

The enlargement of the EU from 15 to 25 states, on 1 May 2004, has been a spectacular success, pointing to the enormous transformative power of the prospect of European integration. Now that the Central and East European Countries (CEECs) have been accepted as new member states, only seven South East European countries remain outside the Union. In this process of ongoing unification the Western Balkans represent 'a major piece of unfinished business'.¹

These non-EU countries fall into two categories: Romania, Bulgaria and Croatia, which have candidate status; and Albania, Bosnia and Herzegovina, Serbia and Montenegro, and Macedonia (the 'Balkan four') which are considered 'potential candidates'. The first group of countries is progressing quickly towards accession: EU member states signed a Treaty of Accession with Romania and Bulgaria on 25 April 2005, allowing them to become members from 2007 onwards. Croatia, too, which has been promised accession negotiations has a good chance of catching up in 2008 or 2009, now that it seems to be cooperating fully with the International Criminal Tribunal for the Former Yugoslavia (ICTY).

In contrast, Albania, Bosnia and Herzegovina, Serbia and Montenegro, and Macedonia have nothing more than a vague promise to join the European Union at some time in the future. It is true that through the creation of the Stability Pact in mid-1999 the European Union has, for the first time in history, granted all the countries of the Western Balkans the 'prospect of Europe'. In 2003 the Thessaloniki Summit explicitly reinforced the prospect of association with and potential membership of the Union. However, now that Eastern enlargement has finally taken place, the accession

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The Western Balkans on the Road Towards European Integration

prospects for the Western Balkans are dim. There is a fear in Member States that the accession of additional countries from the European periphery entails the inclusion of protracted conflicts. Although this fear is focused mainly on Turkey, it now affects the South East European countries as well. Moreover, the failed referenda on the EU constitution in France and the Netherlands raised the issue of whether future enlargements (Turkey, Western Balkans) would be at all institutionally feasible and politically acceptable to the European public. 'Enlargement fatigue' risks translating into policy paralysis towards the region, postponing the accession of the Western Balkan states into the distant future.

This paper assesses the impact of European membership prospects in the countries of the Western Balkans. First, it addresses the various dimensions of EU interest in maintaining such prospects for the region. Second, it assesses the achievements and problems of the transition process in the Western Balkans as related to EU accession. Finally, it analyses opportunities for further EU approximation in the region.

The main thesis is that giving up the project of South-Eastern enlargement would seriously undermine the considerable resources that the EU has invested in stabilising the Balkans. It would have significant political, economic and psychological implications for the countries concerned in that it would discourage EU-oriented transition, discredit reform-oriented elites and draw new dividing lines between members and applicants, thus deepening divergence between the accession countries and those 'left out' in the Balkans. With a view to the further stabilisation and pacification of the region it remains of vital importance to make sure that if Western Balkan countries fulfil their commitments, the EU fulfils hers.

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¹ Francois Heisbourg, 'The Balkans. Europe's Unfinished Business', in *International Herald Tribune*, 15.04.2005, p. 6.

Prospects of European Membership

The Stabilisation and Association Process (SAP), as the primary EU policy tool towards the Western Balkans (Albania, Bosnia and Herzegovina, Croatia, Serbia and Montenegro including Kosovo, Macedonia), was initiated in spring 1999 in an attempt to develop a global long-term approach towards the region.² It was built on the Regional Approach to the countries of South East Europe, adopted by the EU in 1996 and 1997, which set out political and economic conditions for enhancing relations with the EU.³ Today, these countries count as 'potential candidates'.

It was in the first place a matter of self-interest – and a painful learning process – that led to the decision to grant the Western Balkan countries the status of potential EU candidates. Member States understood that conflicts on the Union's South-Eastern periphery represented a threat to their vital interests.

Having learned the lessons of the Kosovo war, the EU, through the creation of the Stability Pact for South East Europe on 10 June 1999,⁴ undertook to draw South East Europe 'closer to the perspective of full integration ... into its structures', including eventual full membership. As a contribution to the Stability Pact and an interim step towards membership, the European Union set up a new generation of Stabilisation and Association Agreements. In June 2000, the European Council in Feira recognised the five Western Balkan countries as potential EU members and adopted a strategy of support and EU approximation. Against this background, the Zagreb Summit of November 2000 confirmed the Stabilisation and Association Process as 'the heart of the Union's policy towards the five countries concerned'.⁵

Since then, the EU has held out the prospect of association with and potential membership of the Union. 'The preparation of the countries of the Western Balkans for integration into European structures is a major priority of the European Union', the Commission concludes.⁶

The SAP is aimed at assisting countries in the region 'to move closer to the European Union' by 'introducing European values, principles and standards in the region'. These include democracy, the rule of law, respect for human rights, protection of minorities and a market economy. The core of the SAP is the conclusion of a Stabilisation and Association Agreement (SAA) which commits the Western Balkan countries to a formal association with the EU over a transitional period. The SAP provides intensive technical assistance and support for improved governance, better functioning institutions, democratisation, protection of human rights, refugee return, economic development and the fight against corruption and organised crime.

The EU–Western Balkans Summit in Thessaloniki (21 June 2003) explicitly confirmed that 'the Balkans will be an integral part of a unified Europe' and that the enhanced SAP will constitute the overall framework for the EU's policy towards the region.⁷ The EU has made it clear that the Stabilisation and Association process (SAP) will remain the framework for the European course of the Western Balkan countries, all the way to their future accession. The process and the prospects it offers serve as the anchor for reform in the Western Balkans, in the same way as the accession process has done in Central and Eastern Europe.⁸

This implies that there should be no intermediate contractual steps for the Balkan countries on their way to accession.

Still under the influence of the failed referenda on the EU constitution, on 16–17 June 2005 the European Council reaffirmed 'its commitment to full implementation of the Thessaloniki agenda, which emphasises that the future of the Western Balkans lies in the European Union'.⁹ It also underlined that each country's

2 Communication to the Council and the European Parliament on the Stabilisation and Association Process for Countries of South East Europe [COM(99)235 of 26.05.99].

3 Council Conclusions on the Principle of Conditionality Governing the Development of the EU's Relations with Certain Countries of South-East Europe, 29.04.1997.

4 The Stability Pact for South Eastern Europe was adopted on the EU's initiative. In the founding document, more than 40 partner countries and organisations undertook to strengthen the countries of South East Europe 'in their efforts to foster peace, democracy, respect for human rights and economic prosperity in order to achieve stability in the whole region'. Euro-Atlantic integration was promised to all the countries in the region. At a summit meeting in Sarajevo on 30.07.1999, the Pact was reaffirmed.

5 Zagreb Summit, Final Declaration, 24.11.2000.

6 Communication of the Commission to the Council and the European Parliament, 'The Western Balkans and European Integration', COM (2003) 285 final, Brussels, 21.05.2003.

7 General Affairs and External Relations, 2518th Council Meeting, Luxembourg, 16.06.2003.

8 Declaration, EU–Western Balkans Summit, Thessaloniki, 21.06.2003.

9 European Council, Presidency Conclusions, Brussels, 16. +17. 06.2005, para. 41.

progress towards European integration would continue to depend on complying with the Copenhagen criteria and the SAP conditionality.

It should be noted that the European prospect is grounded on strict EU conditionality. Each country is expected to progress at its own pace towards membership (regatta principle) according to its ability to take on the obligations of closer association with the EU.

SAP conditionality emerges from the Copenhagen criteria, imposed in 1993, concerning democratic government and market economics. In addition, the EU asks for compliance with the conditions set out in the Regional Approach of 1997. These comprise general requirements that apply to all SAP countries, as well as country-specific conditions, relating, for instance, to obligations under the Dayton peace agreement¹⁰ – for instance, cooperation with the ICTY.¹¹ The General Affairs Council of May 2002 reaffirmed the conditionality policy defined by the Council on 29 April 1997. 'These conditions remain a fundamental element of the SAP and are integrated into the Stabilisation and Association Agreements.'¹²

The prospect of future membership of the European Union has had a profound transformative impact on the Western Balkan countries. In view of the Stabilisation and Association Process, Croatia, Bosnia and Herzegovina, Serbia and Montenegro, Macedonia and Albania have undertaken considerable efforts to reform their institutions, economies and legal systems, but they have progressed at a different pace towards the goals of the EU, based on the Europe Agreements:¹³

- The Commission opened negotiations on concluding a Stabilisation and Association Agreement (SAA) with **Albania** in January 2003, but it still seeks acceleration of reforms and implementation if Albania is to sign an SAA in the near future.
- On 18 November 2003 the Commission adopted a Feasibility Study on opening SAA negotiations with

10 The Dayton Agreement ended the three-year Bosnian war in November 1995.

11 Council conclusions on the principle of conditionality governing the development of the EU's relations with certain countries of South East Europe, 29.04.1997.

12 Commission Report, 'The Stabilisation and Association Process for South East Europe', Second Annual Report, Brussels, 26.3.2003 [COM (2003) 139 final], p. 5.

13 On the implementation of the SAP, see the Annual Reports by the European Commission: 'The Stabilisation and Association Process for South East Europe', First and Second Annual Reports, Brussels 2002 and 2003.

Bosnia and Herzegovina (BiH). Brussels announced that negotiations would start shortly.

- **Croatia**, having signed an SAA on 29 October 2001, presented its application for EU membership on 20 February 2003. The Commission submitted its response on 20 April 2004, recommending that negotiations for accession should be opened.¹⁴ In light of Zagreb's improved cooperation with the ICTY, membership talks started in October 2005.
- The Former Yugoslav Republic of **Macedonia** signed an SAA on 9 April 2001, and on 22 March 2004 applied for EU membership. The Commission, on 9 November 2005, recommended granting Macedonia the status of candidate country and the opening of negotiations once 'it has reached a sufficient degree of compliance with the membership criteria'.¹⁵
- **Serbia and Montenegro** made some progress by adopting the Constitutional Charter and, in June 2003, an Internal Market and Trade Action Plan. In view of the diverging economic and political interests of the two republics, the EU suggested application of a 'twin-track' approach within the SAP. In October 2005, the European Union started association negotiations with Serbia and Montenegro.
- **Kosovo**, whose legal status is still unresolved, is assisted by the SAP Tracking Mechanism (STM), although formal association appears unrealistic as long as the sovereignty question remains open.

In light of the existing achievements and shortcomings, the following security, economic and humanitarian considerations underpin the need for future South-Eastern enlargement:

- the European Union's particular interest in the region because of its geographic proximity to member states and candidate countries: instability and conflict threaten political, social and economic welfare in the region that threatens to develop into a base for protracted ethnic conflagration, transnational crime and drug smuggling
- lack of substantial political and economic development in the region despite the Union's enormous investment in peace and stability, amounting to over EUR 6 billion since 1991 (without counting the

14 European Commission, Opinion on the application of Croatia for membership of the European Union, Brussels, 20.04.2004 (COM 2004) 257 final.

15 European Commission, Opinion on the application from the former Yugoslav Republic of Macedonia for membership of the European Union, Brussels, 9.11.2005 (COM 2005) 562, p. 7.

- cost of refugees or the international operations of OSCE, NATO, and so on)
- the risk of renewed instability in the wider South East European region which would have a profound impact on the Dayton process, the lesson from the Yugoslav wars of succession being that prevention is much less expensive in terms of human lives and material damage than dealing with violent conflict and its aftermath
 - the judgement that the unification and integration of Europe will be complete only if it also includes South-Eastern Europe (establishing a stable and undivided Europe is one of the primary goals of post-Cold War Europe)
 - European prospects constitute the framework for the development of cooperation between the countries of South East Europe, to which the EU is committed: regional integration will, in the long run, create an economic area of 150 million people that will attract investors and major business enterprises.

The New Strategic Environment

The European Union's decision to start negotiations with Turkey and Croatia in October 2005 signals a willingness to follow through with integration for other countries in the region. However, although Brussels seems to be holding out the prospect of a future South-Eastern enlargement, EU accession will become ever more difficult for the latecomers, now that a common currency has been established and many areas of public policy have been harmonised. Moreover, enlargement fatigue and new foreign policy priorities are pushing the Western Balkans into a new, less favourable strategic position.

Enlargement fatigue

The referenda on the EU constitution in France and the Netherlands encountered a majority 'no' vote, which has been interpreted as expressing the crisis of confidence experienced by EU citizens in the face of profound institutional and political changes in the wake of enlargement. Although opposition to enlargement did not feature on the agenda of the critics of the constitution at all, the no vote has triggered discussion on whether future enlargements (Turkey, Western Bal-

kans) would be digestible.¹⁶ Indeed, new interests and balances of power within the enlarged Union, deriving from growing economic competition, but also heterogeneous state and security identities, may underscore scepticism about accepting any future new members.¹⁷

Although the discussion is focused mainly on Turkey, it now affects Western Balkan countries as well. Could one not postpone further decisions on accession to a much later date, as Commissioner Verheugen suggested, in order to avoid unfruitful discussions about importing additional economic and security risks? Or, would it not be sufficient to grant the Western Balkan countries a new form of 'junior partnership' status instead of full membership?¹⁸ Could not a 'controlled differentiation of the Union' provide a solution to reconcile accession aspirations on the one hand and 'enlargement fatigue' on the other, an approach that would require a transformation of the very nature of the Union?¹⁹ As regards Turkey (and, some believe, also the Western Balkans), a 'privileged partnership' has been proposed as an alternative to full membership with the creation of a Comprehensive Free Trade Area affording greater assistance and closer cooperation in the EU's Common Foreign and Security Policy (CFSP).²⁰

However, neither the option of a 'privileged partnership' nor any other 'membership lite' alternative has so far been defined in a clear and convincing fashion. Key questions have not been answered. For example, what would be the advantages in comparison with current policies within the framework of the Stabilisation and Association Process? What concrete benefits might be attained that are not already attainable through the SAP and its financial instruments? How would such an intermediate, provisional status institutionalise political cooperation beyond the existing instruments created at Thessaloniki (European Partner-

16 Christophe Solioz, 'The Western Balkans in "Post-Referendum" Europe', in *Südosteuropa Mitteilungen*, 4–5 (2005), pp. 6–15.

17 'Europe on the Threshold of South-Eastern Enlargement', Strategy Paper presented to the Conference 'Southeast Europe on the Way into the European Union', Bertelsmann Stiftung, Zagreb, 03.–04.06.2005, pp. 7–9.

18 Franz Lothar Altmann, 'EU und Westlicher Balkan', Berlin 2005 (http://www.swp-berlin.org/produkte/swp_studie.php?id=4059&PHPSESSID=4e54b333c6140c2ce099687524e36e2f).

19 'Europe on the Threshold of South-Eastern Enlargement', pp. 14–15.

20 CDU/CSU Fraktion im Deutschen Bundestag, Positionspapier v. 22.01.2004. (http://www.cdusu.de/section__2/subsection__3/id__845/meldungen_druck.aspx.)

ship, EU–Western Balkans Forum)? In what way would this help the European Union to resolve its internal institutional challenges? How could reforming governments still convince their populations and opposition groups to back transformation for the sake merely of a vague promise of ‘European prospects’?

The argument for a status below full membership is based on the assumption that the impact of external political factors in the transition process is minimal, and that positive trends in the region will continue if the governments of the Western Balkan countries take the right decisions. Instead, the history of European integration over the last 60 years proves the decisive influence of external factors. In particular, it demonstrates how clear political prospects and a transfer of resources have helped in the impressive modernisation of accession countries such as Spain and Ireland, not to mention the CEECs. The argument also overlooks the fact that the prospect of future EU membership has already had a profound transformative impact on the Western Balkan countries (see next section).²¹

Consequences of enlargement – the risk of ghettoisation

Enlargement will have significant political, economic and psychological implications for the Balkans. It risks deepening the divergence between new members and those ‘left out’ in South East Europe.²²

Enlargement has widened the gap between the economic performance of the EU Member States on the one hand and that of the ‘potential candidates’ on the other. In comparison with the rest of Europe, the Western Balkans appear poor and backward: in 2002, EU gross national income per capita was 22 times higher than in Bosnia and Herzegovina, Serbia and Montenegro, Macedonia and Albania. The ten CEEC accession countries achieved rates 4.3 times higher, and even the three candidate countries Croatia, Romania and Bulgaria double the figures of the Balkan four.

Table 1:
The Regional Development Gap within Europe

	population (millions)	gross national income (\$ billions)	gross national income per capita (\$)
CEEC accession countries	75	322,7	4 520
Candidates (Croatia, Bulgaria, Rumania)	34,4	70,0	2 034
Balkan four (Albania, BiH, Serbia and Montenegro, Macedonia)	20,2	22,3	1 104

Source: Report on Activities of the European Commission/World Bank Office for South East Europe 2002, Brussels, September 2003, p. 3.

Experience shows that the prospect of EU membership increases foreign investment because risks and transaction costs are reduced. There is a direct correlation between European integration prospects and foreign direct investment (FDI) inflow (see below). Against this background, there is a serious risk of preserving and even deepening the development gap separating the Western Balkans from the rest of Europe unless a more active policy is implemented.²³

New foreign policy priorities – shrinking resources

The risk of a widening development gap in Europe is even greater given the new foreign policy priorities and shrinking international involvement in the Balkans: NATO has already reduced its peacekeeping presence, foreign assistance has declined, and political attention has shifted to new hot spots in the Islamic world.²⁴ New members and candidates can expect higher fi-

21 Commission Report, ‘The Stabilisation and Association Process for South East Europe’, Third Annual Report, Brussels, 30.3.2004 [COM (2004) 202/2 final], p. 4.

22 Heather Grabbe, ‘The Effects of EU Enlargement on the Countries Left Outside. Economies in Transition: Eastern Europe and the Former Soviet Union – Regional Overview’, in The Economist Intelligence Unit, Country Forecast, June 2001, pp. 5–13. See also European Stability Initiative, ‘Breaking Out of the Balkans Ghetto’, Berlin (2005).

23 On this argument see European Stability Initiative, ‘The Helsinki Moment – European Member State-Building in the Balkans’, Berlin (01.02.2005) (http://www.esiweb.org/docs/showdocument.php?document_ID=65).

24 See M. Abramowitz and H. Hurlburt, ‘Can the EU Hack the Balkans? A Proving Ground for Brussels’, *Foreign Affairs*, 81 (5) (September/October 2002), pp. 2–7.

financial appropriations under the new Instrument of Pre-Accession (IPA), whereas the Balkans will receive comparatively less aid, unless current aid policy is changed.

Since 2000, the international donor community (including EU and non-EU states and the international financial institutions) has spent about EUR 6.5 billion each year in South East Europe (including Bulgaria, Romania and Moldova). The five Western Balkan countries received EUR 3.9 billion in 2002, but since then assistance has been constantly declining.

From 2007 onwards, the Commission's financial assistance will be provided through the Instrument of Pre-Accession, replacing CARDS.²⁵ The Commission has proposed a sum of around EUR 14 billion to be spent over a period of seven years. IPA establishes a unified instrument for pre-accession assistance which should cover assistance to all candidate and potential candidate countries until their accession to the EU. This framework incorporates the former EU pre-accession instruments Phare, ISPA and SAPARD, along with 'structural fund' and 'rural development fund' components. The objective is to prepare candidate countries better for the implementation of structural and rural development funds after accession. It remains unclear to what extent the Western Balkans would be allowed to make use of different lines of assistance, however. At any rate, there is a serious risk that the three candidates, given the tight timetable for accession, will receive a much greater share of that assistance than the non-candidate countries of the Western Balkans.

Table 2:
International Donor Activities in South East Europe (EUR per capita)

		2001	2002	2003	2004	2005 (est.)
Balkan four	grants	83	83	62	62	45
	loans	66	76	58	52	61
	total	149	159	120	114	106
candidates	grants	36	38	40	50	56
	loans	42	47	71	50	83
	total	78	85	111	100	139

Source: EU-WB Joint Office for South East Europe (June 2005), Development Researchers' Network, 'Study on the Linkages between the Economic Development of the Countries of the Western Balkans, and Progress in the Institutional Reform Process', Final Report, Rome/Brussels July 2005, p. 20.

Three major trends emerge from the data presented above:

1. a declining trend as regards donor expenditure (both grants and loans) in the Balkan four countries: between 2002 and 2005 international aid fell by one third (from EUR 149 to EUR 106 per capita);
2. a sharp reduction in grant assistance to the Balkan four (which had benefited from exceptional efforts on the part of the donor community in post-conflict reconstruction and recovery) and a shift to loans as the major source of assistance (from grants);
3. growing aid per capita and higher shares of donor support for the three candidate countries from 2002 onwards (from EUR 78 to EUR 139 per capita); and so a redistribution of resources from the Balkan four (potential candidates) to the official candidates.

This state of affairs is particularly critical in view of the remaining challenges and risks in the region.

The Western Balkans – still in need of assistance

The Western Balkans are in much better shape today than they have been for a decade: there is no immediate war danger, all governments in the region are firmly committed to European approximation, the market economy and regional cooperation, as well as to peaceful settlement of disputes. Moreover, there are clear signs of economic stabilisation and recovery all over the region. Having started at very low levels, growth rates are by now considerably higher than in

²⁵ The aid regulation CARDS (Community Assistance for Reconstruction, Democratisation and Stabilisation) allocated EUR 4.65 billion over the period 2002–2006 to accompany and support reforms in the Western Balkan countries.

the CEECs. Since 2001 growth rates have been, on average, ranging between 4% and 6%, according to data from the European Bank for Reconstruction and Development (EBRD). Also, inflation is moderate (2–3%), whereas FDI is on a growing trend, however, moderate. There is progress as regards institutional reform and market liberalisation.²⁶

ticular in BiH, Serbia and Montenegro, and Macedonia). Uncertainties with regard to the future political set-up of the region, heightened by constitutional confusion, feed nationalism and scepticism as regards the reform process. There may even be future struggles over questions of statehood, constitutions and forms of ethnic participation.²⁸

Table 3: Land, Population, Economic Size and Macroeconomic Performance

	Total Area (sq km thousand)	Population (million)	GDP (current \$ billion)	GNI per capita (Atlas \$)	GDP Growth (%)		Inflation (CPI%)
					2002	2003f	
		2002	2002	2002	2002	2003f	2002
Albania	28.8	3.2	4.8	1 380	4.7	5.0	5.4
Bosnia and Herzegovina	51.1	4.1	5.2	1 270	3.5	4.6	0.5
Bulgaria	110.9	8.0	15.6	1 790	4.0	5.0	5.8
Croatia	56.5	4.4	22.4	4 640	5.0	4.2	2.2
fYR Macedonia	25.7	2.1	3.7	1 700	0.3	3.0	1.9
Moldova	33.9	4.3	1.6	460	7.2	5.0	5.3
Romania	238.4	22.4	44.5	1 850	4.7	4.9	22.5
Serbia and Montenegro	102.2	10.7	15.7	1 400	4.0	5.0	21.2
total	647.5	59.2	113.5				

Sources: area – FAO 1997; other data – World Development Indicators 2003 (Hhttp://www.seerecon.org/gen/econstitution.htmH) and World Bank ECA regional data.

However, the region still suffers from a number of structural problems, such as open status issues and constitutional uncertainty, the ‘weak state’ syndrome, a poor business environment and high rates of unemployment and poverty. As the International Commission on the Balkans concludes, ‘the region is as close to failure as it is to success’.²⁷

- *Unfinished state building and constitutional uncertainty*: A decade after the Bosnian war ended, peace in the Balkans remains unfinished. Open questions, with a potentially destabilising effect, concern the unresolved status of Kosovo, constitutional confusion within Bosnia and Herzegovina, and the dysfunctional State Union of Serbia and Montenegro. The constitutions that were shaped following the disintegration of Yugoslavia lack acceptance by both the elites and the public (in par-

Consequently, lack of political stability and violence have not disappeared from the agenda, and one of the main challenges in the region remains ensuring stable and democratic government.²⁹

- *Democracy, rule of law and good governance*: Democracy and the rule of law are making slow and uneven progress in the Western Balkans. According to the Freedom House Index, all countries have progressed with regard to electoral process, civil society, freedom of the media, good governance, anti-corruption and the rule of law. On the negative side there is a lack of stability and transparency in government; a resurgent appeal to extremism and ultra-nationalism in some countries; weak protection for the rights of ethnic and minority groups; political and economic pressures on the media; low government receptivity to citizen participation; and pervasive corruption at all levels of society and gov-

²⁶ EBRD, Transition Report Update (May 2005).

²⁷ International Commission on the Balkans, ‘The Balkans in Europe’s Future’, Sofia (2005), p. 7.

²⁸ International Commission on the Balkans, p. 16.

²⁹ Commission Report, ‘The Stabilisation and Association Process for South East Europe’, Third Annual Report, Brussels, 30.03.2004 [COM (2004) 202/2 final], pp. 13–14.

ernment. Civil society is still very underdeveloped and highly dependent on external donor funding. Freedom House concludes that the countries of the region are moving in the right direction but are still closer to the twelve non-Baltic countries of the former Soviet Union than to the Central and East European countries that recently joined the European Union.³⁰

- *Institutional change*: The pre-accession process has helped to shape political institutions through the establishment of new agencies, services, procedures and policies all over the region.³¹ However, in the Western Balkan countries, a parallel structure has been created within the administration: while there is a small and highly professional staff interacting with Brussels institutions, other sectors of the administration appear to be resistant to modernisation and reform. In no country does EU-related high professional expertise extend beyond these specialised ministries or contact points. As a result, there is a tendency for resistance to reforms to increase in most branches and levels of government outside the core executive. In all the countries concerned, lack of administrative capacity and corruption are pervasive.
- *GDP growth*: In Serbia and Montenegro, Bosnia and Herzegovina, and Macedonia, GDP levels in 2004 were still well below 1989 levels: 56% in Serbia and Montenegro, 60% in BiH, and 80% in Macedonia. Only Albania had significantly improved, at 136%.³² In comparison with the rest of Europe, the Balkan four lag behind considerably: while the CEEC countries have reached 126% of the 1989 level, the three South East European candidates reach only 96%, and the Balkan four as low as 72%.³³
- *Unemployment and poverty*: Job creation and reducing poverty are high on the agenda of the Western Balkan states.³⁴ Whereas in Croatia and Albania economic growth has led to a significant in-

crease in employment, the situation in BiH, Macedonia, and Serbia and Montenegro remains grave: unemployment and underemployment affect about one-third of the population; living standards are below the poverty line.³⁵ The main reason is the collapse of industry in most of the Western Balkan countries as a consequence of war, sanctions and rapid privatisation. Official data on registered unemployment in 2004 show a growing trend for BiH (over 40%), Macedonia (36%) and Serbia and Montenegro (34%), whereas Croatia and Albania range below 15%.³⁶ At the same time, the informal sector accounts for more than one third of total income, a phenomenon that is widely held responsible for increasing poverty and inequality in accessing opportunities and services (education, health care, social services).

- *Investment*: In the four potential candidates in the Western Balkans, FDI per capita is only about half that of the candidates. Privatisation has been the main source of attraction for FDI, while greenfield investments³⁷ are still comparatively scarce.³⁸ The EBRD data show a clear positive correlation between FDI and European integration prospects, and a negative correlation between FDI and political instability. The latter is considered by foreign investors to be one of the key impediments to starting a business.
- *Business climate*: Private business faces a number of constraints, including a poor business environment (competition framework, lack of financial access, poor quality standards, high taxes, poor access to markets, and so on).³⁹ Countries in the region face both petty corruption and state capture in many areas of public life, for instance in hospitals, customs services, courts and government services. Corruption is also pervasive in the business sector, primarily because of inconsistency and unpredictability of regulations or registration requirements.⁴⁰

30 Freedom House, Nations in Transit 2004

(www.freedomhouse.org). Along the same lines: www.worldbank.org/wbi/governance/govdata2001.htm

31 Heather Grabbe, 'How Does Europeanization Affect CEE Governance? Conditionality, Diffusion And Diversity', in *Journal of European Public Policy*, 8 (6) (2001), pp. 1013–1031.

32 EBRD, Transition Report Update (May 2005).

33 Development Researchers' Network, 'Study on the Linkages between the Economic Development of the Countries of the Western Balkans, and Progress in the Institutional Reform Process', Final Report, Rome/Brussels July 2005, p. 5.

34 Conference on Labor Markets, Growth and Poverty Reduction Strategies (Albania, Bosnia and Herzegovina, Serbia and Montenegro, Kosovo, FYR Macedonia), Thessaloniki, Greece, 27–28.05.2005. <http://siteresources.worldbank.org/PGLP/Resources/SummaryPRSPForumWesternBalkansGreeceMay2005.doc>

35 Forthcoming study by Development Researchers' Network (Rome) on linkages between economic development and progress in institutional reforms in the Western Balkans.

36 For instance, in BiH total unemployment grew from 261,793 in 1999 to 304,830 in 2003 as a side effect of transition: more people are losing their job than can be absorbed by other sectors.

37 Greenfield investments are direct investments in new facilities or the expansion of existing facilities. They are the principal mode of investing in developing countries.

38 EBRD, Transition Report Update (May 2005).

39 Stability Pact, South East Europe Region, 'Enterprise Policy Performance. A Regional Assessment' (December 2003) (<http://www.investmentcompact.org/pdf/EPPAs/EPPARRegional2003.pdf>). See also the recent country reports by the Investment Compact of the Stability Pact (available on web).

40 Nations in Transit 2004, p. 15.

- *Trade*: The Autonomous Trade Measures (ATM)⁴¹ granted by the EU have had a minor effect on increasing exports from the region, due to low production standards, legislative impediments and inadequate certification capacity and control.⁴² Furthermore, the pan-European agreement on rules of origin has not been extended to these countries. Integration into EU markets through the Stabilisation and Association Process has so far not produced significant increases in trade, especially when compared to the performance of the CEEC countries. The introduction of ATM therefore shows mixed results: while imports from the EU to the Western Balkans have increased, exports from the region to the EU have lagged behind. In addition, benefits are distributed unevenly: there is a strong competitive gap within the region so that some countries, for instance BiH, risk becoming net losers from trade liberalisation.⁴³

This analysis leads to the conclusion that the Western Balkans find themselves in a much less favourable position than the CEEC countries in the pre-accession phase. The former face a number of constitutional and political uncertainties following a decade of war and destruction; they lack the institutional and administrative capacity to use EU instruments properly; and neither the political determination nor the substantial economic growth necessary to underpin the reform process are in place.

A recent analysis of the Western Balkans assessing their compliance with the Copenhagen criteria concludes that Croatia, Bulgaria and Romania may achieve full compliance by 2007, while Bosnia and Herzegovina, Serbia and Montenegro, Macedonia and Albania will continue to lag behind. Macroeconomic instability and a lack of competitiveness, good governance and social cohesion figure as the main impediments. The authors assume that these countries will probably reach European standards as regards institutions, rule of law and governance only after a decade or so. This requires, however, that the reform process continues at the same pace as in recent years, and that income

per capita reaches a level comparable to that of the CEECs (USD 10,000 per capita at PPP).⁴⁴

Also, experience from CEEC countries shows that the prospect of accession can motivate countries to undertake reforms in a decisive fashion if membership is not too far away. If there is no short-term incentive, however, EU-oriented governments find it difficult to get the support they need from their electorates.

Against this background, stable political prospects and a secure institutional framework, as provided by the EU membership incentive, appear to be vital for the consolidation of achievements and promotion of further reforms. Otherwise 'disappointment and the lack of prospects might vent themselves in new violence against ethnic minorities, the costs of which not only the region but also the EU and its member states would have to carry'.⁴⁵ Against this background it would be risky to call into question the membership prospects of the Western Balkans.

However, current EU policies will *not* automatically have the same transformative effect on the Western Balkans as the pre-accession process did in Central and Eastern Europe. An effective EU policy towards this region would require more than the mere transposition of the CEEC pre-accession process to the Western Balkans. Until the Western Balkans manage to break out of the prevailing vicious circle (institutional weakness and political instability detrimental to the business climate, preventing investment and economic growth, thus further delaying reforms) there is little hope that EU integration prospects in themselves will lead to significant institutional and economic improvements. A much more pro-active approach would be needed to consolidate achievements and stimulate transition towards EU goals.

Incentives of EU Membership Prospects

The European prospect constitutes a powerful incentive for reform and conflict resolution in the region. There is evidence that it has worked as a carrot to enhance and sustain ongoing reforms; as a framework

41 The ATM is a system of trade preferences granted unilaterally by the EU to the Western Balkans in 2000.

42 Development Researchers' Network (see footnote 31).

43 Marie-Janine Calic, 'Der Stabilisierungs- und Assoziierungsprozeß auf dem Prüfstand. Empfehlungen für die Weiterentwicklung europäischer Balkanpolitik', Berlin, SWP Studie (September 2004), p. 33: http://www.swp-berlin.org/common/get_document.php?id=1018.

44 Volkhart Vincentz and Michael Knogler, 'EU-Erweiterung: Die wirtschaftliche Beitrittsfähigkeit der Balkanländer', München (January 2004), p. x.

45 'Europe on the Threshold of Southeastern Enlargement', Strategy Paper presented to the Conference 'Southeast Europe on the Way into the European Union', Bertelsmann Stiftung, Zagreb, 03.-04.06.2005, p. 4.

for conflict resolution; and as an incentive to improve regional cooperation. The potential for further enhancement of reform is significant:

- *Consolidation and continuation of the reform process.* In light of European integration prospects, all countries in the region have invested much effort in the reform process. The annual country evaluation by the European Commission shows considerable achievements in many sectors. However, in none of the areas under consideration may this process of Europeanisation be considered irreversible. On the contrary, much more determination and hard work is needed to intensify the pace of reforms. Therefore, maintaining clear political prospects is a sine qua non, not least in view of the considerable EU investment in the region over the last decade.
- *Conflict settlement.* The EU has assumed a very active role in the mediation of conflicts and crisis response, as well as in peace implementation. The EU's High Representative for Common Foreign and Security Policy, Javier Solana, has on various occasions intervened in evolving crises, such as in Southern Serbia's Preshevo valley, Macedonia and the Federal Republic of Yugoslavia (now Serbia and Montenegro). Each of these cases has proven that the European prospect constitutes an important element of leverage that prepares the ground for a peaceful settlement.
- *Economic stimulus.* There is empirical evidence from the experience of the six countries that joined the EU between 1973 and 1986, and of the CEECs, that candidate countries are able to attract significantly more FDI than non-candidates. The prospect of membership and the process of preparing for accession in themselves attract more outward and inward investment because foreign investors anticipate completion of reforms once clear political prospects effectively guarantee their implementation.⁴⁶ The CEECs attracted the highest amount of FDI between 1998 and 2002, when a clear roadmap for accession had been defined; similarly, Bulgaria and Romania started increasing their share of FDI when the accession process was launched in spring 1998.⁴⁷ On the other hand, more investment allows improved economic performance, raises country credit ratings and hence stimulates further FDI inflows. Instead, unclear political prospects, combined with

notorious institutional weaknesses, reduce the likelihood of economic growth: 'there is a widening gap between FDI receipts to the front-runners and backmarkers among the applicants. This process appears likely to be self-reinforcing, inducing virtuous cycles for the front-runners and potentially trapping the backmarkers at a low level of economic development'.⁴⁸ This implies that clear EU accession prospects represent the most important factor in continuing the reform process and thus attracting FDI. Accession countries are more attractive as a production location because they guarantee access to the European market and protect investors against sudden changes in trade policy and arbitrariness in market policies.

- *Regional cooperation.* The prospect of accession has contributed strongly to improving good-neighbourly relations and regional cooperation in South East Europe.⁴⁹ The EU has made it clear from the beginning that it views such cooperation as an indispensable component of the European integration process, not least because it is one of the founding principles of the European Union itself. Conditionality includes proven readiness to promote good-neighbourly relations as a precondition of EU membership and thus serves the mutual interests of all participating countries. Through the Stability Pact for Southeast Europe, created in the aftermath of the Kosovo war in June 1999, participating states have undertaken a number of credible initiatives.⁵⁰ For instance, South East European countries have liberalised their trade regimes significantly by concluding a network of bilateral free trade agreements that shall shortly be transformed in a multilateral one. Furthermore, substantial progress has been made in solving refugee issues, fighting organised crime and corruption, improving the investment climate, creating a common energy market and developing regional infrastructure strategies. A lesson from the work of the Stability Pact is that those initiatives were particularly successful in which the EU took a forceful leading role and the accession-related dimension of regional cooperation is clearly visible (for instance, in the areas of trade harmonisation and a common energy market).⁵¹

48 Bevan, Estrin and Grabbe, p. 11.

49 O. Anastasakis and V. Bojicic-Dzelilovic, 'Balkan Regional Cooperation and European Integration', London, London School of Economics and Political Science (July 2002).

50 <www.stabilitypact.org>.

51 Special Coordinator of the Stability Pact, '2 1/2 years of Stability Pact: Lessons and Policy Recommendations', Brussels (December 2001), p. 1.

46 Alan Bevan, Saul Estrin and Heather Grabbe, 'The Impact of EU Accession Prospects on FDI Inflows to Central and Eastern Europe', Policy Paper 06/2001.

47 Data compiled by Development Researchers' Network.

The European Union is well placed to play on accession prospects more forcefully: not only is the Union widely perceived as the most important partner to countries of the region, but political ambitions to join the European Union combine with a deep appreciation of its considerable donor activities.

The EU – both its Member States and the European Commission – is visible as the single largest donor in South East Europe, providing humanitarian aid and assistance for economic reconstruction.⁵² Since 1991, the Union has provided more than EUR 6 billion in assistance to the Western Balkans through its various programmes (not including bilateral aid from individual Member States). With CARDS, the EU has allocated EUR 4.65 billion up to 2006 to help create the necessary conditions for a privileged relationship with the Union. In the run up to the Thessaloniki summit in June 2003, this programme was bolstered by an additional EUR 200 million. The evaluation of CARDS concludes that this programme has been by far the most important source of financial and technical support for reconstruction and reform in the region. The EU's comparative advantage is that it combines a clear political goal (EU approximation) with the necessary financial support, which for partners means a democratic and stable future.⁵³

Furthermore, the EU is acknowledged as a security provider in the region. Not only do EU Member States supply the bulk of the peacekeeping troops in the Balkans (some 30,000 soldiers from EU Member States have served as members of KFOR and SFOR, 80 per cent of its total strength), but the EU has also engaged in security operations of its own. The EU Police Mission in Bosnia and Herzegovina (EUPM) was launched in January 2003, after the UN's International Police Task Force (IPTF) mission expired. The launching of Operation Concordia in Macedonia in April 2003, the first ever EU military mission, and the launch of EUFOR Althea, the EU Force in Bosnia and Herzegovina (BiH), on 2 December 2004 as a UN Chapter VII mission, mark the beginning of a new phase in the development of the Union's crisis-response capability, aiming at an integrated civil-military peace-building approach that will support the long-term prospects of EU integration.

As a result, attitudes to Europe in the region are overwhelmingly positive: recent opinion polls show majorities with pro-European attitudes in Albania (72%), Kosovo (71%), Bosnia and Herzegovina (62%), Macedonia (56%), Montenegro (54%), and Serbia (49%). Only small minorities express explicit anti-EU attitudes: in Albania (2%), Kosovo (5%), Bosnia and Herzegovina (8%), Macedonia (4%), Montenegro (5%), and Serbia (12%).⁵⁴

Euro-scepticism has basically three sources: a not very sizeable part of the population still appeals to extreme nationalism (as represented, for instance, by the Serbian Radical Party). Others may see the accession process as a prolongation of the 'statist' tendencies of state socialism. And EU requirements are frequently invoked as a means of legitimising difficult socio-economic reforms. In addition, the EU's instruments, in particular those of the Stabilisation and Association Process, are known only to a small group of experts. They appear complex and bureaucratic and seemingly do not improve people's daily lives. However, this perception is probably shared by a considerable part of the people in EU Member States. Moreover, the accession carrot still looks very far away; and many people believe that SAP conditionality (in particular as regards cooperation with the ICTY) is being used arbitrarily and on the basis of double standards.

In light of the unresolved issues and the urgent need to continue ongoing reforms, the potential for an enhanced EU role is high.

Albania is negotiating an SAA with the EU, but many reforms necessary to guarantee proper implementation have not been carried out due to a protracted internal power struggle between the main political parties. These relate, among other things, to the fight against organised crime and corruption, and the functioning of the judicial system.⁵⁵ Political uncertainty and limited reform focus impede social and economic development, and corruption, organised crime, deficient law implementation and administrative inefficiency represent serious obstacles to business development. Corruption and organised crime appear to have been on the rise since 2003, some observers claim.⁵⁶ At the same time, some progress has been achieved with regard to reducing smuggling and traf-

52 For exhaustive documentation, see <www.europa.eu.int> and <www.seerecon.int>.

53 Evaluation of the Implementation of Regulation 2666/2000 (CARDS) EC Support to the Western Balkans – 951651 (http://europa.eu.int/comm/europeaid/evaluation/evinfo/cards/951651_ev.htm).

54 International Commission on the Balkans, fig. 19, p. 52.

55 Albania 2005 Progress Report, Brussels, 09.11.2005, SEC (2005) 1421, pp. 15–16.

56 Nations in Transit 2004, pp. 15–16.

ficking in human beings over the Adriatic and Ionian Seas.⁵⁷

Since the European Commission launched the Feasibility Study, **Bosnia and Herzegovina** has made some progress in stabilisation, for instance as regards defence and taxation. Structural reforms in the fields of crime prevention, the judiciary, customs, development of a single economic space, and the energy market, are under way.⁵⁸ Meanwhile, there remains the general problem of a dysfunctional state, including lack of coordination and incompatibility at different levels. The European prospect appears to be the main driving force for reform based on inter-state cooperation. EU conditionality, on the other hand, is indispensable to address the urgent issues of impunity of indicted war criminals and the critical human rights situation. There is still great potential to use EU requirements to dynamise reform in this country. 'Moreover, it remains a concern that in too many areas where progress has been achieved, progress has come only as a result of international pressure.'⁵⁹ Also, the last evaluation report concludes that 'continued efforts remain necessary in order to ensure a non-reversible, self-sustaining state able to assume full responsibility for government'.⁶⁰ It goes without saying that the political elites of the three constituent peoples in that country would be even less willing to accept Bosnia and Herzegovina as their common state if there was no prospect of EU membership.

Croatia has convincingly demonstrated how quickly and dynamically reforms can be carried out once there is a real prospect of accession. Less than ten years after this country regained full sovereignty over its entire territory, the European Commission concluded that Croatia was a functioning market economy that should be able to cope with the competitive pressure resulting from EU integration, and that it would be able to take on the obligations of membership in the medium term. Conditionality remains important, in particular with regard to taking all necessary steps to deliver the remaining indicted, General Ante Gotovina, to the ICTY.

57 Commission Report, 'The Stabilisation and Association process for South East Europe', Third Annual Report, Brussels, 30.03.2004 [COM (2004) 202/2 final], p. 34.

58 26th Report by the High Representative, 18 November 2004 (www.ohr.int).

59 Commission Report, 'The Stabilisation and Association process for South East Europe', Third Annual Report, Brussels, 30.03.2004 [COM (2004) 202/2 final], p. 35.

60 Bosnia and Herzegovina 2005 Progress Report, Brussels, 09.11.2005, SEC (2005) 1422, p. 28.

In **Macedonia** the situation has normalised – after the crisis of 2001 – on the basis of the Ohrid Framework Agreement brokered by the EU and the US. The agreement gives the EU a leading role in overseeing its implementation and thus a major responsibility for its success. Since that time, Macedonia has experienced notable progress, notably in the area of interethnic relations (use of minority languages, ethnic representation, and so on). The political situation is relatively stable, although the implementation of key parts of the Ohrid agreement have not been finalised (for instance, as regards delays with regard to decentralisation). Here, as in all other Western Balkan countries, administrative capacity and institution-building need to be further strengthened for full compliance with EU requirements. Having filed its application for EU membership in March 2003, Skopje awaits the forthcoming opinion of the Commission with impatience.

As in Macedonia, the HR facilitated a negotiated settlement between the main adversaries in **Serbia and Montenegro**. On 14 March 2002, the Proceeding Points between Belgrade and Podgorica were signed, which led to the adoption of the Constitutional Charter and the creation of a loose union of Serbia and Montenegro. However, there is disagreement about the implementation of the new constitutional arrangements and a general lack of consensus on the future of the State Union, which has not really been accepted by the two Republics. Lack of reform progress is directly related to unresolved political and status issues, leading to constitutional difficulties, institutional competition and political uncertainty.⁶¹ These structural obstacles have, for instance, prevented progress in the Justice and Home Affairs sector regarding legislation (on asylum and migration), harmonisation (visa policy) and cooperation. Instead, EU conditionality has helped to significantly improve cooperation with the ICTY, including the extradition of several high-ranking officials. In 2006, the current Montenegrin government might hold a referendum on independence, or seek another strategy to achieve this goal. Against this background the carrot of formal association remains an important lever in finding a harmonious agreement between the two governments. Also, association with the EU is feasible only if Serbia does not obstruct negotiations over a final status for Kosovo.

In **Kosovo**, the European prospect constitutes the key framework for the status process that is due to

61 Serbia and Montenegro 2005 Progress Report, Brussels, 09.11.2005, SEC (2005) 1428.

start shortly. The carrot of EU accession figures as the main lever in influencing both Belgrade (striving for association and subsequently accession) and Pristina. In mid-2005, the UN Security Council launched a review to consider whether standards had been met as a precondition for starting the Kosovo status process; meanwhile the process has commenced. Already the 'Standards for Kosovo' document, put forward by the Special Representative in December 2003, reflects EU values in the principles that should guide the reform and status process (including ensuring minority and human rights, return of displaced persons, resolving property issues, and combating organised crime and corruption). The comprehensive review by UN special envoy Kai Eide, concluded in October 2005, underlines that the EU should 'play in many respects the most prominent role in Kosovo' in the future.⁶² Whatever the outcome of the talks may be, it appears evident that the EU will play a key role in supervising and implementing any agreement. Settling the conflict over Kosovo is thus directly linked to EU approximation by both sides, Pristina and Belgrade.

Conclusion

The prospect of EU membership constitutes the most powerful political asset for enhancing stability and good-neighbourly relations in the Western Balkans. It has worked as a carrot to initiate and sustain reforms, and it represents a framework for conflict settlement and an effective incentive for improving regional cooperation.

Giving up the project of South-Eastern enlargement would seriously endanger the stabilisation process in the region. It would discourage EU-oriented transition, discredit reform-oriented elites and risk creating a Balkan ghetto on Europe's South-Eastern periphery. It is very much in the EU's own interest to continue and even speed up the accession process of these countries. In contrast, any form of political marginalisation could inflict considerable harm on the Union (trans-border organised crime, migration flows, inter-ethnic tensions, and so on).

The Western Balkan countries need the political prospect of EU accession and assistance in accomplishing the reform process, and there is little hope that a vague and remote prospect of 'potential candidature'

would lead to significant institutional and economic improvements. Therefore, it is of paramount importance to maintain this prospect and ensure that there are no intermediate steps on the road to membership. Any other option would seriously undermine the stabilisation process and instigate a vicious circle of disappointment, frustration and destruction.

Bosnia and Herzegovina, Serbia and Montenegro, Macedonia and Albania will reach European standards as regards institutions, rule of law and governance probably only after a decade or so. They find themselves in a much less favourable position than the CEEC countries in the pre-accession phase. Therefore, an effective policy towards this region will require a more forward-looking approach than the mere transposition of previous pre-accession models.

Accession prospects would motivate both political elites and citizens more effectively if there was a clear EU integration framework (roadmap) to guide potential candidates, each at their own pace, towards full membership. This would include considering target dates and setting clear conditions and benchmarks to measure progress. It has been proposed that the EU should envisage the membership of the Western Balkan countries for 2014, 25 years after the fall of the Berlin wall (Socialist International),⁶³ and a full century after the outbreak of the First World War (International Commission on the Balkans).⁶⁴ This leads us to the following recommendations:

- an explicit political commitment to maintain the prospect of full EU membership (no intermediate contractual steps or any form of 'membership lite')
- a strong determination by countries of the region to continue implementing reforms and to comply with EU conditionality
- the transformation of the pre-accession process into a concrete integration framework (setting an indicative target date for membership, setting clear conditions and benchmarks to measure progress)
- a new focus of assistance on employment and poverty reduction, addressing issues of development and growth in a much more targeted manner (for instance, by designing a regional cohesion programme); setting up a regional investment facility established in collaboration with the European Investment Bank (EIB) and the EBRD; and designing a

62 A Comprehensive Review of the Situation in Kosovo. Report of Special Envoy of UN Secretary General, Kai Eide (2005).

63 'Balkankonferenz der Sozialistischen Internationale in Tirana, 05.09.2003'. See Press Declaration of the SPD, 26.09.2005.

64 International Commission on the Balkans, 'The Balkans in Europe's Future', Sofia (2005).

European social strategy for the Western Balkans to support employment (in line with the EU Lisbon priorities of 2000, fostering employment and development in Europe)

- decentralisation of assistance and an enhanced capacity development approach (greater ownership in accordance with developing the capacities of partner countries; co-financing of projects; focusing of assistance on learning processes rather than on mere guidance on the *acquis*).⁶⁵

The Western Balkans still have a long way to go before they can realistically expect to be accepted as full members of the EU. However, there is no reason to believe that an intelligent combination of political incentives (integration framework) and an adequate and refocused assistance package could not contribute to overcoming the last divisions within Europe.

⁶⁵ See elaboration of this argument: Evaluation of the Implementation of Regulation 2666/2000 (CARDS) EC Support to the Western Balkans – 951651 (http://europa.eu.int/comm/europeaid/evaluation/evinfo/cards/951651_ev.htm).

List of Abbreviations

- ATM** – Autonomous Trade Measures
BiH – Bosnia and Herzegovina
CARDS – Community Assistance for Reconstruction, Democratisation and Stabilisation
CFSP – Common Foreign and Security Policy
CEECs – Central East European Countries
EIB – European Investment Bank
EBRD – European Bank for Reconstruction and Development
FDI – Foreign Direct Investment
ICTY – International Criminal Tribunal for the Former Yugoslavia
IFIs – International Financial Institutions
IPA – Instrument of Pre-accession
ISPA – Instrument for Structural Policies for Pre-Accession
PHARE – Pologne/Hongrie: Assistance à la Restructuration Économique
SAA – Stabilisation and Association Agreement
SAP – Stabilisation and Association Process
SAPARD – Special Accession Programme for Agriculture and Rural Development
S&M – Serbia and Montenegro
STM – SAP Tracking Mechanism