



THE HELSINKI MOMENT

EUROPEAN MEMBER-STATE BUILDING

IN THE BALKANS

1 February 2005

Executive Summary

In its current proposal for the next seven year EU assistance budget (2007-2013) and the Instrument for Pre-Accession, prepared by the previous Commission, there is a strict separation in the kinds of assistance offered to candidates (Turkey and Croatia) and to potential candidates (the rest of the region). Albania, Bosnia or Kosovo will not - as plans currently stand - be offered support for rural development, cohesion or human resource policies.

If EU governments proceed in this way there could be serious political and economic consequences. It would mean that all those living in rural areas in these countries, suffering from inadequate education and training systems, or from seriously deficient infrastructure, will see the development gap separating them from the rest of Europe (and from their immediate neighbours) grow wider. The desperation of the countryside and of declining industrial towns, whether in Sumadija or Presevo, Central Bosnia or Western Macedonia, would continue to grow. The politically least stable part of the continent would fall further behind. A new European ghetto - comprising most of the Balkans' Albanians and Serbs, brought together behind a wall of visa-restrictions to block a desperate population from seeking work elsewhere - would arise in the heart of an integrating continent. Lasting stability would remain elusive.

To contribute to preventing the emergence of a West Balkan European ghetto by 1st January 2007, ESI proposes the following two steps:

- change the existing draft EU commission "Proposal for a Council Regulation Establishing an Instrument for Pre-Accession Assistance (IPA)" by making all *five components* of EU assistance in 2007 – 2013 (including regional development, human resources development and rural development) available to *both* candidate and potential candidate countries;
- encourage and support all governments in the region to prepare EU compatible provisional National Development Plans (NDP) similarly to the one Turkey has prepared in order to build institutional absorption capacity for future EU assistance.

A soft power revolution

A revolution has taken place in Europe over the past decade--the transformation of eight postcommunist states into full-fledged members of the European Union. While the outcome of that revolution was celebrated with fireworks and speeches on 1 May 2004, the details of the transformation process have gone largely unexamined by the broader policy and development community. Indeed, the root-and-branch reconstruction of these eight new EU member states occurred away from the public eye, following a set of institutional mechanisms powerful enough to bring a diverse group of states, each undergoing highly destabilizing changes, to a single destination: European-style market-based democracy. It was neither natural nor inevitable that all of these states would meet the rigorous political and economic criteria for EU accession—rather, it was the outcome of a very deliberate set of state-building processes.

Today, the EU is poised to take on the even more ambitious project of expanding its sphere of stability and prosperity toward the southeast, from Croatia all the way to Turkey. This region presents dramatic challenges: post-conflict issues in Bosnia-Herzegovina and Kosovo (both still under international protectorates); unresolved questions of sovereignty and of borders involving Serbia, Montenegro, and Kosovo; Albania's chronically weak state; and of course Turkey, which is only just emerging from decades of illiberal rule and internal conflict.

As if these political difficulties were not enough, the European Union will also be venturing into very different social and economic territory: In Bosnia and Kosovo, it will confront the legacies of population displacements resulting from armed conflict; in Serbia, it will face the consequences of a quarter-century of industrial decline; and in rural Albania, Kosovo, and Turkey, it will have to deal with the plight of subsistence farmers living in early 20th century conditions. These political, social, and economic challenges are of historic proportions. To address them, the EU has appointed a new Commissioner for Enlargement responsible for the whole region. And in the course of the coming year, EU institutions will decide how much money to allocate for pre-accession support in its 2007–2013 budget.¹

Stabilizing the EU's southeastern neighborhood would constitute an important milestone in European history and mark a major victory in the spreading of peace and democracy to the Balkans and the Eastern Mediterranean. But does the EU really have the tools to accomplish this task? The answer is only a qualified yes.

While a virtuous cycle of democratic consolidation and economic development is already underway in Bulgaria, Romania, and Turkey, other countries of the region appear to be falling behind, despite a substantial commitment of European (and U.S.) resources. Although the European Union has declared that all these countries share “a common European destination,” the various strategies being pursued to bring them to that destination differ profoundly.

Three models may be discerned. The first, *authoritarian state-building*, is being applied in Bosnia-Herzegovina and Kosovo. It seeks to foster institutional development by creating *international* structures that assume extensive and generally unaccountable powers within the domestic constitutional sphere. Authoritarian state-building is a rare model, but is nonetheless widely discussed as one possible blueprint to help postconflict states deal not just with the

immediate challenge of achieving political stability, but also with the long-term tasks of democratization and development.

The second model, *traditional capacity-building*, includes the standard repertoire of noncoercive instruments that development agencies use to promote democratization and institution-building. The European Union and its partner organizations have pursued this model throughout the region, from Albania and Macedonia to Serbia and Montenegro. Its capacity-building efforts in the Balkans are similar to those carried out around the world by the international development community.

The third and final model, which we label *member-state building*, is a vastly more sophisticated form of institution-building. Applied in countries that have been formally recognized as candidates for EU membership—currently Romania, Bulgaria, Croatia, and Turkey—it is a model unique to the European continent. While the success stories of traditional capacity-building and authoritarian state-building are few and far between, the European member-state building model has accomplished revolutionary transformations over the past decade. As Steven Everts notes, the ability of the European Union to “exert influence in countries wishing to join the EU has been nothing short of revolutionary. . . . This form of ‘regime-change’ EU-style is cheap, voluntary and hence long-lasting.”¹

These models all fall within Francis Fukuyama’s broad definition of state-building as “the creation of new institutions and the strengthening of existing ones.”² They have broadly similar and ambitious goals—strengthening democracy, promoting the rule of law, reforming public administration, and improving the quality of economic governance—but they use radically different approaches and instruments, and thus have produced very different results.

The Helsinki Moment

Sooner or later in the process of member-state building, every country reaches a “tipping point” at which practically the entire political spectrum becomes focused on the common vision of a different society. It is this mobilization of political energy that gives the EU integration process its extraordinary potency. Seen from a distance, this transformation seems nothing less than miraculous; yet the miracle has been repeated over and over again, and under very diverse circumstances. A closer look reveals that the tipping point is brought about by a set of institutional processes and the powerful incentives they generate.

It is rare that individual steps in the member-state building process are spectacular enough to make the headlines. Yet when the European Commission announced on 6 October 2004 that Turkey met the political criteria for starting membership negotiations, it became front-page news worldwide. Of course, Turkey attracted international attention because of its size and geostrategic importance, and because it is the first majority-Muslim EU candidate. But commentators were equally struck by the extraordinary speed of its recent transformation. The report that accompanied the Commission’s announcement noted that, over the past five years, Turkey had made spectacular progress in strengthening its democratic institutions, removing the military from politics, lifting restrictions on minority rights, abolishing emergency courts, and supporting the UN-sponsored peace plan for Cyprus. Many of these reforms, in particular those concerning the status of the military establishment that governed Turkey from the shadows for half a century, could not have been imagined—let alone implemented—a few

¹ Centre for European Reform Essay, *An asset but not a model: Turkey, the EU and the wider Middle East*, London, October 2004

² Francis Fukuyama, *State Building*, p. ix.

years ago. The Commission also emphasized Turkey's extensive economic reforms, which have achieved growth rates of more than 8 percent in recent years. These reforms were initiated by a motley coalition government including Turkey's far-right nationalists and then dramatically accelerated under the stewardship of the AKP, a new party that, despite its roots in political Islam, embraced the liberal reform agenda required for EU membership.

Some enthusiastic Europeans responded to the speed of change in Turkey by quoting the first president of the European Commission, German politician Walter Hallstein, that "to be a realist in Europe is to believe in miracles." Daniel Cohn-Bendit, the current leader of the Green faction in the European Parliament, spoke of a "miracle on the Bosphorus," complementing previous miracles on the Rhine (Franco-German reconciliation) and the Oder (the accession of Poland and other countries in postcommunist Central Europe). But far from being a miracle, these changes are directly attributable to the European Union's decision, announced at its historic summit in Helsinki in 1999, to grant Turkey official candidate status—turning the country's dream of joining Europe from an abstraction into a real possibility. At the time, Turkey met neither the economic nor the political criteria for membership. Indeed, on the eve of the summit the European Commission noted in its 1999 regular report on Turkey:

"[A]lthough the basic features of a democratic system exist in Turkey, it still does not meet the Copenhagen political criteria. There are serious shortcomings in terms of human rights and protection of minorities. Torture is not systematic, but it is still widespread, and freedom of expression is regularly restricted by the authorities. The National Security Council continues to play a major role in political life. Although there have been some improvements in the independence of the judiciary, the emergency court system remains in place."

The decision to accept Turkey's candidature despite these shortcomings was remarkable in that it brought EU member-state building tools to be used for a state that was still only aspiring to meet its strict political and economic membership criteria—but was willing to take on the project of internalizing these values and standards. For Turkey, it was a decision that strengthened immeasurably the position of reformers within government and society. As Ziya Önis has noted, "the Helsinki decision had striking consequences for Turkey's domestic politics. A tide of reforms were initiated, which the powerful 'anti-EU coalition' in Turkey found it progressively more difficult to resist."²

It is worth recalling that for decades before the Helsinki summit Turkey had been a member of all of the major international clubs—NATO, the Council of Europe and the OSCE. It had received vast development credits from the World Bank and had signed a succession of IMF agreements. It also had an association agreement with the EU dating from 1963, which led to the creation of a customs union in 1996. But none of these memberships and cooperation agreements had an impact comparable to that of EU candidate status. In fact, the 1990s had been one of the worst decades in the history of the Turkish Republic, in terms of both human rights violations and economic mismanagement.

The ongoing transformation in Turkey may prove to be the European Union's most dramatic foreign policy success. Yet the Turkish experience is not a once-off event. The same pattern is being repeated across the region—wherever the EU has brought to bear the tools of member-state building. In October 2004, the European Commission presented its regular annual reports on the progress of membership negotiations with Bulgaria and Romania. The reports declared that both countries had met the fundamental conditions for EU membership: They

are stable democracies that protect human rights and ethnic minorities, and they have functioning market economies capable of withstanding the competitive pressures of the European market. They are thus on track for becoming the twenty-sixth and twenty-seventh members of the European Union on 1 January 2007.

Less than a decade ago, two of Europe's most respected senior statesmen, former French president Giscard D'Estaing and former German chancellor Helmut Schmidt, had publicly declared that neither Bulgaria nor Romania should ever join the EU, since they belonged to a different civilization (Orthodox/Byzantine). Yet today there is no evidence of clashing civilizations, and the Commission's report surprised nobody and aroused little comment. Romania and Bulgaria have gone through transformations no less dramatic than that of Turkey. In the mid-1990s, neither country was on the path to European integration. Polarized between barely reformed socialist parties with distinctly anti-Western tendencies on the one hand and ineffective and disorganized anticommunist parties on the other, both states fell into the category Thomas Carothers has labeled "feckless pluralism," dwelling in a "gray zone" where formal democratic processes are combined with a corrupt elite, a public disaffected from politics, and poor economic policy.³ Bulgaria's and Romania's feeble economic performance mirrored their lack of political direction. After a sharp economic decline in 1997–98, Romania's 2000 presidential elections ended in a runoff between former communist Ion Iliescu and neofascist *poet* Corneliu Vadim Tudor. In Bulgaria, a succession of disastrous policy choices led to a financial collapse in 1996–97, with a run on the banking system, falling industrial and agricultural production, and sharply negative growth, necessitating an IMF stabilization program.

The fortunes of both countries changed decisively once the EU-integration process became immediate enough to give it a direct political salience. Domestic champions of reform had existed in both countries ever since the fall of communism, yet they had achieved only limited success in the years before the late 1990s. The decision taken in 1999 in Helsinki to begin membership negotiations led to an extraordinary convergence of political programs across the ideological spectrum. Institutional reforms and economic policies became firmly anchored to European standards. During the last five years the Bulgarian and Romanian economies have been growing steadily, powered by the objective of catching up to EU levels.

The momentum that developed soon proved irreversible. Thus in June 2001, when Bulgarian voters threw out the EU-oriented reformist government of Ivan Kostov in favor of the former exiled king Simeon Saxecoburggotski, whose movement for economic renovation was formed less than ninety days before the election, the pursuit of EU economic and political criteria did not slow. The new government soon had to cohabit with socialist president Georgi Parvanov, who was elected in November 2001, but the reforms again were not affected. Likewise, in Romania, the Party of Social Democracy's return to power in 2000 did not adversely affect the integration process. Similarly, in Croatia, which submitted its application for EU membership in early 2003, a government led by the former nationalist HDZ has made a major effort to reassure a skeptical EU that the country's reform programs remain in safe hands.

In all these countries, the EU integration process deprived anti-Western agendas of their populist appeal. All major political forces, whatever their roots and political orientation, became firmly committed to seeing the country through to EU membership. Meanwhile, the European Commission was quietly and systematically working with increasingly professional national bureaucracies to put in place the laws and institutions of free-market democracy.

The Inner Workings of a Successful Model

On 1 October 2004, the president of the European Commission, Romano Prodi, arrived in Skopje to hand the Macedonian prime minister a book-length document containing over 1,400 questions about his country. This was the European Union's formal response to Macedonia's application for EU membership submitted in March 2004. Most of the questions were detailed and highly technical, such as the following:

“Provide flowcharts/organigrammes outlining levels of competencies and showing management lines to describe the structure and organisation of the services in charge of food safety. The division of competencies and the links between central, regional and local level should appear clearly (degree of decentralisation/devolution of competence should be defined).”

The issues covered ranged from consumer protection to prison management, from agricultural policy to the organization of the judiciary. Macedonia's Department of European Integration, a new government institution run by young deputy prime minister Radmila Sekerinska, was put in charge of mobilizing hundreds of civil servants across all ministries and public agencies to prepare responses that would run to many thousands of pages. Some of the questions had never before been asked in Macedonia. Institutional islands within a highly fragmented administration suddenly found themselves forced to articulate their role and justify their existence. In effect, the EU asked for an X-ray of the Macedonian state.

Such are the unspectacular beginnings of member-state building. Romani Prodi's visit to Skopje was overshadowed by a bitter dispute over a controversial referendum on decentralization, which was stirring the embers of ethnic tension. Preoccupied with the country's shrinking economy and spiraling unemployment, few Macedonians saw Prodi's delivery of the EU questionnaire as a life-changing event.

Yet if Macedonia follows the path of other candidate countries, the alliance between the European Commission and progressive reformers in government will bring about a slow but unrelenting transformation of the state. After many months of work assembling this virtual X-ray, the Macedonian prime minister will travel to Brussels and hand it to Romano Prodi's successor, Jose Manuel Durao Barroso. Upon review of that document, the EU will decide whether Macedonia is formally accepted as a candidate for accession. The initial questionnaire is thus the starting point for the formal negotiations that will slowly but surely transform the Macedonian state. Many years later, if everything goes according to plan and precedent, a very different Macedonia will become a new member of the European Union.

What enables member-state building to succeed? Conceptually, it is helpful to break down the transformation into three broad categories: an administrative revolution, a process of social and economic convergence, and a shift in the substance and processes of democratic governance.

The administrative revolution begins with joint teams of national officials and European Commission staff gauging the country's laws, policies, and institutional structures against the 31 chapters of the *acquis communautaire*—the EU's legislation, policies, and standards. Adopting and implementing the *acquis* requires undertaking a comprehensive reassessment of the role of government, reforming old policies, and extending the state into new fields of activity. It entails reviewing the functions of government institutions, rationalizing existing structures, and creating new ones. It also involves drafting a great deal of new legislation to

implement European norms and the rules of the single market. The Commission offers technical assistance, typically by pairing officials from EU member states with counterpart institutions in candidate countries. There is a rigorous annual review of progress, which is made public in a hard-hitting Commission report. Within a few years, very few stones in the structure of public administration will have been left unturned.

To appreciate the scope of this transformation, one should look at the Commission's annual progress reports. The 2004 report on Romania, which runs 150 pages, notes the following *recent* changes in the short section on economic, social, and cultural rights: A National Agency for Equal Opportunities is being established; two committees on equal opportunities have been created in the Senate; a National Agency for Family Protection was established under the Ministry of Labor; new agencies have been created to provide shelter for the victims of violence; old child-protection institutions have been closed and local departments for child protection reorganized; and the State Secretariat for Persons with a Handicap has been restructured.⁴ And still, the process is far from complete.

The second element of member-state building is economic and social convergence—that is, catching up with the EU standards of living. One of the Union's core values is cohesion, or as the Maastricht Treaty puts it, “reducing disparities between the levels of development of the various regions.” The regional and rural development policies created to assist the EU's poorer areas consume the lion's share of its budget. Upon granting a country formal candidate status, the EU boosts a country's capacity to absorb these policies by immediately increasing the amount of aid (for example, funds for Croatia will double once that country is accepted as a candidate). Even more importantly, the nature of EU assistance changes profoundly, as it focuses on supporting a long-term process of convergence.

Each candidate country is required to assess thoroughly its level of competitiveness in agriculture and industry and to analyze the constraints that it faces in these sectors. It has to identify its current situation, state where it would like to be in seven years, and then describe in detail the programs and instruments needed to achieve that goal. This requires the country to prepare multiyear strategies in a whole range of areas—agriculture and rural development, transportation, environment, and the like—and compile these into a National Development Plan (NDP). Perhaps uniquely in the field of development aid, the NDP functions both as the national strategy and as the programming document for EU assistance, which is offered according to the principle of “additionality”—that is, it must supplement, not replace, national resources.

Preparing an NDP is a serious undertaking. Given the sums of money involved, the stakes are extremely high. The Bulgarian NDP for 2003–2006, for example, outlines a public-investment program of €2.5 billion, of which EU grants comprise €1.38 billion. Because so much EU money is involved, the Commission has a powerful incentive to ensure that the policy framework is rigorous and implementable. EU agencies provide advice and technical assistance, and EU funds are released only when the Commission certifies that the appropriate national institutions function effectively. This careful and elaborate process significantly upgrades the quality of national development policy.

The third and last element of the member-state building model is a change in the nature of the political process itself, flowing from the combined effects of the administrative revolution and the revitalization of national development policy. The administrative reforms require governments to reconstruct the vertical and horizontal links among different public agencies and levels of government, creating a more coherent and comprehensive administration. The

NDP requires them to institute mechanisms for continuous dialogue with social partners—private business, farmers, trade unions, and other civil society actors—thereby creating not just a framework but also a blueprint for policy making. In countries with little tradition of providing services to private farmers or social protection for vulnerable citizens, this is a profound change. It means that citizens and social groups who in the past barely interacted with the state become participants in a consultative democratic process.

Authoritarian State-Building

Europe's two international protectorates—the Office of the High Representative in Bosnia and Herzegovina (OHR) and the United Nations Interim Administration Mission in Kosovo (UNMIK)—were designed for an unstable environment following armed conflict. Their intrusive powers to intervene in and to overrule domestic institutions were intended to respond to threats to public order: These powers were also meant to be used to protect ethnic minorities during periods of heightened tension and to accomplish a number of specific peace-implementation tasks, such as returning residential property to displaced persons.

In both cases, the protectorates have been reasonably successful in creating a basic institutional architecture and, with the help of a substantial NATO military presence, in containing the threat of violence. Thanks to massive reconstruction programs, war damage has been repaired and public services restored to prewar levels. There are regular, peaceful elections and functioning institutions. It is clear that Bosnia and Kosovo have completed what Fukuyama calls the first stage of nation-building—material and institutional reconstruction through an “infusion of security forces, police, humanitarian relief, and technical assistance”⁵—and that they have arrived at a certain plateau of stability.

The two protectorates have now moved on to a second phase of state-building in which they are attempting to turn the basic institutional architecture into an *effective state*, capable of addressing the severe social and economic problems of their respective territories. They are creating new institutions, carrying out judicial and police reform to strengthen the rule of law, drafting new legislation to improve the business environment, and undertaking a range of measures to strengthen public administration. Their objectives—as set out in OHR's Mission Implementation Plan or UNMIK's Standards Implementation Plan—have become very similar to those pursued by the EU in Romania and Bulgaria: rule of law, development, democratization, and respect for human rights.

When it comes to long-term development policy, however, one finds stark differences in approach—and in results—between the authoritarian state-building model used in the protectorates and the member-state building model applied to EU candidate countries. While aid steadily declines over time in the protectorates, it accelerates as a candidate country prepares for EU cohesion policies. The protectorates also have no requirement for co-financing from domestic sources, with the result that reconstruction aid quickly replaces domestic investment.

Member-state building places heavy emphasis on information and analysis, aiming to build an accurate picture of conditions in the country and the constraints on development. In the protectorates, this is largely neglected: Bosnia and Kosovo are the only territories in Europe where a census has not been carried out in the past decade, and population estimates vary widely. A government that cannot locate a high percentage of its people cannot possibly make credible policy in areas like education or health services.

The limits of the present international strategy towards Bosnia and Kosovo are best illustrated by its approach to rural development. The Principal Deputy High Representative to Bosnia, Donald Hays, recently said that “all of us must remember that more than half of BiH’s population live in the countryside, live in rural poverty and face serious underemployment. This makes them one of the key factors in this country’s economic and social stability.” The same is even more true for Kosovo. However, while it is true that in both Bosnia and Kosovo a high proportion of the workforce is trapped in subsistence agriculture—working at levels of productivity that have barely changed in fifty years—these problems are not structurally different from those facing parts of Romania, Bulgaria or Turkey.

What is most remarkable is that the international community’s approach to development in these countries is completely different. Within the framework of their EU-inspired National Development Plans, the Romanian and Bulgarian administrations have devised comprehensive sectoral and regional plans and multiyear investment strategies to raise agricultural productivity and to develop alternative employment in rural areas. The European Union helps them by offering technical support, robust monitoring, and steadily accelerating levels of assistance. Nothing of the sort exists to address the development challenges in rural areas in the two protectorates. In most villages in Bosnia and Kosovo, the state is at best represented by a primary school teacher. Peasant households have come to expect little from the state and remain politically passive. At election time, political parties occasionally announce measures designed to help farmers or rural areas, but they then do not make the effort to develop credible strategies or mobilize the resources required for implementation. The administrations do not in fact have sufficient information to prepare a credible *description* of the challenges—from the distribution of the rural population to credible statistics on livestock or land tenure—let alone a strategy to overcome them. The result is an almost complete rural-policy vacuum.

In Bosnia, the only attempt to outline a comprehensive agricultural strategy dates back to 1998–99, when a weighty report was prepared by a team from the UN Food and Agricultural Organization (FAO), which for some time worked in parallel with the Bosnian agricultural ministry. The FAO strategy, however, was based largely on prewar information and, since the government felt no sense of ownership over it, was soon shelved and forgotten. A subsequent EU-financed capacity-building project, which sent a handful of foreign consultants to the agricultural ministry, achieved nothing. The most recent effort was a brochure, produced by the OHR in October 2003 and distributed widely across the country, that urged farmers to “change their way of thinking.” The brochure, entitled “Agriculture and Profit,” begins with an anecdote by the High Representative about a redundant factory worker who became a successful farmer with two hundred head of sheep. It goes on to offer advice to the unemployed or students about how to establish a farm and concludes with a checklist of advice, warning them not to water down their milk or milk diseased cattle.⁶

It is not surprising that OHR’s approach to agriculture is unimpressive—after all, the institution was never intended to provide services to farmers and has no expertise in agriculture. What is astonishing is that, while in other parts of the region the EU is addressing the problems of rural underdevelopment with a huge commitment of resources and perhaps the most sophisticated assistance methodology in the world, in Bosnia it chooses to work very differently.

Member-state building

It is sometimes assumed that as a country emerges from conflict there is a natural progression in the state-building process, from the initial authoritarian phase through traditional development techniques and eventually—for those countries fortunate enough to be located on European soil—toward candidacy for EU membership. According to EU officials, countries “graduate” according to their own merits and at their own pace. In reality, however, there is a sharp disjunction between the different methods of assistance. Far from preparing countries for the accession process, authoritarian state-building serves as a holding action until the EU is willing to bring its more sophisticated instruments to bear on the problem.

To avoid falling still further behind the rest of Europe, the Western Balkans (Serbia-Montenegro-Kosovo, Bosnia, Macedonia, and Albania) urgently need their own Helsinki moment. These countries need a form of international assistance that builds, rather than substitutes for, domestic capacity. Otherwise, they will become a European ghetto, where EU military and police missions are deployed to keep the peace and prevent social and economic collapse from triggering a new wave of emigration.

Dismantling the existing ad hoc structures in Bosnia and Kosovo and replacing them with the kind of European engagement found in Romania and Bulgaria would not even entail an increase in cost. In 2004, the EU committed some €300 million to support rural development, regional policy, infrastructure, and institution building under the Bulgarian National Development Plan. In the same year, it offered only €60 million for similar assistance to Bosnia-Herzegovina. But the EU and its member states also pick up most of the tab for the civilian institutions in Bosnia: The OHR had a budget of €21.1 million for 2004, the OSCE democratization and human rights mission cost €17.6 million, and the bill for the EU police mission ran to €38 million.⁷ On a per capita basis, the EU today is already spending as much on Bosnia (with a population of four million) as it does on Bulgaria (with eight million people). In Bulgaria, the money goes straight to addressing development priorities and serves to build institutional capacity and mobilize domestic resources. In Bosnia and Kosovo, on the other hand, most donor money is spent on foreign officials, who vainly try to substitute for the work of domestic institutions. In Fukuyama’s memorable phrase, this often amounts to “capacity sucking-out,” not capacity building.

In the case of Bosnia and Kosovo, the European Union should shift its engagement model to member-state building. The EU experience suggests that member-state building requires more than just an association or an offer of free trade between a weaker state and wealthier ones. An EU association agreement did not save Greece from a military coup in the 1960s, and it had little influence on Turkish politics until 1999. Indeed, the Helsinki moment is reached only when a state is offered a place at the European table and an opportunity to become a full member of the EU family. Only such an offer can activate real domestic engagement in the state-building process and a sincere outside commitment to helping the country catch up politically, socially, and economically.

Compared to the cost of postconflict peacekeeping, member-state building is an affordable option. The real obstacles in its path are less financial than political. Robert Cooper, Director-General of External and Politico-Military Affairs for the Council of the European Union, has described the EU as a “voluntary empire” that uses the lure of membership as a massive carrot to inspire voluntary regime change. For this to work, however, the offer has to be real and the instruments must be appropriate to the challenge.

The next step

For South Eastern Europe, 2004 ended with a bang. The European Council in December took decisions that will have a huge impact on the future of Europe: to begin membership negotiations with Turkey and Croatia in 2005, and to prepare to accept Bulgaria and Romania as full members in 2007. The December 2004 EU Council vindicated the boldness shown by European leaders at the Helsinki summit in December 1999. The decision to treat all 13 countries (including Turkey, which at the time did not meet the Copenhagen political criteria) as candidates represented a crucial boost to far-reaching transformations. It emboldened reformers, accelerated reforms and created the political space to address previously sensitive subjects. From that point onwards, even as governments changed, policies remained remarkably consistent.

Helsinki – and the 2004 December Council – not only sent powerful political signals. They also brought to bear the sophisticated institution-building techniques developed for the enlargement process by the European Commission. This involved the creation of new institutions on a large scale, "screening", hard-hitting annual progress reports taking the European *acquis* as a benchmark, and National Development Planning to buttress multi-annual public investment strategies. It involved pre-accession assistance for rural development, agriculture and infrastructure, and for the institution building needed to develop absorption capacity.

The open question for 2005 is: will European leaders show the same boldness and vision as they did five years ago for Central Europe, the Eastern Balkans and Turkey when it comes to the Western Balkans? Will the countries of the Western Balkans experience their own Helsinki Moment? Having transferred responsibility for Albania, Bosnia-Herzegovina, Macedonia, Serbia, Montenegro and Kosovo to the new Finnish enlargement commissioner, Olli Rehn, is a very positive first step. The European Union has not yet decided, however, to offer Serbia or Macedonia what it has given to Turkey and Bulgaria: to treat these countries similar to EU candidates, and to apply all of its member-state building instruments.

This would involve changing some current policies. In its current proposal for the next seven year EU assistance budget (2007-2013), developed by the previous Commission, there is still a strict separation in the kinds of assistance offered to candidates (Turkey and Croatia) and to potential candidates (the rest of the region). Albania, Bosnia or Kosovo will not - as plans currently stand - be offered support for rural development, cohesion or human resource policies.

If EU governments proceed in this way there could be serious political and economic consequences. It would mean that all those living in rural areas in these countries, suffering from inadequate education and training systems, or from seriously deficient infrastructure, will see the development gap separating them from the rest of Europe (and from their immediate neighbours) grow wider. The desperation of the countryside and of declining industrial towns, whether in Sumadija or Presevo, Central Bosnia or Western Macedonia, would continue to grow. The politically least stable part of the continent would fall further behind. A new European ghetto - comprising most of the Balkans' Albanians and Serbs, brought together behind a wall of visa-restrictions to block a desperate population from seeking work elsewhere - would arise in the heart of an integrating continent. Lasting stability would remain elusive.

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¹ The EU has a seven-year budget cycle and is now debating the budget for 2007–13. One of the budget items is its Instrument of Pre-accession, worth around €12 billion.

² Ziya Önis, *Diverse But Converging Paths to European Union Membership : Poland and Turkey in Comparative Perspective*, East European Politics and Society, Vol 18., Nr. 3, 2004, p. 493.

³ Thomas Carothers, "The End of the Transition Paradigm," *Journal of Democracy* 13 (January 2002): 5–21.

⁴ European Commission, *2004 Regular Report on Romania's Progress towards accession*: 28–29.

⁵ Francis Fukuyama, *State building* (Ithaca, N.Y.: Cornell University Press, 2004), 135.

⁶ OHR "Agriculture and Profit" brochure, October 2003, www.ohr.int.

⁷ This does not include the salaries of staff seconded to these institutions by EU members states, which would expand these budgets enormously.