisations like NATO, the UN, the OSCE, etc, all sit down together at the **same (regional) table**.

In its structures and mechanisms the Stability Pact is equivalent to the Helsinki Final Act, being based on the fundamental insight that security, democracy and the rule of law on the one hand and economic development on the other are two sides of the same coin neither of which can exist without the other.

The **three Working Tables** of the Pact cover::

- i. **Democracy and human rights**, where efforts to reconstitute civil society will play a key part;  
Priorities include:
  - Institution-building and good governance
  - Media freedom and education
  - Protection of minorities and refugee issues;
- ii. **Economic reconstruction, development and cooperation** on the principle that 'crisis prevention is cost prevention';  
Priorities include:
  - trade liberalisation and cooperation
  - private sector development
  - regional infrastructure and environment
  - legislative reforms and approximation of legislation
  - creation of favourable investment conditions;
- iii. **Security, including justice and home affairs**  
South-Eastern Europe needs a comprehensive approach to security against threats from within and without;  
Priorities include:
  - the fight against organised crime and corruption
  - border management, migration and customs

- mine clearance and outlawing of small arms
- arms controls and confidence-building measures
- improvement of the police, justice and penal systems.

The basic thinking underlying the Stability Pact is to promote islands of stability in the hope that these will impact favourably on the surrounding territory and so boost the development of the region as a whole.

All three 'Working Tables' were launched in autumn 1999 and a start was made on drawing up action plans and identifying projects with a regional impact. A financing conference at the end of March 2000 will establish a basis for their implementation.

The Stability Pact as such does not have any money of its own<sup>6</sup>; nor does it have the organisational potential to design and implement aid or development programmes. The Stability Pact is no more than a policy and conceptual framework that depends on individual countries and international organisations or financial institutions for project proposals and their financing. At best, this will give rise to a patchwork of worthwhile projects, but hardly to a structured development plan. The Pact is an animator and coordinator, but not a real actor. Yet this is what is needed, and only the Commission, with its financial resources and its management potential, can take on this role. It is therefore extremely important that the Commission should assume this responsibility and play a constructive part in the Pact.

The Balkans are already inundated with innumerable international actors and activities initiated by the likes of the UN, NATO, the OSCE, WEU, the Council of Europe, NGOs, the Royaumont process, the SECI and such national bodies as USAID.

It would be a good thing for all these actors to be co-ordinated within the Stability Pact. A real breakthrough will succeed, however, only if the EU becomes involved in the Pact with all the resources it has.

### *III. The EU as impetus-provider and pivotal player*

Until the Kosovo war, the EU had reacted – there being no question of its having 'acted' - wholly inadequately in response to the crises developing in the western Balkans since 1991.

Political and diplomatic crisis management failed to function, military crisis management was non-existent, with the result that potential diplomatic solutions could not be backed by any credible threat of military force. At a later stage, inappropriate mechanisms from the **Phare** programme were used for reconstruction in Bosnia-Herzegovina, mechanisms that had been designed for countries with functioning governments undergoing a transformation and reform process, but that, with their centralised procedures having to be channelled through the Brussels bureaucracy, were quite inappropriate for reconstruction in a post-war situation.

And it was only gradually, in response to criticism from the European Parliament and the Court of Auditors, that the **Obnova** reconstruction programme was decentralised

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<sup>6</sup> Only the administrative expenditure for the special coordinator is financed from the Community budget as a Joint Action.

under simplified procedures that made effective on-the-spot aid for reconstruction possible. Only with the Reconstruction Agency for Kosovo did the EU finally get round to establishing a local mechanism in the region – one that has since succeeded in delivering an effective and visible contribution to reconstruction on the basis of far-reaching independence and in cooperation with other organisations, in particular UNMIG and KFOR<sup>7</sup>.

Between 1991 and 1999 the EU provided a total of over 7.5bn euro in assistance to the region. With Member State contributions added in, EU assistance, including 7.3bn euro for Romania and 3.28bn for Bulgaria amounts in total to some 19.3bn euro.

For the period 2000-2006 some 5.5bn euro are envisaged for the five countries, together with 6.2bn for Romania and Bulgaria.

### **1.) Regional cooperation and integration into European structures – the Stabilisation and Association Agreements**

The EU sees its offer to the five countries of entering into new forms of contractual relations with it – in the form of the Stabilisation and Association Agreements (SAAs) – as its main contribution to the long-term success of the Stability Pact, thereby also holding out to them the prospect of long-term integration into the EU on the basis of the Amsterdam Treaty and in compliance with the Copenhagen criteria.

This is, firstly, an important political signal to the countries of the crisis region and a decisive impetus to the participating states.

Equally important, moreover, is the principle underlying the SAAs of strengthening regional cooperation in South-Eastern Europe, not as an alternative to or precondition of European integration, but as a way of helping to bring it about.

The objectives of the stabilisation and association process are:

- further development of existing economic and trade relations to and within the region;  
The EU is the main trading partner for all countries in the region, its share running from 55% with Croatia to 90% with Albania; at least 80% of all exports from those countries to the EU are processed free of customs duty. Intra-regional trade is at present running at only some 25 to 30% (including that with neighbouring applicant countries); with Albania it accounts for only 5%;
- further development and partial restructuring of existing economic and financial assistance;
- strengthened support for democratisation, civil society, education and the expansion of institutions;

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<sup>7</sup> See Pack report A5-0013/1999 and COM(1999) 312

- cooperation in the areas of justice and home affairs;
- development of political dialogue, including that at regional level.

Right and important as the offer of these new contractual relationships is, it is only realistic to point out that it has proved possible hitherto to open negotiations only with FYROM, and that any subsequent agreement, including the ratification process, will not enter into force until the year 2004.

With Albania, all that has happened hitherto is that an investigative report has been drawn up, leading to the conclusion that that country still has a very long way to go in introducing political and economic reforms before any thought can be given to issuing a negotiating mandate.

With the change of government in Croatia, favourable prospects begin to open up for that country of qualifying for an SAA on the strength of its further efforts at democratisation.

Bosnia-Herzegovina continues to be extensively supported and jointly administered by the international community; with the Federal Republic of Yugoslavia all that is possible or desirable at this time is talks with representatives of the Serbian opposition and the Montenegrin authorities.

That degree of time-lag and variation in the development of the five potential SAA countries makes it clear that the SAA principle does not in itself represent the royal road to pacification, stabilisation and development in the region.

## **2.) The need for a regional stabilisation programme**

What is required is, rather, a short- to medium-term regional stabilisation and development programme that can – by being embedded in the Stability Pact and its three Working Tables – cover the three areas of democracy and the rule of law, economic development and internal and external security, thereby taking up the options available under all three pillars of EU policy.

For all countries in the region have – to varying degrees – to combat the same problems: weak political institutions and legal uncertainty, manipulated media, corruption and organised crime, ruined or decaying infrastructures and environment, inadequate economic activity and low investment levels, high unemployment, inefficient banking and taxation systems, inadequate border management, an undersized private sector in terms of small and medium-sized enterprises, inadequate economic legislation, as well as too many areas of mine-infested land and widespread trade in small arms.

It is here that the Stability Pact will try to get off the ground by seeking to identify and coordinate projects capable of covering more than one country, and it is here too that a start will have to be made with EU support measures.



The EU Commission has already submitted initial proposals to that end in a report to the Helsinki European Council<sup>8</sup> in which it identifies the following areas in which the EU can become active with its special programmes and mechanisms:

- i. good governance, institution building and public administration reform, media freedom, education;
- ii. trade liberalisation and cooperation, private sector development;  
a leading part will have to be played in this by the EBRD;
- iii. regional infrastructure, in particular in the areas of transport, energy and communications, where the objective will be to establish links between neighbouring countries. The European Investment Bank (EIB) will be expected to assume a leading part;
- iv. environment: the Commission intends shortly to submit a regional environmental and reconstruction programme;
- v. adjusting the legislative framework to comply with EU standards;
- vi. combating organised crime.

There will have to be special training programmes for police forces, customs personnel and the judiciary – of a kind that can be implemented jointly in more than one country. Without internal security there can be no attractive investment climate and no economic development can get off the ground;

- vii. action to clear landmines and stop the trade in arms.

The Stability Pact reflects the widespread recognition that regional problems require regional solutions. It must strive to be a comprehensive framework for political, legal and economic reform in the region. It must be emphasised once again, however, that the Stability Pact as such lacks both independent financing and the mechanisms for drawing up and implementing projects.

For that very reason it will be crucially important for the EU and its Institutions to prepare the necessary capacities and mechanisms.

### **3.) The CARA programme<sup>9</sup>**

With the Association and Reconstruction Programme for South-Eastern Europe, for which the Commission intends to submit the necessary proposal for a regulation early in 2000, the attempt is being made to launch a comprehensive aid programme for the five western Balkan countries so as to establish the stabilisation and association process on a firm footing. The financial allocation for the period 2000-2006 will run to some 5.5bn euro.

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<sup>8</sup> Report to the European Council on EU Actions in support of the Stability Pact and South Eastern Europe – presented by the Finnish Presidency and the European Commission. Council 13814/99

<sup>9</sup> Community Association and Reconstruction Assistance

Special emphasis is being placed on regional cooperation, both within the group of five recipient countries and with neighbouring countries that are Phare Programme beneficiaries, including Bulgaria, Romania, Hungary and Slovenia.

In drawing up the regulation, careful attention will have to be paid to ensuring that CARA and Phare are mutually compatible and that joint multi-country projects under the Stability Pact are not jeopardised.

The creation of a uniform legal basis that will pool the assistance received under Phare and Obnova is in principle to be welcomed. This answers to a requirement set by the European Parliament, one that it put forward repeatedly in the course of the Obnova review process<sup>10</sup>. However, the transfer of the Phare/Obnova programme to CARA must not lead to delays in the implementation and funding of the programme by the Commission.

The administrative mechanisms in particular must be made more flexible and less centralised than those of Phare, so as to ensure rapid and effective programme implementation. In that connection it would be advisable for the area of the Europe **Reconstruction Agency's** authority to be extended to cover the entire CARA regulation target region in addition to Kosovo, and for it to be made responsible both for programme implementation and for coordination with projects by other international donors.

In accordance with the guidelines submitted, **multiple-country** and **cross-border programmes** should be used to establish closer links between the countries of the region.

In addition, **national partnership programmes** are to be drawn up **for each country**, subject to a four-year planning arrangement and annual adjustments following the example set by the Phare-country approximation strategies.

From the overall perspective of the Stability Pact, the Stabilisation and Association Process and the European Parliament requirement of a **uniform legal basis** for reconstruction in the countries of the western Balkans, the CARA programme guidelines can be said to be going in the right direction.

Particular countries, like the former Yugoslav Republic of Macedonia, will even, so need to be reassured that CARA does not represent an uncoupling from the enlargement-process countries, and that national reform efforts to comply with the accession criteria will be rewarded and not be delayed by the slower rates of development in neighbouring countries. It is entirely reasonable and understandable for the former Yugoslav Republic of Macedonia to prefer to concentrate on extending its economic ties with Bulgaria, Romania or Greece rather than with Albania or the Federal Republic of Yugoslavia.

Care must therefore be taken to ensure that the CARA programme:

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<sup>10</sup> See Schwaiger report A4-0123/1998 and Pack report A5-0013/1999.

- is fully integrated with the Stability Pact cooperation framework;
- is fully compatible with the Phare programme, and that existing cross-border projects between CARA and Phare countries will be continued and indeed assisted; conversely, Phare countries must be able to take part in CARA projects;
- attributes special importance to national programmes in support of a national strategy of approximation to EU structures, and is administered on a decentralised basis by the Commission representations in the countries concerned;
- allows regional cooperation in the horizontal regions to be managed locally by the Reconstruction Agency.

#### **IV. Concluding remarks**

Efforts to secure peace, stability, democracy and economic development in South-Eastern Europe will continue for the foreseeable future to centre on the crisis flashpoints of Kosovo, Bosnia-Herzegovina and the Federal Republic of Yugoslavia, including Montenegro. Albania and, in particular, the former Yugoslav Republic of Macedonia are already on the road to gradual approximation to EU structures, albeit from very different initial conditions. Croatia, following the latest democratic change of government, now has the opportunity to play a major part in the stabilisation process.

The obstacles to a process of stabilisation in the western Balkans continue to be Kosovo and Serbia. It is here, then, that the EU's political strategy for the Balkans must begin.

In Kosovo the EU's Reconstruction Agency will cooperate with UNMIK and KFOR in continuing the good work done by the Task Force in the past.

In Serbia's case the aim is to strengthen the opposition and to weaken the Milosevic regime. Strict application of the conditions attached to EU aid, except in the humanitarian sphere, remains important. The political change taking place in Croatia has shown how appropriate the principle of conditionality is.

It must be considered whether the selective lifting of the sanctions against Serbia, as in the case of the 'democracy for energy' project with various cities in Serbia or the meetings with opposition mayors as part of the first Stability Pact table, is the only way of bringing about political change.

Pacification of the region will, nonetheless, only succeed if it is approached as a whole and Balkan reconstruction is conceived as a conflict-prevention strategy under which restoring the **rule of law** and **strengthening the democratisation process** are placed centre stage. That in turn presupposes a certain degree of internal **security**, in maintaining which the SFOR and KFOR presence in Bosnia-Herzegovina and Kosovo must continue to be deployed and in the medium term enlarged to incorporate a standing European policing force capable of discharging civilian security duties in cooperation with local police forces in, for example, Albania.

Democratisation in the Balkans will require the **strengthening of civil society** so as to counteract the generalised tendency towards authoritarianism, extreme nationalism and criminalisation.

That will require assistance with the education and training system, the development of independent media, strengthening of local government administrations (e.g. by way of city partnerships), regional forms of cooperation for businesses and trade unions, support for NGOs and religious institutions upholding tolerance and opposed to extreme forms of nationalism.

The **European Parliament** could itself assume a leading part in **strengthening the parliamentary dimension** in the region.

It is already making a significant contribution through its bilateral relations with the region's parliaments, be it in the form of its South-Eastern Europe Delegation (for relations with Croatia, Bosnia-Herzegovina, Albania, FYROM and the Federal Republic of Yugoslavia), or of the half-yearly meetings of its Joint Parliamentary Committees with Bulgaria, Romania, Hungary and Slovenia.

The European Parliament could take the initiative of extending these bilateral relations to include annual multilateral meetings under the Stability Pact, at which items of interest to more than one country could be discussed.

Security, democratisation and economic development must be considered in parallel and simultaneously.

The input and coordinating function of the main areas of activity covered by the Stability Pact will be of crucial importance here.

The EU must therefore assume a key part and contribute actively to shaping the pact's structures. The Balkans will be decisive in determining whether the EU is in a position to deploy the mechanisms available under its three pillars in a coordinated and efficient manner.

The offer to these countries means **integration** into Euro-Atlantic structures and support for **regional cooperation** –not as alternatives but as a reciprocally enriching enlargement.

It will be for the peoples of the Balkan countries to take up that offer and play their own part in shaping the peace and stability process.

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