

Moment of truth

Macedonia, the EU budget, and the destabilisation of the Balkans

14 December 2005

Executive Summary

France has declared that it is prepared to veto the approval of Macedonia's candidate status, recommended last month by the European Commission. Instead, it has proposed a new debate as to whether there should be any further EU enlargement at all. The United Kingdom has proposed a new budget for the EU that would preclude any serious pre-accession assistance for the Western Balkans for the next 7-year budgetary period. The UK proposal could shut the door on further enlargement just as forcefully as a French veto.

Between France and the UK, there is now a distinct possibility that the European Council meeting beginning on Thursday (15th December) will not just deny candidate status to Macedonia, but throw the entire European strategy in the Balkans into confusion. This would be a disastrous policy error. For this reason, ESI is calling on EU member states not to forget their commitments to the countries of the Balkans, and their vital interest in lasting stability in the region on the eve of Kosovo status negotiations.

At the EU summit this week, member states should take the follow steps:

1. They should send a clear signal to the Western Balkans that the promise of Europeanisation is real, by extending candidate status to Macedonia as was recommended by the European Commission. They should confirm that the membership criteria remain the same, and that countries will be treated fairly and objectively according to their progress in undertaking the required reforms.
2. They should ensure that the foreign policy component of the forthcoming EU budget contains sufficient resources to extend pre-accession assistance to all of the states of the Western Balkans before 2013. The budgetary implications of this step are not great, but its significance in locking the region into a virtuous circle of reform and development cannot be overstated. To deny this assistance to the region for another seven years would risk throwing away the vast European investment in the Balkans over the past decade – ultimately, a far more costly approach.

Suspending enlargement

In the wake of the failure of referenda in France and the Netherlands on the new European constitution this summer, a range of prominent European politicians called for a freeze on enlargement. It wasn't that the citizens of either country had voted against enlargement. In fact, in opinion polls, very few had listed enlargement as a factor in their vote.¹ However, amid a widespread sense that Europe's internal affairs were in disarray, enlargement became a convenient scape-goat.

This was particularly true in France. Following the Dutch referendum Dominique de Villepin and Nicolas Sarkozy, today Prime Minister and Interior Minister, quickly announced that any further enlargement needed to be "suspended".² Their opposition was qualified by a recognition of the need to honour existing commitments to the candidates Bulgaria and Romania, and the impending candidature of Turkey and Croatia. Although the countries of the Balkans had also been promised 'a common European destination' for many years, they were now lumped into the category of 'new commitments' – to the dismay of people in the region.

Other voices from the European corridors of power were quick to reassure Balkan publics. The vision of enlargement remained alive, Balkan politicians were told by EU Commissioner Olli Rehn, EU High Representative Javier Solana, and envoys in the region such as High Representative Paddy Ashdown in Bosnia-Herzegovina. Over the next few months, a series of small breakthroughs reinforced the notion that the accession process was still moving forward. Talks on Stabilisation and Association Agreements (SAA) were cleared to begin with both Serbia and Bosnia. The long-stalled SAA talks with Albania began once again to pick up.

These were not major steps in themselves; SAAs are little more than trade agreements and they bring few new benefits. But they sent an important political signal since they are the very first steps on the road to full EU membership. The EU affirmed its commitment to address the gap between the Western Balkans and its neighbours. Electorates across the region were reassured that supporting progressive, pro-Europe policies was a sound investment.

Unfortunately, news from the EU Foreign Minister's meeting in Brussels this week suggests that the sceptics are winning the political argument.

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¹ Eurobarometer polls found that only 6 percent of no-voters in the Netherlands and 3 percent in France cited "opposition to enlargement" as a motivation in their vote. See Eurobarometer, "The European Constitution: Post-referendum survey in The Netherlands", June 2005 & "The European Constitution: Post-referendum survey in France", June 2005.

² As Sarkozy put it on 27 June "il faut suspendre elargissement". TV 1, 27 June 2005.

Macedonia, but throw the entire European strategy in the Balkans into confusion. The result would be one that many observers – including ESI – have warned against repeatedly in recent years: the consolidation of a Balkan ghetto in the heart of Europe.

Macedonia and the French veto

At a recent international conference in Skopje, politicians from Sarajevo, Belgrade, Pristina and Tirana underlined that people across the region are watching Macedonia's progress through the accession process to determine whether the door to EU membership remains open.³ The decision to be made at this week's European Council meeting is viewed as determining not just the candidature of Macedonia, but the entire EU policy towards the Western Balkans. If Macedonia is refused, the usual diplomatic reassurances about an eventual European future for the region are going to sound hollow indeed.

Macedonia represents one of the European Union's most impressive foreign policy successes. It has moved within a short period away from the brink of ethnic war, implementing even the most challenging provisions of the Ohrid Peace Agreement. To support this process, the EU deployed all of the instruments in its Common Foreign and Security Policy: an EU Military Mission, an EU Police Mission, an influential EU Special Envoy, a European Agency for Reconstruction and, above all, a credible promise of eventual EU accession. These efforts are widely recognised as having laid the foundations for a lasting peace.

Importantly, among the EU member states, it was France that played the most prominent role in supporting the EU engagement in Macedonia. France contributed the largest number of troops to the EU Military Mission. It seconded the largest number of officers to the EU Police Mission. A former French Minister of Defence, Francois Leotard, played a crucial role at the Ohrid peace talks as EU envoy. Another French politician, Robert Badinter, became the most influential European voice on constitutional reform.⁴ The first EU Special Envoy was a French diplomat, Alain Le Roy.

In early 2004, Macedonia submitted its application for EU membership. In November 2005, the European Commission assessed Macedonia's application against the same set of criteria that it had applied to all previous applicants.⁵

At the political level, it concluded that Macedonia is a functioning democracy with stable institutions which broadly guarantee the rule of law and human rights. Its implementation of the Ohrid Framework Agreement has contributed to major political and security improvements. At the economic level, the Commission found that Macedonia has taken "important steps towards establishing a functioning market economy". While it is not yet able to withstand the competitive pressures of the European single market, it has set in place a process of economic reform which, if pursued to its conclusion, would eventually enable it to do so.

³ Wilton Park conference, *Preparing South East Europe for EU Accession*, Skopje, 29 September 2005. www.wiltonpark.org.uk.

⁴ In the Macedonian parliament representatives refer to the "Badinter majority" for votes on sensitive issues that require a broad intercommunity consensus.

⁵ European Commission, "Commission Opinion on the application from the former Yugoslav Republic of Macedonia for membership of the European Union", Brussels, 9 November 2005: http://europa.eu.int/comm/enlargement/fyrom/key_documents.htm.

While a number of important reforms are still underway, particularly to the electoral system, the Commission concluded that Macedonia “is well on its way to satisfy the political criteria” set down by the EU for new members. The Commission also found that Macedonia has begun the process of adopting and implementing the EU legal framework (*acquis communautaire*). As with all candidates, it will require an enormous amount of work over the coming years to complete this process. However, the Commission concluded that there had been sufficient progress to warrant the grant of candidate status. As the Commission pointed out, candidate status is a political recognition that Macedonia is on its way towards EU membership, and opens the way for an intensification of EU support to help it meet its remaining obligations.

In its assessment, the Commission was following exactly the procedures and criteria laid down for all membership applications. These procedures embody the principle affirmed by the European Council in Thessaloniki in June 2003:

“the pace of further movement of the Western Balkan countries towards the EU lies in their own hands and will depend on each country’s performance in implementing reforms.”

The transparency and consistency of this process has always been its strength. The assessment of applicants was known to be rigorous and fair and, until now, Commission recommendations were always accepted by the European Council. This meritocratic approach to the accession process has won the EU considerable credit in the region.

Now, however, it appears that the process has become hostage to political considerations that have nothing to do with Macedonia’s progress in implementing reforms. In a bid to forestall opposition, Enlargement Commissioner Olli Rehn was reassuring sceptics in advance of this week’s Foreign Ministers’ meeting that candidature for Macedonia did not mean an automatic start of membership talks. Dutch Foreign Minister Bernard Bot proposed granting candidate status, but laying down stringent new conditions before negotiations could begin. According to him, “It should be clear that the next step could be very far away.”⁶ However, with the threat of a French veto, it appears that even this hollowed-out candidate status may be withheld.

It is a bitter irony that it is France that is threatening to block Macedonia’s progress.⁷ The country that suffered the largest number of peace-keeping casualties during the 1990s is now perceived as the main obstacle to the region’s European aspirations. The French position is not against Macedonia as such – one of the smallest and easiest countries for the EU to absorb – but against the entire enlargement agenda. Behind the scenes at this week’s meeting of EU foreign ministers, French Foreign Minister Philippe Douste-Blazy posed the question:

“Is this the right moment, when everyone knows that the EU doesn't have the solutions to the challenges posed by the current enlargement, neither institutionally nor financially?”

The French Foreign Minister offered two justifications for the threatened veto. One is that no new commitments on enlargement can be made until there is an agreement on the EU budget for 2007-2013, and it is clear that the resources to support further enlargement are available.

⁶ Mark Beunderman, “Macedonia feels enlargement blues as Paris blocks EU status”, <http://euobserver.com/9/20529>.

⁷ See: *Skopje craint un non francais a sa candidature*, Le Figaro, 12 December 2005.

The second argument is that EU public opinion would simply not tolerate a “political signal” indicating that a “new wave of enlargement” is about to begin.

The first argument is distinctly unconvincing. Macedonia has a population of 2 million – approximately half that of the Turkish capital, Ankara. Its GDP represents a tiny 0.04 percent of the EU’s own GDP. If Macedonia were offered the same level of support that was provided to previous candidates, this would involve an increase in annual assistance from €45 million⁸ to €54 million. This is small change by EU standards – less, for example, than the EU’s contribution to the Office of the High Representative in Bosnia-Herzegovina. If France is looking to rein in costs for the coming budget period, EU assistance to Macedonia is hardly the place to start.

The second argument is equally unconvincing, but carries more disturbing implications for the Balkans. It seems unlikely that a European public which has just come to terms with the opening of negotiations with Turkey would see Macedonia as the beginning of a ‘new wave’ of enlargement. In fact, measured against the yardstick of Turkish or Romanian accession, bringing the Western Balkans (with a total population of less than 20 million without Croatia) into the European Union looks eminently achievable. It would also be a natural extension to a decade of EU engagement in the region.

But if the French Foreign Minister *is* correct, and public opinion in some EU members is now indeed implacably opposed to any new enlargement, then this suggests the need for a complete U-turn in EU policy towards the Balkans. It would not simply be a matter of waiting a year for the budget quarrel to blow over. There is no reason why domestic politics in France would be more open to further enlargement in a year’s time, on the eve of a Presidential election, than it is now. The goal posts would not merely have moved; they would have been snatched away altogether.

The signal this would send to the Balkans would be devastating. It would mean that the EU was reneging on commitments solemnly undertaken at Thessaloniki, and that the SAA process had been nothing but an elaborate charade. If Macedonia, which concluded an SAA four years ago and has successfully dealt with the legacy of ethnic conflict, is now rebuffed, what prospects are there for Bosnia-Herzegovina, Serbia or Kosovo, which are far behind Macedonia?

A negative decision this week would leave the EU and its members without credibility or leverage in the region. It would be ill-placed to contain the fallout from an eventual decision on Kosovo final status. It would pull the carpet from under the feet of all those Balkan politicians who have staked their political future on Europeanisation. It would represent an extraordinary self-inflicted defeat to a decade of European efforts in the region.

⁸ CARDS allocation to Macedonia for 2005 (http://europa.eu.int/comm/enlargement/cards/financial_en.htm#mac).

Balkan accession and the EU budget

A French veto on Macedonia is not the only problem facing the Western Balkans at this summit. The budget proposal presented by the United Kingdom⁹ is just as serious a threat – even if the enlargement question is far from the minds of its authors. The proposal would leave the EU without the means to prepare another round of enlargement. Usually a vocal supporter of Turkish and Balkan accession at the diplomatic level, the UK budget proposal represents a silent reversal of EU strategy in the region.

Downward pressures on funding for the Western Balkans have been building for some time. The Commission presented its financial proposal for the period 2007-2013 in early 2004.¹⁰ The Commission proposal was unwelcome news for the Balkans, for a number of reasons. Reading between the lines, it implied that the Commission was not planning on offering serious pre-accession assistance to most Balkan states until 2010, and did not see them achieving membership until around 2020 at the earliest. In the meantime, assistance levels in 2007 would slip below 2004 levels, leaving the potential candidates to fall further behind their neighbours.¹¹

Under the current UK proposal, the position has worsened dramatically. The UK budget effectively precludes any substantial pre-accession assistance to the Western Balkans for the entire 7-year budget cycle.

To understand why this is the case one needs to take a closer look at the proposal. In the EU budget, pre-accession assistance is part of the foreign policy budget, under the heading ‘The EU as a Global Partner’. The Instrument of Pre-Accession (IPA) comes alongside a number of other instruments, including the Neighbourhood Policy (ENPI), the development assistance budget and three crisis response instruments.

Under the original Commission budget proposal, the budget for foreign policy was set at €92.1 billion, with pre-accession assistance (IPA) taking €14.1 billion. Under the UK proposal, the foreign policy budget falls to €50 billion. Assuming that the allocation across the foreign policy budget lines remains the same, this would leave only half as much (€7.6 billion) in the pre-accession pot for the 7-year period, or just under €1.1 billion *per annum*.

Of this sum, Turkey with its population of 67 million and as a candidate already negotiating with the EU necessarily consumes the lion’s share. As a benchmark, the ten candidates that acceded in 2004 and the current candidates Bulgaria and Romania all received pre-accession assistance at the rate of €27 *per capita*. It has always been assumed that, because of its size, Turkey would begin at a lower level. In its 2004 proposal, the Commission suggested a gradual increase in support to Turkey towards the level received by previous candidates over the 7-year budget cycle. *But even assuming that Turkey receives only 40 percent of the benchmark (€11 per capita), with no increase over the budget period, this would consume €740 million (two-thirds) of the annual IPA funds.* As a candidate, now also engaged in membership negotiations, Croatia already receives an annual allocation of €120 million, which will also continue until it becomes a member (presumably at least four years away).

⁹ The proposal can be found on the UK’s EU Presidency website: <http://www.eu2005.gov.uk>.

¹⁰ Adjusted EC proposal: Commission Working Document, Technical adjustments to the Commission proposal for the multiannual financial framework 2007-2013, 12 April 2005, p. 5. EC, Proposal for a Council Regulation establishing an Instrument for Pre-Accession Assistance (IPA) 29 September 2004

¹¹ ESI, “Breaking out of the Balkan ghetto: Why IPA should be changed”, Brussels, 1 June 2005: www.esiweb.org/westernbalkans.

This would leave an annual allocation of only €285 million for Albania, Bosnia, Macedonia, Serbia-Montenegro and Kosovo. This comes to €14 *per capita*, half the level of support of any previous pre-accession process.¹²

The implications of the UK budget proposal for the Western Balkans are stark. The kinds of assistance given to Bulgaria and Romania since 2000 - a full seven years before their projected accession - to prepare for membership and to implement the *acquis* will not even begin in the Western Balkans until after 2014. The budget makes it extremely difficult even to contemplate offering the most important pre-accession tools – notably the instruments which support agricultural and rural development, infrastructure and human resource development – to the Western Balkans during the next funding cycle.

This leaves membership a very distant prospect indeed. However, the accession process is not infinitely elastic. The EU cannot credibly ask the countries of the region to mark time for another decade or more, until the EU is more favourably disposed to further enlargement, while wanting to increase its influence. The resulting frustration – particularly in Kosovo and Serbia - could strengthen dangerous political currents, threatening the achievements of a decade of peace-building. At the economic level, it would condemn the region to remaining a ghetto of underdevelopment and instability surrounded by EU member states. The budget proposal is also incompatible with the idea of a stronger EU role in a post-status Kosovo.

Unlocking the Balkan ghetto

While the threat of a French veto on Macedonia is undermining the principle of a meritocratic accession process, the UK budget proposal is undermining the EU commitment to helping the countries of the Western Balkans through the accession process. It amounts to locking the gates of the Balkan ghetto and throwing away the key for the next budget period.

If there is one lesson that European policy makers should have learnt from the past decade, it is that they ignore the problems of the Balkans at their peril. Instability in the heart of Europe carries inevitable costs for the whole of Europe, whether in the form of refugees, reconstruction bills, trans-national crime or damage to the EU's global credibility.

The EU and its members have spent vast amounts of time, resources and political capital on stabilising and rebuilding the region. Much of this has been short-term assistance delivered through *ad hoc*, post-conflict structures, from reconstructing destroyed housing to monitoring police forces. This kind of support has helped put the region back together in the wake of catastrophic conflict. What it has not yet done is address the vast legacy of social and economic underdevelopment which lies at the heart of political instability in the Balkans.

The accession process has the potential to pick up where post-conflict assistance left off, and bring the Balkans permanently within the European sphere of stability and prosperity. The promise of eventual accession underlies all of the EU's peace-building efforts over the past decade. Within the region, it is the only vision capable of competing successfully with the destructive political currents that are the inevitable legacy of war.

Now, for reasons that have nothing to do with progress in the region, the vision of a European future for the Balkans is on the verge of collapse. In the name of minor budget savings or

¹² This assumes Croatia becoming a full member in 2011.

short-term political advantage, Europe's leaders may be on the point of abandoning a vital EU foreign policy interest, and consigning the Balkans to a very uncertain future.

This would be a disastrous policy error. For this reason, ESI is calling on EU member states not to forget their commitments to the countries of the Balkans, and their vital interest in lasting stability in the region. At the EU summit this week, the member states should take the follow steps:

1. They should send a clear signal to the Western Balkans that the promise of Europeanisation is real, by extending candidate status to Macedonia. They should confirm that the membership criteria remain the same, and that countries will be treated fairly and objectively according to their progress in undertaking the required reforms. It may be appropriate to task the Commission with reviewing Macedonia's progress in addressing the outstanding political concerns (in particular concerning its electoral processes), prior to a later decision on the opening of negotiations.
2. EU member states should ensure that the foreign policy component of the forthcoming EU budget contains sufficient resources to extend the full package of pre-accession assistance to all of the states of the Western Balkans. The budgetary implications of this step are not great, but its significance in locking the region into a virtuous circle of reform and development cannot be overstated. To deny this assistance to the region for another seven years would risk throwing away the vast European investment in the Balkans over the past decade – ultimately, a far more costly approach.