



## Hope and Anxiety

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### **While the EU pledges to fulfill its responsibilities in the Balkans, uncertainty over the next EU budget and enlargement fatigue worries many in the region.**

When France and Holland rejected the proposed European Constitution earlier this year the shockwaves were keenly felt in the Western Balkans. If it was true that one of the reasons for the "no" votes was a resentment of enlargement and a fear of more of it, what did this mean for the would-be European Union members in the former Yugoslav lands and Albania?

The answer, officially at least, is nothing much. Indeed, in the last two months there has been more EU activity related to the Western Balkans than at any time in the past few years. Enlargement Commissioner Olli Rehn has underlined on several occasions that the EU would stick to its commitment, made in Thessaloniki in 2003, that the whole of the region should eventually join the union.

And not only that: Rehn has said that this commitment is important, not just because it is good for the Balkans, but because what is good for the Balkans is good for Europe. "A carefully managed enlargement process is one of the EU's most powerful and most successful policy tools," he said on 9 November. "The pull of the EU helps the democratic and economic transformation of countries. All European citizens benefit from having neighbors that are stable democracies and prosperous market economies. The EU cannot abandon its responsibilities."

The view that peace and stability in the Western Balkans would best be served by moving the whole region as fast as possible into the EU is widely shared by people who deal with the region at the European Commission, in the cabinet of the EU foreign policy chief Javier Solana, among those who follow developments in the region, and of course by policymakers within the region itself.

On the other hand, it is clear that "enlargement fatigue" is real and that there is resistance to further expansion in several quarters, especially France. Some concerns are obvious, most notably in the fields of jobs and migration, and some are more nebulous. They concern things like the relative decline in power of countries such as France in an organization in which most of the big decisions have to be taken by consensus - something that of itself makes cohesion difficult. These concerns are raised by those who propose some form of "privileged" or special partnership for some of the applicants, that is, something less than full membership.

For the moment however, it seems that the partisans of full membership for the Western Balkan states have the upper hand. What is not yet clear is whether the recent diplomatic activity, which has brought some of these

countries a step closer to membership, will continue or eventually stall.

The strongest argument for membership of the Western Balkans is clear the moment one looks at a map. In 2007, Romania and Bulgaria are supposed to join the EU. The whole region, barring Slovenia, which is already a member, will then be encircled by the union, a prospect which could have catastrophic consequences unless the countries of the region were on the way to eventual membership. The region counts a modest 22 million people. If they were penned inside a kind of Balkan reservation by visa restrictions and mired in poverty, inter-ethnic conflict and organized crime would flourish, especially as the EU would lose the leverage it now has to help snuff them out if membership were not an option.

In this light the moves made in recent weeks are of great significance. On 3 October, Croatia's EU accession bid, which had stalled, was given the green light again. On 10 October, Serbia and Montenegro began talks on a Stabilization and Association Agreement, (SAA), a step toward eventual membership. On 25 November 25 Bosnia and Herzegovina was told it could begin SAA talks, and earlier in the month the European Commission gave a positive opinion on Macedonia's application to become a candidate for full membership. The commission's view now needs to be endorsed by the member states when they meet on 15-16 December in Brussels. The commission also declared that Albania, which has been in negotiations about a first step towards membership since 2003, was now ready to sign a deal.

Apart from the strategic problem of filling a black hole in the middle of Europe, it is no coincidence that much of this activity has come now. EU policymakers make no secret that the decision on SAA talks with Serbia, which could be completed within a year, was taken with an eye to counteracting bad news that could destabilize the country during that year. There are the distinct possibilities that talks on Kosovo's future will result in Serbia losing sovereignty over the province and that a referendum next spring will result in Montenegrin independence.

Meanwhile, in Bosnia, High Representative Paddy Ashdown says that the 16 conditions or necessary reforms set by the European Commission as the price for beginning talks on an SAA could only be pushed through because the country's leaders understood that this was the price of EU membership.

Macedonia too has been transformed by the EU's pull factor. From the brink of all-out civil war in 2001, former

enemies, ethnic Albanians and Macedonians, have worked remarkably well together in government, cooperating in large part because of their common aim of joining the EU. They desperately hope that the EU's leaders will award them candidate status when they meet in Brussels.

The experience of new members of the EU is that the conditions of membership were so stringent that they really helped transform them into modern democracies. This is the path the Balkan leaders want to follow. But, now, just when they need it most, the burning question is, how much money is set to be available to help them to do the job?

### The Budget Dilemma

The question comes as EU countries are now locked in a bitter dispute about the size of the EU budget for the 2007-2013 budget cycle. Originally the European Commission had proposed a budget of 1 trillion euros. Under a proposal made by the Luxembourg EU presidency earlier this year this would have been cut to 871 billion euros. When the United Kingdom, holder of the presidency until the end of this month, proposed a budget of 847 million euros, Commission President Jose Manuel Barroso denounced it as "unacceptable."

Under the British proposal, structural funds for the eight former communist members of the EU that joined in 2004 would be cut by 10 percent, an idea which has received a cool reception from them and lot of media coverage overall. What has received no coverage at all is how all this would affect the Western Balkans.

In fact, the answer is that no one actually knows, beyond the presumption that the region will receive a lot less money than it had hoped for. Indeed, according to one commission source, the current U.K. proposal (which may well of course be rejected) would cut spending for the conduct of the EU's external relations, including enlargement, by 40 percent from what was foreseen under the commission's original proposal. However, as one British Foreign Office spokesman remarked tartly, the original budget was "unaffordable."

Even when the budget is agreed, though, the amount of cash available for the Western Balkans will not be known until the details are worked out.

For the period beginning in 2007, the commission has proposed that the bulk of its aid to countries on the accession path be disbursed via a new Instrument for Pre-Accession Assistance (IPA). Under this proposal aid would be distributed in five different categories: transition and institution building, regional and cross-border cooperation, regional development, human resources development, and rural development. However, what you are eligible for depends on your status. Thus Croatia, as a fully-fledged EU candidate, stands to gain from all of these strands and Macedonia will too, if it becomes a candidate member in mid-December. The rest of the region, however, the potential candidates, will not be eligible for much of this funding.

This proposal has been attacked by the influential Berlin-based think tank, the European Stability Initiative (ESI). The idea is short-sighted and could lead to the creation of "a ghetto of underdevelopment in the midst of Europe," ESI charges. The current draft IPA, it argues, will ensure "the EU will not be helping the region to put in place ... structures for economic and social cohesion policies." IPA would mean that the Western Balkan countries will not be adequately helped to prepare for EU membership "nor given the assistance they need to tackle their deep social and economic problems."

If aid is disbursed according to this proposal (based on the original commission budget, substantially higher than that now being hammered out by EU members) argues the ESI, the Western Balkans will see a drop in crucial assistance - at least until the individual states become full-fledged candidates. Compare Bulgaria and Serbia, countries each with about 8 million people. In 2003, Bulgaria received some 300 million euros in assistance compared to 240 million for Serbia. In 2009, however, Bulgaria (by then an EU member) will be receiving 1.6 billion euros compared to 117 million for Serbia.

So while Bulgaria and other countries have benefited hugely from programs aimed at modernizing agricultural, environmental, and transport policies, the potential candidates in the Western Balkan will not be able to access such funds, if IPA takes effect, until 2010 or whenever they become official candidates.

The commission rejects these arguments. It points out first of all that no one knows how much the Western Balkans will get because no one yet knows how big the budget is going to be. Secondly, says one commission source, some of ESI's assumptions and research are flawed. The IPA proposals allow for a good deal of flexibility, says the source, and furthermore it is simply wrong to argue that potential and actual candidates should get the same type of aid. A diplomatic source also disputes the claim that the potential candidates will get less money than before, arguing that aid which does not come via the IPA will be delivered in different forms such as through the European Agency for Reconstruction. "They will not get less money," he says, "although what they will get is yet to be decided."

In 2002, total EU assistance to the Western Balkans, including Croatia, was 612 million euros. In 2003 the amount fell to 555 million euros and in 2004 the figure was 472 million euros. Despite the fall in total aid, though, all countries saw an increase, except for Bosnia and especially Kosovo (which went down from 155 million to 40 million euros) as support for post-conflict reconstruction fell off.

In the coming weeks and months officials in all the Western Balkan states will be anxiously following the debates about the EU budget. The future of the region is already inextricably linked to Brussels, but the region remains what it has been all along: only a passive recipient of aid and conditions. The day when Western Balkan states can help make policy in Brussels too still seems a long way off.