



SENIOR ADVISORY BOARD

WOLFGANG PETRITSCH, GENEVA (CHAIR)
SONJA BISERKO, BELGRADE
ERHARD BUSEK, BRUSSELS
SIR MARRACK GOULDING, OXFORD
JAKOB FINCI, SARAJEVO
PIERRE HASSNER, PARIS
BOZIDAR MATIC, SARAJEVO
PREDRAG MATVEJEVIC, ROME
VRENI MÜLLER-HEMMI, ZURICH
MANFRED NOWAK, VIENNA
JAMES C. O'BRIEN, WASHINGTON, D.C.
VESNA PUSIC, ZAGREB
HANNES SWOBODA, VIENNA
THEODOR WINKLER, GENEVA

Southeastern Europe Transformed: Achievements and Challenges

Rethinking Southeastern Europe
from a Pan-European Perspective

SCIENTIFIC COUNCIL

OTTHON ANASTASAKIS, OXFORD
ST ANTHONY'S COLLEGE
JUDY BATT, PARIS
INSTITUTE FOR SECURITY STUDIES
FLORIAN BIEBER, CANTERBURY
UNIVERSITY OF KENT
SUMANTRA BOSE, LONDON
LONDON SCHOOL OF ECONOMICS
MICHAEL DAXNER, OLDENBURG
UNIVERSITY OF OLDENBURG
JOSEPH MARKO, GRAZ
UNIVERSITY OF GRAZ
ZORAN PAJIC, LONDON
KING'S COLLEGE
VLADIMIR GLIGOROV, VIENNA
WIIW
PAUL STUBBS, ZAGREB
INSTITUTE OF ECONOMICS, ZAGREB
SUSAN WOODWARD, NEW YORK
CITY UNIVERSITY OF NEW YORK

Christophe Solioz

Geneva, 31 July 2007

REGISTRATION ID

AT: ZVR-782123875
BIH: RSMU-23/06

Table of contents

| | | |
|---|----|----|
| Introduction | p. | 2 |
| 1. Southeastern Europe at a glance | p. | 3 |
| 1.1. Regional trends | p. | 3 |
| 1.2. Country-by-country review | p. | 4 |
| 1.3. The European integration process | p. | 7 |
| 2. Perspectives on a pan-European approach | p. | 11 |
| 2.1. The necessity of a comprehensive approach | p. | 11 |
| 2.2. The UNECE as a best-practice case | p. | 12 |
| 2.3. Southeastern Europe's key challenge | p. | 18 |
| 3. The main structural challenges | p. | 15 |
| 3.1. Developmentalism versus gradualism | p. | 15 |
| 3.2. Aid versus development | p. | 16 |
| 3.3. Fake versus effective implementation | p. | 15 |
| 4. Key elements of a strategy for change | p. | 23 |
| 4.1. The fate of regional initiatives | p. | 23 |
| 4.2. Enhancing co-ordination in the UN world | p. | 25 |
| 4.3. Overcoming Europe's new divisions | p. | 26 |
| Conclusion | p. | 28 |
| Bibliography | p. | 29 |
| Acronyms | p. | 31 |

Introduction

To state the obvious, Europe today — and ‘Europe’ refers not only to Western Europe, nor exclusively to the European Union (EU) — is completely different from what it was some fifteen years ago. So too is Southeastern Europe, though for different reasons. The break-up of the Socialist Federal Republic of Yugoslavia (SFRY) in the early 1990s and, most of all, its constituent republics’ ‘transition through war’ (*transition guerrière*)¹ considerably affected the fate of the region. In these republics’ first post-war decade, the EU integration process, taken on a country-by-country basis, was the main incentive for reforms. Regional initiatives, such as the Southeast European Cooperative Initiative (SECI); the Stability Pact for South Eastern Europe, launched in 1999; and the recently reframed Central European Free Trade Agreement (CEFTA) have received increased attention as the regional dimension, initially a somewhat neglected facet, is now seen as a crucial issue. Thus, in this first phase, the EU can be said to have garnered the lion’s share of attention, to the detriment of pan-European organizations, such as the United Nations Economic Commission for Europe (UNECE), the Organisation for Security and Co-operation in Europe (OSCE), the Council of Europe and other UN agencies.

Against the background of the current situation in Southeastern Europe, more specifically the necessity to enhance regional co-operation in the region and beyond, this paper argues that pan-European organizations must complement the EU approach, for two main reasons. Firstly, the regional dimension must be conceived in a significantly broader framework, bridging various sub-regional areas such as Southeastern Europe and the Black Sea region, in order to capitalise on the enormous potential for co-operation. Secondly, it must take into account a new geo-strategic environment and develop a comprehensive strategic approach towards Russia to tackle some key problems such as the disputes over UNMIK/Kosovo, missiles and energy.

The aim of this study is also to survey developmental trends in Southeastern Europe, relying on the author’s first-hand field experience and extensive knowledge of the existing literature and research. This contribution will, firstly, review the current situation in Southeastern Europe; secondly, outline a pan-European perspective on the challenges facing the region; thirdly, summarize the three main structural problems confronting it; and, fourthly, focus on key elements of a strategy for change. Each section concludes with a review of the issues discussed, indicating potential options for further action and follow-up. As such, these reviews are intended simply as the starting point for discussions of pan-European organizations’ next steps as they improve the use of their tools, legal norms, standards and recommendations relevant to the integration of the region into the European and world economy.

1 See Marina Glamocak, *La Transition guerrière yougoslave* (Paris: L’Harmattan, 2002).

1. Southeastern Europe at a glance

1.1. Regional trends

Southeastern Europe is often only a euphemism, a way to avoid the term ‘Balkans’, which has acquired a negative connotation in the minds of both local residents and the rest of the world. For the purposes of this study, Southeastern Europe includes the following countries in transition from a planned to a market economy (as a distinguishing criterion): Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia (FYROM), Montenegro, Romania, Serbia, and UNMIK/Kosovo. This usage of the term ‘Southeastern Europe’ became common in the context of the Stability Pact for South Eastern Europe, established in 1999. The Stability Pact targeted the above-mentioned Southeast European countries, but implicitly referred to an inclusive regional approach. The term ‘Western Balkans’, however, has acquired popularity again as a euphemism, this time for the countries that once belonged to the SFRY (minus Slovenia, plus Albania). From an EU perspective, the Western Balkans countries are divided into candidate countries (for EU membership) and potential candidate countries. Beyond the various designations, the regional dimension does not disappear, however. One of the key problems visible from the political geography of the region, but also from the maps of its economic and transport infrastructure, is the division between the Eastern and Western Balkans inherited from the past. One of the challenges of the future is to deal with and overcome these divisions.

The Stabilisation and Association Process (SAP) is the EU policy framework for the countries of the region — Albania, Bosnia and Herzegovina, Croatia, the FYROM, Serbia, and Montenegro.² On 21 June 2003, at the EU Thessaloniki summit, the EU made the promise that the Southeast European countries could join the Union provided that they bring themselves up to EU standards. Where do we stand four years later? Slovenia — since May 2004 — Bulgaria and Romania — since January 2007 — are fully fledged EU members. But the other countries remain knocking at the door: on the one hand, Croatia, the FYROM and Turkey as candidate countries; and, on the other hand, Albania, Bosnia and Herzegovina, Montenegro, and Serbia as potential candidate countries. Indeed, until the June 2007 EU summit (see below), the Southeast European countries’ EU prospects in ‘post-referendum Europe’³ appeared bleak: between 2005 and 2007, more than the speed and achievements of the reform process oriented on the EU *acquis communautaires* in the various countries of the region, it was the exceedingly long ‘pause for reflection’, the EU’s limited ‘absorption capacities’⁴ and ‘enlargement fatigue’ that were blocking the enlargement process. Nevertheless, all the countries of the region are supposed to join the EU sooner or later (see table 2).

Despite some back-peddalling, the situation of these countries— contrary to what is often stated — shows a far more positive than negative picture overall. This applies in particular to the economies of the region: their continued growth can be assessed to be sustainable (average gross domestic product [GDP] growth rates illustrate this; see table 1) and the business climate has improved. The rapid growth of exports (even if not at the same speed as GDP), the increased foreign investments and the recovered labour market also illustrate the improved economic environment. Other positive signs are the indicators of macroeconomic stability, low inflation, improved public sector performance and fiscal balance. Only employment tends to be recovering more slowly. Thus, the economies of Southeastern Europe clearly show signs of catching up. Of course, some crucial questions remain unresolved, including the status of UNMIK/Kosovo, and Bosnia and Herzegovina’s problematic internal integration. Nonetheless, as Vladimir Gligorov notes: “The stability and growth have proved

2 The main elements of this long-term commitment to the region were first presented in a Commission Communication (COM (99) 235 of 26 May 1999). The Central European countries in transition, Bulgaria and Romania, completed that process before joining the EU.

3 See Christophe Solioz, “The Balkans in Post-Referendum Europe,” *Turning Points in Post-War Bosnia* (Baden-Baden: Nomos, 2007 [2005]), pp. 144–52.

4 To clarify this notion, recently converted to ‘capacity to integrate’, see Siegfried Schultz and Ulrich Brasche, “Absorptionskapazität der Europäischen Union — eine Orientierungshilfe,” *Südosteuropa Mitteilungen*, 47: 3 (2007), pp. 6–19.

to be much more resilient to political shocks and instabilities than in the past.”⁵ The following section 1.2 reviews a set of countries focusing on the EU integration process, which provide benchmarks for assessing the situation, and the European Bank for Reconstruction and Development (EBRD) economic assessments for the countries in question.

Table 1: GDP (real change in % against preceding year)

| | 1995 | 2002 | 2003 | 2004 | 2005 | 2006 ¹⁾ | 2006 | 2007 | 2007 | 2008 | Index | Index |
|--------------------------------------|------------|------------|------------|------------|------------|--------------------|-------------------------|------|------------|------------|--------------|--------------|
| | | | | | | | | | | | 1990=100 | 2000=100 |
| | | | | | | | 1 st quarter | | Forecast | | 2006 | 2006 |
| Croatia | 6.8 | 5.6 | 5.3 | 4.3 | 4.3 | 4.8 | 6.0 | 7.0 | 5 | 5 | 113.4 | 132.4 |
| FYROM | -1.1 | 0.9 | 2.8 | 4.1 | 3.8 | 3.1 | 2.2 | 7.0 | 4 | 4 | 100.6 | 110.3 |
| Turkey | 7.2 | 7.9 | 5.8 | 8.9 | 7.4 | 6.1 | 6.7 | . | 5.5 | 6.5 | 186.1 | 131.0 |
| <i>Candidate countries</i> | <i>7.0</i> | <i>7.5</i> | <i>5.7</i> | <i>8.3</i> | <i>7.0</i> | <i>5.9</i> | <i>6.5</i> | . | <i>5.4</i> | <i>6.3</i> | <i>174.2</i> | <i>130.5</i> |
| Albania | 8.9 | 4.3 | 5.8 | 6.2 | 5.6 | 4.9 | . | . | 5 | 5.5 | . | 139.0 |
| Bosnia and Herzegovina | 50.0 | 5.5 | 3.0 | 6.0 | 5.5 | 6.2 | . | . | 6 | 6 | . | 134.9 |
| Montenegro | . | 1.7 | 2.4 | 4.2 | 4.0 | 6.5 | 6.8 | 6.6 | 5 | 5 | . | 119.9 |
| Serbia | . | 4.2 | 2.5 | 8.4 | 6.2 | 5.7 | 7.0 | 8.7 | 5 | 5 | . | 136.4 |
| <i>Potential candidate countries</i> | . | <i>4.5</i> | <i>3.1</i> | <i>7.3</i> | <i>5.8</i> | <i>5.8</i> | . | . | <i>5.2</i> | <i>5.3</i> | . | <i>135.7</i> |

¹⁾ Preliminary

Source: Vladimir Gligorov and Sándor Richter *et al.*, *High Growth Continues, with Risks of Overheating on the Horizon* (Vienna: wiiw, Research Reports, No. 341, July 2007), part B

1.2. Country-by-country review

Albania's impressive reform progress in recent years paved the way for the conclusion of negotiations with the EU, which led to the signing a Stabilisation and Association Agreement (SAA) on 12 June 2006. The SAA will enter into force following its ratification, which is expected to take about two years. In the meantime, an Interim Agreement allows the country to benefit from the SAA's trade-related conditions. The 1992 Trade, Commercial and Economic Co-operation Agreement and the Interim Agreement will be replaced by the SAA once it enters into force. At the latest EU/Albania Consultative Task Force meeting in June 2006 the European Commission emphasized to the country's authorities the importance of demonstrating progress in fostering freedom of expression, property restitution and compensation, electoral reform, human rights, and minority rights. The Commission also provided guidance to Albania on implementing Interim Agreement commitments in the area of competition, public procurement, and intellectual commercial and industrial property.

EBRD Country Assessment — economic performance: GDP growth continues to be driven by remittances and strong credit growth, but recurring power cuts, along with high current account and fiscal deficits, pose the main risks to macroeconomic stability.

EBRD Country Assessment — outlook and risks: Robust GDP growth with stable prices and exchange rates is sustainable in the medium term, provided that electricity outages are addressed and the transport network is further improved. The economy has the potential to benefit from its close links to UNMIK/Kosovo, especially once the latter's status is finalized and the new motorway linking UNMIK/Kosovo with the Albanian port of Durres is completed.⁶

5 In Vladimir Gligorov and Sándor Richter *et al.*, *High Growth Continues, with Risks of Overheating on the Horizon* (Vienna: wiiw, Research Reports, No. 341, July 2007), part B.

6 EBRD Country Assessment, in EBRD, *Transition Report Update 2007* (London: EBRD, 2007). Economic performance, and outlook and risks refer to 2006.

Bosnia and Herzegovina is unrecognizable from twelve years ago. The negotiations on an SAA were launched in November 2005. Meanwhile, the technical talks were completed on 14 December 2006 with an agreement on the text of the SAA. However, as political issues continue to hinder the adoption and implementation of reforms in four areas (police, broadcasting, progress in functional state-building, and co-operation with the International Criminal Tribunal for the former Yugoslavia — ICTY), the signing of the SAA has been postponed for an indefinite period. Consequently, the country remains a potential candidate country for EU accession. National reintegration and consensus about a common future remain two very problematic issues. While the country seems unfortunately not yet ready to take full responsibility for its future — not because there is no consensus on the future of the country, but because it must move step by step from the ‘Bonn Powers’ to EU conditionality. In a newly polarized situation, a reframed and effective Office of the High Representative (OHR) must now finish the job and make the country ready to assume its full sovereignty and integration with Europe — as one of its sovereign member states. Bosnian politicians could be inspired by Slovakia’s successful sprint to catch up with the rest of Central Europe in the post-Meciar years, and should welcome Miroslav Lajčák — the new High Representative since 1 July 2007. The country’s future depends on the ability of the various communities to achieve compromise and focus on reforms.

EBRD Country Assessment — economic performance: Growth remained steady during 2006, but public spending continues to be high and the current account deficit remains large. Long-term sustainability depends on further restructuring, an improved business environment and increased integration into the regional and world economy.

EBRD Country Assessment — outlook and risks: In recent years, Bosnia and Herzegovina has managed to depend less and less on aid, and growth rates have held up well. The outlook is for continued growth in the region of 5–6 per cent a year, allied to low inflation, but with significant downside risks. The EU is expected to provide a strong anchor for reform once the OHR is closed. However, the main risks to this generally positive outlook lie in the small appetite of public officials for serious reform and difficulties, and sensitivities related to the imminent reforms of the outdated constitutional set-up established by the General Framework Agreement for Peace.

Croatia has made outstanding progress in meeting the conditions for starting accession negotiations on 3 October 2005. For Croatia, this process began in October 2005 and finished in October 2006. The screening encompassed explanation of the whole range of EU legislation, on a chapter-by-chapter basis, and an examination of Croatia’s plans for its adoption and implementation. It will enable the EU to decide upon the opening of individual chapters for negotiations. Notably, in economic terms, the country seems well positioned to become a full member, as soon as the enlargement process starts moving again.⁷

EBRD Country Assessment — economic performance: The economy continues to grow steadily, aided by a positive contribution from gross domestic investment. However, a high level of external debt, a widening current account deficit and pressures for higher government spending pose continuing risks.

EBRD Country Assessment — outlook and risks: The economy is on course for moderately strong growth over the short to medium term, while the anchor of EU accession talks should provide a strong impetus for further reforms. Nevertheless, the authorities face a number of significant macroeconomic challenges and risks. Further progress in fiscal consolidation is essential for macroeconomic stability, but will be increasingly difficult to achieve, given the pressures for higher government spending in the election year. The rapid expansion in recent years in domestic credit and the growing external indebtedness of commercial banks have helped to raise external debt to levels that will require careful monitoring.

⁷ Croatia’s EU integration process is well assessed by the four volumes edited by Katarina Ott, *Croatian Accession to the European Union*, Zagreb: IPF & FES, Vol. 1, 2003; Vol. 2, 2004; Vol. 3, 2005; Vol. 4, 2006. Srđan Dvornik and Christophe Solioz (eds), *Next Steps in Croatia’s Transition Process* (Baden-Baden: Nomos, 2007) presents a series of critical essays that complete this overview.

The former Yugoslav Republic of Macedonia is still a weak and fragile state, in spite of its remarkable recovery from the turmoil of 2000. Nevertheless, it has made steady progress on its way to joining the EU. In April 2001, the country signed an SAA, which entered into force in April 2004. The country subsequently submitted an application for EU membership on 22 March 2004 and the European Commission — in its Opinion adopted on 9 November 2005 — analysed the country's application on the basis of its capacity to meet the criteria set by the Copenhagen European Council of 1993 and the conditions set for the SAP. Based on this assessment, the Commission recommended that the European Council grant the country candidate status as a political recognition of a closer relationship between the EU and the FYROM on its way towards membership. As regards the possible opening of accession negotiations, the Commission indicated that negotiations could begin once the country has reached a sufficient degree of compliance with the membership criteria.

EBRD Country Assessment — economic performance: Growth remains subdued and unemployment remains high, despite recent measures to improve the business climate.

EBRD Country Assessment — outlook and risks: GDP growth is likely to remain close to current levels over the short term. Some risks to overall stability stem from the volatile political situation, as well as the uncertain status of UNMIK/Kosovo.

Montenegro successfully organized a referendum on independence on 21 May 2006, in line with the provisions of Article 60 of the Constitutional Charter of Serbia and Montenegro, in compliance with a recommendation by the EU. Importantly, the secession of Montenegro was peaceful and did not contribute to instability in Serbia. Having achieved independence, the country is moving toward EU accession. The EU has started to adapt the instruments of the SAP to the new situation. Following the adoption of an SAA mandate for negotiations on 24 July 2006, the European Commission launched SAA negotiations on 26 September 2006. The technical part of SAA negotiations was completed on 1 December 2006. On 15 March 2007 the SAA was initialled by Prime Minister Sturanović and EU Commissioner Olli Rehn. This was a major step forward for the country.

EBRD Country Assessment — economic performance: The government has made progress in reducing deficits, but future plans for tax reform and infrastructure spending must be costed carefully to ensure long-term fiscal and debt sustainability.

EBRD Country Assessment — outlook and risks: As an independent country, Montenegro has the potential to grow rapidly over the medium term. The country has had some success already in attracting reputable foreign investors, and these investors can play a crucial role not only in boosting growth in the future, but also in signaling to others that Montenegro is an attractive investment destination. The main risk is that the administrative capacity to implement a comprehensive reform programme may be insufficient to realize the full potential of the country.

Serbia is, of course, mainly affected by UNMIK/Kosovo's fate. While the Serbian Radical Party was close to coming to power in the general elections held on 21 January 2007, recent developments — among them the establishment of a new reform-minded government on 15 May 2007 — seem to suggest that Belgrade has no desire to return to the isolation of the Milošević years. The new government clearly intends to restart the country's journey towards Europe. The political instability stemming from the still-unresolved UNMIK/Kosovo issue must not divert attention from this aim: the Serbian economy is accelerating, and many government departments have moved ahead in an impressive way to prepare the country for finalizing the SAA talks with Brussels. Thanks to the improvements in Serbia's co-operation with the ICTY, the European Commission resumed the talks on the SAA on 13 June 2007. The pace and conclusion of negotiations will continue to depend in particular on Serbia's progress in developing its legislative framework and administrative capacity, and full co-operation with the ICTY.

EBRD Country Assessment — economic performance: Growth remains strong and inflation has returned to single-digit levels on the back of very tight monetary policies, but high public expenditure and the large current account deficit need to be addressed to ensure further development of the private sector.

EBRD Country Assessment — outlook and risks: The Serbian economy has strong growth potential, but the risks that this potential will not be realized are high in the short term. The main risks are that unresolved issues about the country's future, notably concerning the status of UNMIK/Kosovo, will distract attention from urgent economic reforms and progress towards EU integration and, if tensions were to escalate, could deter foreign investment. A key short-term macroeconomic risk is that credit to the private sector could be squeezed by a combination of high public investment and spending, and the ongoing efforts by the Central Bank to dampen inflation.

The province of *Kosovo*, referred in this paper as UNMIK/Kosovo, is definitely the main source of instability in the Balkans. After being delayed and postponed, the Vienna-based status talks ended in March 2007. The UN envoy was not able to present a settlement package resulting from, or endorsed at, the Vienna talks. Nevertheless, he submitted a Final Comprehensive Proposal for a Kosovo Status Settlement, which advocates supervised and limited independence as the only viable option for UNMIK/Kosovo. A new UNMIK/Kosovo UN Security Council (UNSC) resolution was delayed, this time by the G8 summit (6–8 June 2007) — with the hope that an agreement could be reached in this framework. But this was not the case — quite the contrary: the powers at the G8 summit in Heiligendamm agreed to delay a vote at the UN. While Russia rejected a third draft of a resolution on UNMIK/Kosovo, proposed by the United States and the EU, on 22 June 2007, the summit of US president George W. Bush and his Russian counterpart, Vladimir Putin, on 2 July 2007 in Maine did not spend too much time discussing UNMIK/Kosovo. In the face of a promised Russian veto, the resolution regarding a future status was formally postponed on 21 July 2007.⁸ Despite the fact that UNMIK/Kosovo Albanians are getting nervous, the UNMIK/Kosovo question took a summer break. New negotiations, based on direct talks, will take place in the autumn of 2007.

EBRD Country Assessment — economic performance: Overall GDP growth has been low or non-existent over the last few years. Reliable data on economic activity in UNMIK/Kosovo are scarce, but, according to tentative estimates, there was some upturn in 2006, driven by a robust private sector. The current estimate is that real GDP rose by 3 per cent last year. Prices have been falling on average for several years, with the *de facto* adoption of the euro providing an important anchor. However, there are serious challenges on both the fiscal and external accounts. UNMIK/Kosovo is currently not servicing any external debt, but may inherit a substantial amount of debt once the status issue is resolved, possibly up to € 900 million, which might create constraints for new public sector borrowing and will increase the importance of prioritizing among many vital projects.

1.3. The European integration process

As already mentioned, the enlargement process is also dependent on the EU's own internal reform process. After an excessively long 'pause for reflection', Angela Merkel — the German chancellor who held the six-month rotating EU presidency during the first semester of 2007 — intensified her diplomatic efforts in order to reopen the EU's treaty reform process. After Poland stepped back from a dramatic threat to veto any agreement, the breakthrough came on a Reform Treaty aimed at replacing the defunct proposed constitution. This treaty will streamline EU decision-making, improve the EU international presence with a high representative and a permanent president, and provide the institutional framework to resume the enlargement process.⁹

8 See Christophe Solioz, "Kosovo: The Moment of Truth," in Hannes Swoboda and Christophe Solioz (eds), *Conflict and Renewal: Europe Transformed. Essays in Honour of Wolfgang Petritsch* (Baden-Baden: Nomos, 2007), pp. 296–304.

9 The European Council agreed on 23 June 2007 to convene an IGC before the end of July 2007, which is tasked to draw up a Reform

This package should be finalized at an intergovernmental conference (IGC) to be organized in the summer of 2007; and it also includes an additional condition for candidate countries: a commitment to promote EU values. Further, there will be an obligation to notify the European Parliament and national parliaments of an application for membership. Thus, the Reform Treaty might include institutional changes that would increase the entry difficulties for would-be EU members. These already exist in the form of an unprecedented monitoring regime set up for Bulgaria and Romania (see under section 3.3, below).¹⁰ Meanwhile, on 21 June 2007 the European Commission finalized its planning for the financial assistance that candidate and potential candidate countries will receive in 2007–09 under the Instrument for Pre-Accession Assistance (IPA).¹¹ Thus, the institutional and financial capacities to proceed with the integration process are now finally available.

Table 2: Southeastern Europe EU accession forecast

| | SAA | Negotiations | EU | Euro |
|------------------------|------|--------------|---------|---------|
| Bulgaria | 1995 | 1999 | 2007 | 2009 |
| Romania | 1995 | 1999 | 2007 | 2012 |
| Croatia | 2005 | 2005 | 2010 | 2012 |
| FYROM | 2005 | 2008 | 2012–13 | 2015 |
| Albania | 2006 | 2009 | by 2015 | by 2017 |
| Bosnia and Herzegovina | 2007 | 2009 | by 2015 | by 2017 |
| Serbia | 2007 | 2009 | by 2015 | by 2017 |
| Montenegro | 2007 | 2010 | by 2015 | 2002 |

Source: Vladimir Gligorov, *Task Force on Economic Strategy for South Eastern Europe* (New York: East-West Institute, advanced copy, April 2007)

Despite these recent positive changes, we have to consider some limits of the current integration process. ‘Enlargement fatigue’ has had negative consequences for the region, while the ‘pull factor’ and stimulus for reform of the implementation processes, though not completely vanished, are less convincing today, given these processes’ currently slow progress. In spite of the fact the economies in the region are doing now much better, ‘reform fatigue’ characterizes the public governance and structural reforms of most of the countries — except Croatia — as illustrated by the indicators for the advance of transition published by the EBRD (see table 3). Worse, aggressive nationalism receives a new opening and affects the domestic divide in various countries. This might well affect stability and moves us into potentially dangerous and unpredictable territory. We may also observe that the ‘EU soft power’ — conditionality built on attraction — worked pretty well in countries whose chances of accession were tangible and where the transformation process was already under way. But when it comes to political problems — as in Bosnia and Herzegovina, Serbia, and UNMIK/Kosovo — the

Treaty before the end of 2007, so as to allow for sufficient time to ratify the resulting treaty before the European Parliament elections in June 2009.

10 When Bulgaria and Romania entered the EU on 1 January 2007, special provisions were made to facilitate and support smooth accession and at the same time to safeguard the proper functioning of EU policies and institutions. The European Commission monitors the application of law (the *acquis communautaire*) to ensure that these obligations are being met. Thus, the accession of both countries was accompanied by a set of specific accompanying measures, put in place to prevent or remedy remaining shortcomings that were identified in several areas. A special Cooperation and Verification Mechanism was established in the areas of judicial reform, and the fight against corruption and organized crime, which set out benchmarks to provide the framework for monitoring progress in this area. The Commission approved the first reports on progress under the Cooperation and Verification Mechanism on 27 June 2007. These reports focus on progress with judicial reform, and the fight against corruption and organized crime (see section 3.3, below).

11 An overall indicative amount of € 3.96 billion will help Croatia, the FYROM, Turkey, Albania, Bosnia and Herzegovina, Montenegro, Serbia, and UNMIK/Kosovo (under UNSC resolution 1244) enhance political and economic reform and development. It must be noticed that IPA Multi-Annual Indicative Planning Documents for 2007–09 include under ‘IPA Component II’ significant means to enhance cross-border co-operation.

attraction of membership shows its limits. A more coercive approach based on conditionality and built on compulsion is obviously needed. This, of course, partly contradicts the trend toward more 'ownership'.

While local political forces — especially in Bosnia and Herzegovina, Serbia, and UNMIK/Kosovo — are unable to agree about their own future, the limits of the technocratic and *acquis*-focused approach — successfully applied by the European Commission to the 2004 entrants, as well as to Romania and Bulgaria — are obvious. Given the politicized nature of the accession debate on Croatia and Turkey, and considering also the political and security issues presented by UNMIK/Kosovo, Serbia, and Bosnia and Herzegovina, the EU needs to rethink the European project in Southeastern Europe and, above all, embrace politics in order to make Southeastern Europe work.¹² Indeed, it should be not forgotten that the EU enlargement project (see table 2) in the region is also very much a peace project. But the limits of the technical nature of the accession talks represent only one problem. The importance of regional co-operation — especially if we consider the magnitude of the economic dimension — is another central issue that must be addressed.

Affecting stability in the region as a whole and at the country level, as well as economic prospects, are typical cross-border issues: foreign direct investment, trade and transport facilitation, people mobility and migration, environment protection, and energy supply. These regional/trans-boundary issues must be addressed as part of a broader regional vision encompassing the geo-strategic role of these countries bridging Europe and Asia, Europe and the Middle East. Of course, this speaks in favour of broader understanding of Southeastern Europe, which bridges the Danube region, Central and Eastern Europe, Western Asia and Russia. Against this background, regional initiatives as well as pan-European regional organizations should become more active in fostering the regional economic integration process in a pan-European framework. This would not interfere with, but rather complement and reinforce, EU integration and the European Neighbourhood Policy (ENP).¹³ Among other elements of a pan-European approach with much added value is that these countries are deemed as 'European' by culture, history and geo-strategic considerations — emphasizing that Europe is more than just the enlarged EU. This broader concept of Europe must now be made a reality.

Together with other pan-European organizations like the OSCE and the Council of Europe, the UNECE has much to offer. The UNECE is already working along these lines: contributing to fostering a common European identity for the whole of the pan-European region; stimulating an innovative EU–US–Russian approach; and energizing the intergovernmental policy dialogue. Thus, it is advocating a multilateral dialogue promoting the development and adoption of norms, standards and policy guidelines. The UNECE is also aware of the necessity for the EU, Russia and the United States to engage in a high-level political dialogue to launch a fully fledged programme of pan-European co-operation and integration.

12 See T. K. Vogel, "Why the EU Need to Embrace Politics if It Wants to Make the Balkans Works," in Denisa Kostovicova and Vesna Bojičić-Dželilović (eds), *Austrian Presidency of EU: Regional Approaches to the Balkans* (Vienna: Centre for the Study of Global Governance & Center for European Integration Strategies, 2006), pp. 62–70.

13 The ENP — an adapted strategy for a 'Wider Europe' — intends to prevent the emergence of new dividing lines on the European continent and to establish close partnership-based relations, focusing on strengthening security and stability, with non-EU member states. The ENP has an impressive and comprehensive regional coverage targeting all European states of the Commonwealth of Independent States, including the South Caucasus and all the Mediterranean states of the Barcelona Process. But the ENP does not represent an enlargement policy, nor does it aim to open up the prospect of membership to the countries concerned or to provide specific accession prospects — even if it does not prejudge prospects for some countries that may at some future point apply for membership, which is strongly desired by Ukraine, Moldova, Georgia and Armenia. See Commission of the European Communities, *Communication from the Commission: European Neighbourhood Policy Strategy Paper* (Brussels: COM (2004) 373, 12 May 2004); and Commission of the European Communities, *Communication from the Commission: On Strengthening the European Neighbourhood Policy* (Brussels: COM (2006) 726, 4 December 2006).

CEIS view

- Each Southeast European country is evolving apace, with a common need to keep the EU membership perspective alive — not as a false hope, but as a realistic development prospect, both as a stimulus for reform and to promote each country's survival as a peaceful society.
- The EU integration process remains essentially a country-by-country approach that partly undermines regional co-operation, in spite of the rhetoric on developing constructive relations among neighbour countries.
- The fostering of effective neighbourhood relations, regional co-operation — implemented according to a broad pan-European perspective — should be seen not as a conditionality, but as a strategic setting within which the countries can make progress.

In light of this, pan-European organizations — like the OSCE, the Council of Europe and the UNECE — should promote in and for Southeastern Europe a broader regional approach that has a pan-European perspective.

2. Perspectives on a pan-European approach

2.1. The necessity of a comprehensive framework

Individual strategies and good-neighbourly relations cannot tackle all the challenges that the countries in the region face. National and bilateral solutions are not enough when it comes to economic development, climate change, migration pressure, energy policy strategies, international terrorism, etc. Only a pan-European vision, on the one hand, sets the bilateral issues and the regional dimension in a coherent and significant framework for an efficient development of economic, political and cultural co-operation, and, on the other hand, ensures a bold and new vision for Southeastern Europe, and also for Europe as a whole.

Firstly, a truly pan-European approach systematically links national and regional, local and global perspectives in a multilateral co-operation framework — moving resolutely beyond national country-based strategies and bilateral country-to-country approaches. Secondly, it encompasses political and socioeconomic aspects, the security dimension and development challenges. Thirdly, it covers the whole of Eastern and Southeastern Europe, the Caucasus region and Russia, reaching out towards Eurasia, including the Caspian region and Central Asia.

Such an approach could contribute to overcoming the new divisions and contradictions induced by the latest round of the EU enlargement.¹⁴ Indeed, today more than in the past, Southeastern Europe and the Black Sea region are heterogeneous areas encompassing EU members, would-be members and countries explicitly barred from an EU accession perspective — such as Ukraine, Russia and the Caucasian states. The increased complexity of bilateral and regional relations is illustrated by the Romanian and Bulgarian case: as new EU members, they must strengthen their borders with their eastern neighbours, but this contradicts and undermines the promotion of regional co-operation. The issue of economic co-operation provides another example: the development of free trade areas is as such welcomed, but they must take due account of the fact that EU member states and countries bound to the EU's common commercial policy by a customs union cannot autonomously participate in regional free trade schemes. But there is more — co-operation within the region and co-operation between the region and the EU, on the one hand, and the co-existence of numerous co-operation programmes — such as the pre-accession process, the ENP, the strategic partnership, with Russia and bilateral agreements and action plans — on the other hand, considerably augment the structural complexity and tension that must be strategically addressed.

An additional divide must also be taken into account — the division between an economically and politically stable Europe and a Europe characterized by economic and political instability. Thus, there is a division between the economically developed Europe — 'old Europe', with some Central European countries — and an underdeveloped Europe — most Southeast European countries, Russia, the Caspian basin and Central Asia. Looked at the other way round, the 'new Europe's' experience in the fields of innovation and economic restructuring may provide a starting point for overcoming the conventional policies of the 'old Europe', where strong obstacles hamper privatization and liberalization. Such an approach suggests, firstly, that new ideas may come out of the 'other Europe' — notably in the field of social reforms — and, secondly, that the transformation process is not over, and not only in Southeastern Europe.

In practical terms, these divisions are reflected, for example, in the more difficult conditions for crossing the borders of the new EU members, and consequent problems for business. This fragmentation clearly undermines the potential for broad regional and pan-European co-operation,

14 On 1 May 2004 the EU welcomed ten more member states: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. This was the fifth time that the EU has accepted new members, bringing the total from 15 to 25 member states. On 1 January 2007 this latest round of enlargement came to its conclusion with the accession of two more countries, Bulgaria and Romania.

particularly in the economic realm. This affects Southeastern Europe, but also the Black Sea region¹⁵ — an expanding market with an economic potential that remains largely untapped. We may also mention other typical regional issues: energy resources, energy security measures and environmental protection. Countries from the region are too small to adopt individual strategies in the transport sector, e.g. the upgrading of transport infrastructures, trade development and facilitation. Consequently, the reduction of administrative barriers to the free movement of goods, persons, services and capital obviously requires a multilateral, inclusive framework. Of course, the above-mentioned lines of division benefit the forces opposed to the stabilization of the region, and, therefore, ought to be countered by effective and appropriate policy — notably through conflict-resolution and confidence-building mechanisms addressing the political tensions and frozen conflicts between states,¹⁶ and shared measures against illegal migration, trafficking and organised crime.¹⁷ In our view, only a pan-European framework can address and overcome these divisions.

A reinvigorated pan-European approach would, firstly, foster these countries' European identity; secondly, contribute to the development of a common EU–US–Russian approach to the open questions; and, thirdly, promote a pan-European economic integration and co-operation process beyond too-narrowly conceived regional frameworks. In a renewed pan-European and transatlantic dynamic, Eastern and Southeast European countries have a major role to play — being more open to co-operation with the United States, Russia and non-EU Eastern European countries in the Black Sea region and the Caucasus. The three above-mentioned dimensions exactly correspond to pan-European institutions' priorities. Consequently, complementing the EU integration process, the UNECE should work with other existing pan-European institutions — by definition, inclusive¹⁸ — such as the OSCE, the EBRD and the Council of Europe, to give life to a renewed pan-European dynamic.

2.2. The UNECE as a best-practice case

The UNECE's expertise and its presence in Southeastern Europe provide a set of best practices, notably in three key areas.

Firstly, trade and transport facilitation: Here the UNECE has a number of norms, standards, recommendations and tools, and a record of very fruitful collaboration with the Southeast European countries, which may now be extended to the new CEFTA structure. The UNECE's contribution to trade and transport facilitation has concentrated on four areas: (1) streamlining trade information flow management, based on international standards for document forms, electronic information interchange and the value of a single entry point or 'single window' concept;¹⁹ (2) public–private organizations for trade facilitation — we may mention here that PRO committees in Southeastern Europe have been created and function in compliance with the UNECE's Trade Facilitation Recommendation No. 4;²⁰ (3) border-crossing facilitation, e.g. on the basis of the UNECE Convention on the Harmonization of Frontier Control of Goods; and (4) transit facilitation through improving the potential to use the UNECE instruments, notably the TIR Convention, which is not yet even operational in some parts of the region (Bosnia and Herzegovina, and UNMIK/Kosovo).

15 The Black Sea region includes Greece, Bulgaria, Romania and Moldova in the west, Ukraine and Russia in the north, Georgia, Armenia and Azerbaijan in the east and Turkey in the south. Though Armenia, Azerbaijan, Moldova and Greece are not littoral states, history, proximity and close ties make them natural regional actors. The Black Sea Economic Cooperation, established in 1992, is a relevant organisation with a wide membership including the above-listed Black Sea countries plus Albania, Russia, Serbia and Turkey as founding member states. Seven EU member states have observer status. See the EU updated Black Sea policy in: *Communication from the Commission to the Council and the European Parliament: Black Sea Synergy — New Regional Cooperation Initiative* (Brussels: COM (2007) 160, 11 April 2007).

16 More than Southeastern Europe, the Black Sea region is affected by 'frozen' conflicts (Transnistria, Abkhazia, South Ossetia and Nagorno-Karabakh).

17 The Bucharest-based SECI Regional Centre for Combating Trans-border Crime has developed best practices in this field.

18 Compared to the exclusive ones like the EU and the NATO.

19 In practical terms, a 'single window' environment provides one 'entrance', either physical or electronic, for the submission and handling of all data, and documents related to the release and clearance of an international transaction.

20 The very notion of 'PRO' places the emphasis on PROCedures such as non-tariff barriers to trade.

Secondly, energy efficiency and natural gas: Energy efficiency provides Southeast European countries with many opportunities for enhanced co-operation through the UNECE Energy Efficiency 21 Project²¹ and the Regional Network for the Efficient Use of Energy and Water Resources for South Eastern Europe (RENEUER).²² Interested countries may wish to participate as part of the RENEUER network in the Financing Energy Efficiency Investments for Climate Change Mitigation project to develop investment project proposals. In addition, the natural gas companies of Southeast European countries that participate in the UNECE Gas Centre²³ help governments in the region to assess the investment needs for natural gas pipelines to enhance gas transportation across and between countries in the region.

Thirdly, environmental protection: The UNECE is active in improving the capacity of the Southeast European countries to implement its environmental conventions in the area of prevention of transboundary pollution and air pollution, or involving civil society in environmental work. The five UNECE environmental conventions²⁴ may be better used as a sound basis for environmental cooperation among the Southeast European countries. On the basis of existing and future projects and in alliance with other partners, the UNECE can contribute to raising the capacity of the countries to implement these legal instruments. These examples illustrate in a pragmatic way how economic co-operation is enhanced and could be further developed in the region and beyond.

2.3. Southeastern Europe's key challenge

There are obviously needs that are specific to Southeast European countries. While several regional initiatives contribute to shape regional co-operation (see section 4.1.) and the new multilateral CEFTA²⁵ addresses the issue of regional trade (see section 3.2.), hard security issues must still be tackled: the status of UNMIK/Kosovo, and Bosnia and Herzegovina's internal integration. It is time to acknowledge that the conflicts in the region have common historical roots, which warrants their being examined comprehensively, taking account of their interconnectedness and mutual influences. It is also high time that the belated state-building process is addressed, given that it has considerably slowed the integration process, producing the irony that "in the Balkans as a whole, today ... there are more democracies than sovereign states" — as Ivan Krastev puts it.²⁶ Indeed, we may consider most of these countries as weak states — weak in terms of legitimacy, authority, institution-building and, especially, the rule of law.

State-building demands a process of change, politics of reform based on developments in society and markets. If truth be told,

when it comes to the use of resources by the state, the stress is on the targets and efficiency and not so much on their level. Indeed, weak states, being captured states too, often allocate and distribute a lot of resources, which does not contribute to their capacity to lead in the

²¹ Information is available at <http://www.ee-21.net>.

²² Information is available at <http://www.reneuer.com>.

²³ Information is available at <http://www.gascentre.unece.org>.

²⁴ Convention on Long-range Transboundary Air Pollution; Convention on Environmental Impact Assessment in a Transboundary Context; Convention on the Protection and Use of Transboundary Watercourses and International Lakes; Convention on the Transboundary Effects of Industrial Accidents; and Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters.

²⁵ As of 1 May 2007, eight parties were the prospective members of the new CEFTA: Albania, Bosnia and Herzegovina, Croatia, Moldova, Montenegro, Serbia, the FYROM and UNMIK/Kosovo under UN administration, which negotiated the revision of the old CEFTA agreement together with Bulgaria and Romania. The new CEFTA (CEFTA 2006) officially entered into force on 26 July 2007 for five parties who had ratified the agreement: Albania, Bosnia and Herzegovina, Moldova, Montenegro, the FYROM and UNMIK/Kosovo. These are not countries belonging to Central Europe but to Southeastern Europe. The original CEFTA agreement was signed by the Visegrád Group (Poland, Hungary, the Czech Republic and Slovakia) in December 1992 and entered into force in July 1994; participating countries wanted to enhance co-operation and facilitate their European integration. Meanwhile, all former participating countries have become EU members, so in fact CEFTA has served as a preparation for full EU membership. It has to be noted that at the time of writing the new CEFTA agreement has not yet been ratified by Croatia, Serbia, and Bosnia and Herzegovina.

²⁶ Ivan Krastev, "The Balkans: Democracy without Choices," *Journal of Democracy*, 13: 3 (2002), p. 39.

reform and development effort.²⁷

Thus, if the states have a role to play as central policy-making institutions, reforms should be the consequence of developments in society and the markets. Of course, a well-organized state and consolidated democracy alone cannot secure reforms; other factors beyond the above-mentioned one also contribute to a favourable environment, regional stability and co-operation matters. Therefore, for the region and for the sake of Europe as a whole, careful, long-term strategic thinking is called for here.

But the nation-building issue should also be addressed — the time has come to close still-open wounds, to secure long-lasting stability, to consolidate democracy, and to ensure significant economic growth and prosperity. In order to move beyond the cliché that “the international community has failed to offer a convincing perspective to the societies in the region”²⁸ and to foster an agreement based on permanent solutions providing a solid political future to Southeast European countries, an international conference on the future of the region — an initiative suggested by Milan Kučan — should be organized during 2008.²⁹ This conference must be pan-European, in order to engage both the United States and Russia as partners in this effort. The UNECE, with its experience, networks of technical expert and decision-maker contacts in the region, could play a decisive role — especially in the economic dimension.

CEIS view

- Europe is experiencing new divides: firstly, there are differences inside the EU between ‘old Europe’ and ‘new Europe’, and, secondly, Southeastern Europe is a highly heterogeneous region encompassing EU member states, candidate countries and non-candidates.
- Taking into account a newly assertive Russia and the necessity to enhance co-operation in a new environment, pan-European organizations have an obvious role to play in restoring confidence and building new bridges.
- The Eastern and Southeast European countries have to play a leading role in promoting a broad dialogue at the pan-Euro-Atlantic level.

In light of this, pan-European organizations should:

- 1) investigate how consistent the divisions among EU member countries and others are;
- 2) explore how far existing strategies and tools may contribute to overcoming these new ‘barriers,’ producing an action plan; and
- 3) consider the opportunity for organizing — together with the Slovenian EU rotating presidency (January 2008) — a Southeastern Europe conference designed to solve the open questions and elaborate a rock-hard plan for a pan-European future.

²⁷ Ivo Bičanić, Vladimir Gligorov and Ivan Krastev, *State, Public Goods and Reform* (Vienna: wiiw, 2003), p. 31.

²⁸ International Commission on the Balkans, *The Balkans in Europe’s Future* (Sofia, 2005), p. 7.

²⁹ See Milan Kučan, “A New View for the Balkans,” in Hannes Swoboda and Christophe Solioz (eds), *Conflict and Renewal: Europe Transformed. Essays in Honour of Wolfgang Petritsch* (Baden-Baden: Nomos, 2007), pp. 217–23.

3. The main structural challenges

3.1. Developmentalism versus gradualism

In the wake of the democratization of some 100 countries — what Samuel P. Huntington describes as democracy's 'Third Wave' (in the years comprising the late 1980s through the early 1990s)³⁰ — disillusionment and a kind of 'democratic pessimism' are widespread today. Against the background of democracy-building efforts in Afghanistan and Iraq, the legitimacy and efficiency of democracy promotion is being openly questioned. This scepticism also concerns Southeastern Europe, where people see that their drive to democracy is suddenly forgotten in the general geo-political game. This also illustrates the 'dependency syndrome', which assumes that the drive for reform must come from outside. Contrary to the experience in Central European countries, country and regional ownership is largely absent in Southeast European countries.

External influences have had a profound impact in the region, especially in Bosnia and Herzegovina, and UNMIK/Kosovo. These experiments in 'supervised democracy' illustrate in different ways that some countries of the region are still halfway between transition and democratic consolidation. Thus, these 'Third Wave societies' are turning out to be 'struggling democracies', to use a concept coined by Thomas Carothers. This puts the spotlight on the effectiveness of the interventions, and the concepts and strategies upon which they rest.

Recent setbacks in democracy promotion, as in Southeastern Europe, have given a boost to advocates of traditional *developmentalism* — arguing that development must precede democracy — and provide evidence for 'democratic sequencing', i.e. the notion that the rule of law and a well-functioning state should be in place before democracy can be expected to take root. This is unfortunate, as, particularly in Southeastern Europe, it is precisely the absence of consolidated democratic systems that inhibits the development of the rule of law and economic reforms, underscoring the vital role of efforts to strengthen the state's core capacities taken in step with democratization. As Vladimir Gligorov emphasizes, "in the Central and Southeast European Countries in transition, democratization has been a boost and lack of it an impediment to faster economic growth and development".³¹

Agreeing with this approach, Thomas Carothers now advocates gradualism as an alternative to sequencing in assisting democratization, stating that "state-building beyond the initial stage is best pursued at the same time as democratization, with an effort to find points of complementarity and mutual reinforcement".³² The transition process and the comprehensive European integration — thus, not only the EU SAP, but also countries' membership of the Council of Europe, the OSCE and various UN agencies — of the European post-communist countries illustrates precisely such a gradualist process.

As processes of post-conflict political reconstruction have fallen short of early — unrealistic — hopes, the strategies and results of international state-building practices in Southeastern Europe are being questioned. Critical, and sometimes provocative, accounts highlight the paradox of Western intervention that threatens to destroy democracy in order to save it, and the subordination and weakness of non-Western states in relation to the Western powers.³³ Obviously, Southeastern Europe experienced a transition process that was significantly different from that in most Central European countries, since it was strongly affected by the break-up of the SFRY and the war the countries that comprised it experienced in the early 1990s.

Rethinking these years, Marina Glamocak coined the term 'transition through war' (*transition*

30 Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1991).

31 Vladimir Gligorov, *Transition, Integration, and Development in Southeast Europe* (Vienna: wiiw, January 2007), p. 8.

32 Thomas Carothers, "How Democracies Emerge," *Journal of Democracy*, 18; 1 (2007), p. 20.

33 See David Chandler, *Empire in Denial: The Politics of State-building* (London: Verso, 2006).

guerrière) to describe them.³⁴ On examining this period, we may observe four distinct phases: a transitional period characterized by war and crisis after independence (1991–95); a period of authoritarian nationalism and economic recovery (1996–98); a period of transitional democratization (1998–2000); and a period of democratic consolidation and EU integration (2001–07).³⁵ What is at stake in this last period is the Euro-Atlantic integration process and, above all, the effective transformation of the country into a truly democratic state — and this requires more than just the ‘implementation’ of EU requirements.

CEIS view

The Southeast European countries’ complex transformation process requires an approach combining state-building and consolidation of democracy. In this framework, a consensus for a comprehensive new economic and political approach, with new organizational strategies, must be built to address long-term problems. This will affect the EU *acquis communautaire* along with standards of various pan-European organizations that should be adapted and up-graded.

In light of this, Pan-European organizations should:

- 1) examine how far the economics of reform experienced in ‘new Europe’ would better suit to Southeast European countries; and
- 2) consider establishing a cluster of competencies on economic reform in Southeastern Europe, building on ongoing programmes and comparative advantages of the various organizations in order to mobilize this new potential and influence the politics of reforms.

3.2. Aid versus development

In the war-torn Southeast European countries, the belated international political and military intervention and economic involvement have had — during the immediate post-war years — positive consequences for the overall security in the aid-recipient states and in the region as a whole. But the long-term institutional and developmental consequences have often been negative. Indeed, while the recommended economic policies have had some positive effects that contributed to stability in the first post-war years, this was less so for the development and growth in the region in the long run. For Vladimir Gligorov, “[i]t is an open question whether the main reason was the lack of coherence between the aid effort that targeted mainly security and social stability with the transitional agenda that targeted institutional change and structural reform”.³⁶ We may also ask if these policies could first have been better adapted to the local context in order to address the political and economic specificities of the various transition phases and to enhance country ownership.³⁷

The transition of Central and East European countries that joined the EU in 2004 demonstrates that the EU integration process favours trade, foreign investment, migration, development and institutional development. Already in 2005, the UNECE *Economic Survey for Europe* noticed

[t]hat the realistic prospect of EU membership has been the single most important stimulus to the economic transformation of these countries. The preparation for accession to the EU defines a broad reform agenda with clearly specified goals and the means to achieve them, and establishes strong and clear incentives for policy makers. Moreover, the institutionalization of

34 See Marina Glamocak, *La Transition guerrière yougoslave* (Paris: L’Harmattan, 2002).

35 Following Paul Stubb’s periodisation, “Community Development and Mobilisation,” in *Next Steps in Croatia’s Transition Process* (edited by Srđan Dvornik and Christophe Solioz, Baden-Baden: Nomos, 2007), p. 101.

36 See Vladimir Gligorov, *Aiding Balkans* (Vienna: wiiw, January 2006), p. 15.

37 It is obvious that country ownership was not a priority in the first post-war years at all.

the policy commitments within a tight schedule of accession negotiations helps both to accelerate and provide direction to the reform process.³⁸

The cases of Romania and Bulgaria, who did not rely on aid, but had the European anchor, also prove that EU integration speeds up the transformation process. Elsewhere in Southeastern Europe, the essentially aid-based intervention turned out to be less efficient, especially in state-building and economic development. In the view of Vladimir Gligorov, “the main lesson is that policy-making and policy-taking game is less effective and beneficial than that of integration and institutional development”.³⁹ Economic stability in Southeastern Europe must be related more to the processes of EU integration and interregional co-operation, and less to the classical process of development. Such an approach would contribute to avoid the main shortcoming of international support policies highlighted by Žarko Papić *et al.*: “partnership with local stakeholders related to implementation of support projects was not developed, therefore, their ownership/responsibility is inadequately developed and their sustainability is weak”.⁴⁰ In our view, the EU integration and the interregional co-operation processes can decisively contribute to strengthen domestic capacities and foster a policy of local ownership. Romania and Bulgaria’s EU integration also illustrate the impact of the transition and integration processes in the economic field: both countries have increased their global market integration, more so than have bilateral free trade agreements among Southeast European countries. This brings us to reflect on the question of regional trade in a comprehensive manner.

The new multilateral CEFTA⁴¹ addresses indeed effectively the issue of regional trade — the exports of the countries of the region to the region. But it must be noted that existing trade patterns suggest a low level of potential intra-regional trade, given the small size of the regional market and the limited potential for specialization: the reality is that with the EU as the main trade partner, the stimulus for further trade is smaller than that provided by the integration process itself. Thus, while CEFTA creates a true free trade area in Southeastern Europe, it remains to be seen if it will also attract investments to further boost exports beyond the region. For the moment, the countries in the region sell to one another, especially Bosnia and Herzegovina and UNMIK/Kosovo, but tend to import from, rather than sell to, countries outside the region.

Nevertheless, by increasing co-operation, CEFTA could help develop national economies as components of the regional market. This would strengthen regional stability and consequently help attract investors. The second indirect effect is that of enhancing regional competitiveness: indeed, CEFTA (allowing the law of comparative advantage to work) could prepare the regional markets for international competition firstly in Central and Eastern Europe, and secondly at the pan-European level. The added value of such an approach would also be to address the quality of foreign direct investment, and the issues of the large-scale privatization transactions in telecommunications, banking and heavy industry. Indeed, we have to bear in mind that once the sell-off of state-owned large companies is completed, there is limited potential for attracting (for example) greenfield investments⁴² to the regions in the existing environment.

Awareness of the CEFTA’s potential, as well as its limits, is crucial for building a realistic and innovative approach to the challenges of the various national economies in the regional framework. Thus, CEFTA, but not CEFTA alone, could lead to an increase in intra-regional trade and boost the economic development of the region. Therefore, embracing more than trade policy and the flow of aid, a policy enhancing inflows of capital and financial resources matters more, as it develops a sound

38 UNECE, *Economic Survey for Europe 2005* (Geneva: UNECE, 2005, No. 1), p. 54.

39 Vladimir Gligorov, *Transition, Integration, and Development in Southeast Europe* (Vienna: wiiw, January 2007), p. 38.

40 Žarko Papić, Ranka Ninković and Omer Čar, *Integrity in Reconstruction: Corruption, Effectiveness and Sustainability in Post-War Countries* (Sarajevo: IBIH-BiH, 2007), p. 5.

41 See footnote 25.

42 So-called greenfield investments are direct investment in new facilities or the expansion of existing facilities. Such investments are the primary target of a host nation’s promotional efforts, because they create new production capacity and jobs, transfer technology and know-how, and can lead to linkages to the global marketplace.

market economy and creates trade opportunities. Such an approach addresses the challenges of structural and development policy in Southeastern Europe, two factors attracting foreign investments and conducive to market development.

While CEFTA — given its potential positive effect on regional trade — is welcome, EU membership and the broad pan-European prospects will be more decisive, because they provide the impetus for much needed institution-building and structural reforms. If, however, EU integration remains a dim prospect, reforms — if not blocked — will lag behind, as can be observed in Bosnia and Herzegovina, UNMIK/Kosovo and, until recently, Serbia. Thus, we see the EU membership perspective and the pan-European framework as two intertwined condition for successful economic development in Southeastern Europe.

CEIS view

Southeast European countries need incentives for structural reforms that will, in turn, attract foreign capital and develop the market economy at a pan-European level. While EU membership represents a main drive to reform, pan-European organizations — the UNECE in a specific way — could focus on and contribute to upgrading the general management skills, prepare enterprises to face increasing competitive pressure in Europe and beyond and, thus, stimulate the development of new markets beyond the region and the EU. This underscores the need for considerable infrastructure improvements in large parts of the region, coupled with simplified formalities and procedures to facilitate increased exchanges.

In light of this, pan-European organizations should:

- 1) at the country level, examine how far their existing intervention strategies already target institutional changes and structural reform; and
- 2) at the regional level, follow up the implementation of their already existing conventions, standards, recommendations and tools for trade and transport facilitation — in particular their efforts to eliminate non-tariff barriers to trade.

3.3. Fake versus effective implementation

As pointed out above, understanding the region's dialectic of change and continuity, more specifically its main post-war economic problems, highlights the same set of factors. Firstly, aid provided to Southeast European countries does not seem to have substantially improved their institutional transformation; secondly, the parallel presence of different international organizations and the lack of mechanisms for effective co-ordination among them proved to be mostly counterproductive (see section 4.1.); and, thirdly, the anchor of EU integration has since 2005 been seen to be somewhat shaky, serving paradoxically to block the reform process (at the time of writing). The improved growth performance over the last six years proves that the reform policies have worked, but the limited institutional development must be addressed through structural reforms. The main problem is to implement them more consistently and to strengthen the state's capacities for introducing additional reforms. These aspects characterize the 'reform fatigue' that is assessed by the EBRD transition indicators (see table 3). Compared to Central European countries and other transition economies — Bulgaria in the table — the duration of the transition process seems to be the main factor explaining the differences and delays.

These factors do not completely explain the specificity of the Southeast European transition process. One key aspect — directly related to the weak institutional framework — is too often forgotten, but nevertheless highly significant: the 'unobserved' economy — comprising the informal economy, the underground economy and the illegal economy. These intertwined problems — related to the recent wars and their political economy — must be addressed simultaneously, otherwise the policies aimed at

fighting corruption, curtailing the informal economy and combating trafficking will produce only limited outcomes. This means targeting the main figures of this emerging non-regulated economic space. This concerns people — many of whom are close to the politico-military establishment — who have no interest in progress in institution- and state-building. Their interest lies in keeping the state weak and opposing the European integration process — more specifically the adoption of certain standards. The fact is also that these informal networks are essentially regional, and are resistant to improved, controlled and formal regional co-operation. Thus, when speaking of enhanced regional co-operation, the issue of the unobserved economy must also be addressed.

Table 3: Transition indicators for 2006

| | Large-scale privatization | Small-scale privatization | Restructuring | Price liberalization | Foreign trade and exchange rate regimes | Competition policy | Banking reform and interest rate liberalization |
|------------|---|-----------------------------|--------------------|----------------------|---|--------------------|---|
| Albania | 3.00 | 4.00 | 2.33 | 4.33 | 4.33 | 2.00 | 2.67 |
| B&H | 2.67 | 3.00 | 2.00 | 4.00 | 3.67 | 1.67 | 2.67 |
| Bulgaria | 4.00 | 4.00 | 2.67 | 4.33 | 4.33 | 2.67 | 3.67 |
| Croatia | 3.33 | 4.33 | 3.00 | 4.00 | 4.33 | 2.33 | 4.00 |
| FYROM | 3.33 | 4.00 | 2.67 | 4.33 | 4.33 | 2.00 | 2.67 |
| Montenegro | 3.33 | 3.00 | 2.00 | 4.00 | 3.33 | 1.00 | 2.67 |
| Serbia | 2.67 | 3.67 | 2.33 | 4.00 | 3.33 | 1.67 | 2.67 |
| | Stock exchange and other non-banking financial services | Other infrastructure reform | Telecommunications | Railways | Electricity | Roads | Water and waste water |
| Albania | 1.67 | 2.00 | 3.00 | 2.00 | 2.67 | 2.00 | 1.67 |
| B&H | 1.67 | 2.33 | 2.33 | 3.00 | 3.00 | 2.00 | 2.00 |
| Bulgaria | 2.67 | 3.00 | 3.33 | 3.33 | 3.67 | 2.67 | 3.00 |
| Croatia | 3.00 | 3.00 | 3.67 | 2.67 | 3.00 | 3.00 | 3.33 |
| FYROM | 2.33 | 2.33 | 3.00 | 2.00 | 3.00 | 2.33 | 2.33 |
| Montenegro | 1.67 | 2.00 | 3.00 | 1.00 | 2.33 | 2.00 | 2.00 |
| Serbia | 2.00 | 2.00 | 2.33 | 2.33 | 2.33 | 2.67 | 1.67 |

Note: Progress is measured on a scale from 1 to 4, with 4 and 4+ (e.g. 4.33) indicating that the level of the developed market economies has been achieved.

Source: EBRD, *Transition Report 2006: Finance in Transition* (London: EBRD, 2006)

As has been recognized by a number of outside experts, the recovery of the formal economy and the unobserved economy have been tackled separately by international involvement, the former through macroeconomic stabilization, liberalization and structural reforms; the latter through a plethora of country and regional initiatives aimed at introducing new legal frameworks, institutions and structures. But all this had limited effect and proved to be insufficient to counteract the power of these informal networks.⁴³ This explains the lack of stability and consistently lowers the attractiveness of

43 On informality, see Christophe Solioz, "Informality and Formality of Social Networks," *Turning Points in Post-War Bosnia* (Baden-Baden: Nomos, 2007 [2005]), pp. 61–7; and Klaus Roth (ed.), *Soziale Netzwerke und soziales Vertrauen in den*

Southeastern Europe's markets for foreign investors. Many (if not most) EU and Council of Europe country reports insist on the lack of implementation of approved reforms corresponding to EU or Council of Europe conditionalities. Structural factors and a lack of political will are mentioned as factors explaining the resistance to reform; experts insist on the 'how' and neglect the other vital question: 'Who' is supposed to agree on and implement the reforms? In the best cases, the absence of a middle class is mentioned, but 'why' this is the case remains a mystery. Corruption is often mentioned, but an appropriate framework for how to deal with this is not provided.⁴⁴ Therefore, the next section attempts to provide insight into this question.

From the early 1980s, the main issue in Southeastern Europe was the fate of the existing political and economic system.⁴⁵ As the balance of forces was about to shift in favour of reformist forces who sought to reform existing structures, openly arguing for political and economic liberalization, conservative forces used a strategy of tension and violence by which they could demobilize a conservative movement and impose a conservative leadership.⁴⁶ The objective was, firstly, to maintain and consolidate control over existing structures of economic and political power and, secondly, to control the changes in those structures. Thus, a conservative elite opposed the transition process — that of political and economic liberalization — and manipulated the masses into violent conflicts by misusing the 'ethnic card' and the discourse of ethnicity.⁴⁷ As a result, violence and warfare, the least-favoured option among the wider population, has come to be labelled 'ethnic conflict', and came to dominate and shape the post-Yugoslav space in the 1990s. But these wars were engineered by the conservative elites for their own purposes.

Table 4: Indices of corruption and freedom

| | Corruption Perception Index, 2006 | Heritage, 2007 | Fraser, 2006 | Freedom House, 2007 | Global Competitive- ness Report |
|------------------------|---|----------------|--------------|------------------------|---------------------------------------|
| Albania | | | | partly free (3.39) | 98 |
| Bosnia and Herzegovina | 93 | 115 | | partly free (3.3) | 89 |
| Croatia | 69 | 109 | 74 | free (2.2) | 51 |
| FYROM | 105 | 71 | 102 | partly free (3.3) | 80 |
| Montenegro | | | | partly free (3.3) | 87 |
| Serbia | 90 | | | free (3.2) | 87 |
| Turkey | 60 | 83 | 83 | partly free (3.3) | 59 |

Source: Vladimir Gligorov, *Task Force on Economic Strategy for South Eastern Europe* (New York: East-West Institute, advanced copy, April 2007)

The paradox of the outcome of the recent Balkan wars was that the various peace agreements were shaped by the 'international community' and by those local conservative elites precisely associated with the armed conflicts, or by specific conservative interests. Thus, instead of being defeated,

Transformationsländern (Vienna: LIT, 2007).

44 For a comprehensive analyze of the integrity and corruption in the post-war reconstruction process in Bosnia and Herzegovina see Žarko Papić, Ranka Ninković and Omer Čar, *Integrity in Reconstruction: Corruption, Effectiveness and Sustainability in Post-War Countries* (Sarajevo: IBIH-BiH, 2007).

45 See Susan L. Woodward, *Balkan Tragedy: Chaos and Dissolution after the Cold War* (Washington, DC: Brookings Institution, 1995), and by the same author: *Socialist Unemployment: The Political Economy of Yugoslavia, 1945–1990* (Princeton: Princeton University Press, 1995).

46 This first section is informed by V. P. Gagnon, Jr., *The Myth of Ethnic War: Serbia and Croatia in the 1990s* (Ithaca & London: Cornell University Press, 2004).

47 The aim of the strategy of violence was to shift the focus of political discourse away from issues of change and, thus, to marginalize the proponents of fundamental changes; see Gagnon, *The Myth of Ethnic War*, pp. 180–1.

conservatives consolidated their power and could pursue the capture of the states' resources, using the time "to shift their power from the resources that mattered in the old system ... to the resources that matter in a capital market system — ownership of economically productive assets and of capital, and control over distribution networks".⁴⁸ As Ivan Krastev points out, state institutions were captured by these elites, delaying modernization and state-building processes.⁴⁹ Controlling the distribution of power and maintaining control of resources, they controlled the post-war transition to capitalism. As they no longer feel threatened by formal politics, ruling parties may change (as happened in Serbia, Croatia, and Bosnia and Herzegovina in 2000), but this does not affect these conservatives' power. Even the European integration process does not undermine their influence: Bulgaria and Romania have still much to do in the fight against corruption and organized crime. More worrying, EU officials question if the structures exist to combat the lingering corruption and lawlessness that surfaced during the transition period.⁵⁰ The Corruption Perception Index tends to indicate that all these countries are perceived to be very corrupt (see table 4).

Thus, Southeastern Europe did not experience the fate of Central European countries, especially in the Visegrád Four, where the strategy of conflict was controlled — as in Poland — or rejected — as in Hungary. This is also explained by the fact that reforms there happened well before 1989. Firstly, this enabled the conservative elites to adapt and find a position in the new society — becoming part of the new elite in a liberalized economic system — and, secondly, it enhanced co-operation between conservative and reformist elites. Thus, a national consensus was constructed, which is absent in most Southeast European countries. The current evolution in Central Europe is worth noting: with the transition towards democracy and a market economy, the EU integration process is a verifiable success, though the elites responsible for these changes are now rejected. Making tough policy decision and fight more effectively corruption now has less political support.

As Freedom House points out, public consensus on the need for belt-tightening seen during the approach to EU membership has now waned; reform fatigue and erosion of the democratic consensus also affect Central Europe's EU member states.⁵¹ New populist currents criticize the consensus that animated all the governments, on the right and the left, since 1989 regarding adhesion to a market economy, development of the rule of law, and membership of the North Atlantic Treaty Organization (NATO) and the EU. This illustrates how the social fabric of politics works: the consensus is evolving, as new elites — bargaining on polarization and populism — want their share of the cake. The difference with Southeastern Europe remains the same: in Central Europe, the strategy of violence was not chosen.

Against this background, proactive international strategies should focus on coherent and comprehensive actions that jointly address all aspects of the formal and unobserved economies with the aim of strengthening a new elite. Economic consolidation and enhanced state legitimacy, supported by new stakeholders, may undermine the criminalization of the economy. The new leadership should be aware of the necessity of rebuilding the social and political consensus behind the reforms. This could contribute to overcoming the ubiquitous apparent lack of implementation of reforms.

CEIS view

48 Gagnon, *The Myth of Ethnic War*, p. 182.

49 See Ivan Krastev, "Weak States as a Security Threat," *Südosteuropa Mitteilungen*, 44: 4 (2004), pp. 102–16.

50 See Commission of the European Communities, *Report from the Commission to the European Parliament and the Council on Bulgaria's Progress on Accompanying Measures Following Accession* (Brussels: COM 2007) 377, 27 June 2007) and *Report from the Commission to the European Parliament and the Council on Romania's Progress on Accompanying Measures Following Accession* (Brussels: COM (2007) 378, 27 June 2007). These reports have been prepared in this post-accession perspective and seek to assess the progress made on the commitments made at the time of accession. The reports are not monitoring reports; they are assessments made under the Cooperation and Verification Mechanism established by the Commission decision of 13 December 2006.

51 See Freedom House, *Nations in Transit 2007: Governance Crisis in Central Europe amid Intensifying Repression in Russia and CIS* (Lanham: Rowman & Littlefield, 2007).

Much more research is needed to better understand the interaction between local levels of party and economic power before and after 1990; and how local-level stakeholders used their control over local resources, their connection to centres of power and mostly informal social networks to accomplish their goals. The evolution of the strategy of the conservative elites, the changes in the structure of power that occurred under their guidance and their relations to organized crime must be clarified. To expect that a change of elites alone would resolve this issue is simply naive. When the opposition came into power in 2000, most of the conservative elites already controlled economic resources, and thus they no longer needed to control the state, and corrupt networks just shifted to the opposition. When politicians such as Zoran Đinđić attempted to crack down on organized criminals, the response was immediate and effective.

The recent structural reforms, essentially at the economic level, may progressively change the structure of power and create new elites. Pan-European organizations should therefore:

- 1) fortify this process by also involving as partners in its programmes people who are less (or not at all) connected with the previous elites: civil society, especially the young generation and women's business networks, should be targeted;
- 2) focus on monitoring the effective implementation of the UN Convention against Transnational Organized Crime and the UN Anti-corruption Convention; and
- 3) identify and map further legal and institutional gaps and weaknesses.

In order to defeat the informal criminalized sector, aid agencies and regional organizations active in the field of regional economic development should bring together their experience and elaborate — based on a set of best practices — a common strategy focusing on corruption and trans-border crime. Pan-European organisations could consider the SECI Regional Centre for Combating Trans-border Crime as a partner.

4. Key elements of a strategy for change

4.1. The fate of regional initiatives

Regional initiatives in Southeastern Europe are often related to post-war situations. We might briefly recall the leading role of Yugoslavia in the Non-Aligned Movement (NAM),⁵² an international movement that has since lost most of its credibility. The end of the Cold War brought the 1988 Summit of Foreign Ministers of South Eastern Europe, a regional initiative renamed in 1996 the South-East European Cooperation Process (SEECP) and, in 1989, the Central European Initiative (CEI) — an initiative establishing a platform for mutual political, economic, scientific and cultural co-operation with a secretariat in Trieste;⁵³ and the Black Sea Economic Cooperation (BSEC) — a multilateral political and economic initiative based in Istanbul since 1994.⁵⁴ In 1995, after the Bosnian war, the European Council initiated the Royaumont Process to promote stability and good neighbourliness in Southeastern Europe, while the United States initiated the South East European Cooperation Initiative (SECI) in December 1996, which encourages functional co-operation among the countries of the region in order to facilitate Southeastern Europe's EU integration.⁵⁵ The Kosovo crisis and NATO intervention in 1999 led to the establishment on 10 June 1999 of the Stability Pact for South Eastern Europe. The Stability Pact's ambition was to replace the previous, reactive crisis-intervention policy in the region with a comprehensive, long-term conflict-prevention strategy, and to strengthen Southeast European countries "in their efforts to foster peace, democracy, respect for human rights and economic prosperity in order to achieve stability in the whole region".⁵⁶

The above list of initiatives, far from being complete, represents the most prominent forums. There are obvious common features of these regional initiatives: the lists of objectives and membership generally overlap,⁵⁷ their respective activities consist mostly in meetings, the budgets are small and cover infrastructure costs, there are only a limited number of implemented projects, and the overall output is modest. Exceptions are SECI, which focused on a set of priorities — notably on cross-border projects in the areas of infrastructure development, trade and transport issues, security, energy, environment and private sector development — and the Stability Pact. The latter, often seen as just an additional forum for the exchange of views, has managed to successfully co-ordinate programmes and projects targeting a broad spectrum of initiatives focusing on energy and regional infrastructures, trade and investments, cross-border co-operation, parliamentary co-operation, and fighting corruption and organized crime. It is noteworthy that SEECP is the only original form of co-operation among the countries in the region launched on their own initiative.⁵⁸ With the notable exception of SEECP, the

52 The concept of 'non-alignment' was coined by Indian Prime Minister Nehru in 1954. The first summit was held in Belgrade in 1961. The world's 'non-aligned' nations declared their desire not to become involved in the East–West ideological confrontation of the Cold War. The movement lost credibility in the late 1960s when it was seen by critics to have become dominated by states allied to the Soviet Union. The movement fractured from its own internal contradictions when the Soviet Union invaded Afghanistan in 1979. Post-Yugoslav republics have expressed little interest in the NAM since the country's break-up. Malta and Cyprus ceased to be members of the NAM when they joined the EU. The most recent summit of the NAM took place in Havana, Cuba in 2006. Information is available at <http://www.cubanoal.cu/ingles/index.html>.

53 The origin of the CEI lies in the agreement signed in Budapest on 11 November 1989 by Italy, Austria, Hungary and Yugoslavia establishing a platform for co-operation called Quadrangular Cooperation. In 1990, with the admission of Czechoslovakia, it became the Pentagonal Initiative, and in 1991, following the admission of Poland, it was renamed the Hexagonal Initiative. Following the dissolution of the former Yugoslavia, the Vienna Summit in 1992 admitted Bosnia and Herzegovina, Croatia, and Slovenia and approved the renaming of the grouping as the CEI. The FYROM was admitted in 1993 at the Budapest Summit. In 1993 the Secretariat started operating at the EBRD in London. Information is available at <http://www.ceinet.org>.

54 BSEC member countries are Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Serbia, Turkey and Ukraine; seven EU countries, Croatia, Belarus, Egypt, Israel, Tunisia and the United States are observers. Information is available at <http://www.bsec-organization.org>.

55 SECI was launched as an idea in Vienna in 1995; the aim is to focus on effective operational operation, instead of political co-operation. The SECI participating states include Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Hungary, Moldova, Romania, Slovenia, the FYROM, Turkey and, as of December 2000, the Federal Republic of Yugoslavia (now the separate states of Serbia and Montenegro). Information is available at <http://www.secinet.org>.

56 Stability Pact constituent document, Cologne 10 June 1999; available at <http://www.stabilitypact.org/constituent/990610-cologne.asp>.

57 A typical list includes strengthening of security and political co-operation; intensification of economic relations and co-operation in human resources, democracy, justice and combating organized crime; and, last but not least, facilitating the approach of European and Euro-Atlantic structures.

58 SEECP participating states are Albania, Bulgaria, Greece, the FYROM, Romania, Serbia, Montenegro and Turkey as founding

very notion of regional co-operation was part of post-conflict stabilization efforts undertaken by the international community, and not a genuinely endogenous process.

Against this background, the ongoing process transforming the Stability Pact into the Regional Co-operation Council (RCC) indicates a major evolution towards more regional ownership.⁵⁹ Until recently, the Southeast European countries resisted most of the regional initiatives, because they were seen as being too close to the Yugoslav model. Even if it was always obvious that these countries were inextricably bound to the Eastern European sub-region by historical, cultural, political, social and economic ties, regional co-operation was often conducted only because it was required from outside — an EU conditionality. Thus, ‘regional co-operation’ rhetoric was often perceived as just “another sign of dependency — because it [was] not owned or promoted primarily by the region itself”.⁶⁰

But now the time is ripe for this major shift: Southeastern Europe seems much more open today to facing problems that can only be addressed on a regional basis. This includes attracting foreign investment, facing the energy supply issue and fighting organized crime. Business people routinely cross borders and realize strategic partnerships; cultural productions from varied parts of the region find audiences throughout the region; and artists and producers co-operate as if the wall of the recent past had never been there. This applies in a particular way to the former Yugoslavia — the anti-Yugoslav fixation appears to be more and more outdated. As Tihomir Loza observes, at work here are forces linked to cultural proximity and affinity:

Yugoslavia was more than a state. Once it ceased to exist and as the causes of conflict among its constituent parts fade, things that the people of the region want to share irrespective of political arrangements among them become prominent.⁶¹

Loza suggests this might be facilitated, “because none of the ways in which Yugoslavia is really being recreated promises — or should I say threatens? — that the region will again be shaped into a single country”.⁶²

Politicians are aware of this new mood. On 24 June 2007 Serbian President Boris Tadić apologized to Croats for war-related hardships: Croatian President Stjepan Mesić said it was especially significant, as the former Serbian regime of Slobodan Milošević had caused the greatest losses to all (in the former Yugoslavia), including among Serbs. Zoran Milanović, leader of the main opposition Social Democratic Party, also praised Tadić’s statement as evidence of new leadership in Serbia. As highlighted by Ivo Sanader, the prime minister of Croatia,

it has become evident that the time is ripe to adjust some features of this co-operation network and architecture, to refocus activities in order to enhance the regional ownership dimension, to increase efficiency in order to achieve Euro-Atlantic strategic goals. Hence the subtitle of this conference — From the Stability Pact for South Eastern Europe to the Regional Co-operation Council: Enhancing the Voice of the Region.⁶³

The previous regional initiatives need careful recalibration and innovative thinking. Firstly, regional

countries; Bosnia and Herzegovina (joined February 2001); and Croatia (joined 2004); while the Republic of Moldova has applied for observer status.

59 The Stability Pact will be phased out in February 2008 and be replaced by the RCC, the headquarters of which will be based in Sarajevo. The first secretary-general of the new organization will be the Croat diplomat Hido Bišćević. All countries of the region, regardless of their status *vis-à-vis* the EU or NATO, will be members of the RCC and its board: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, the FYROM, Moldova, Montenegro, Romania, Serbia, Turkey and UNMIK/Kosovo.

60 Gregor W. Kössler, “Regional Cooperation in South East Europe,” in Hannes Swoboda and Christophe Solioz (eds), *Conflict and Renewal: Europe Transformed. Essays in Honour of Wolfgang Petritsch* (Baden-Baden: Nomos, 2007), p. 225.

61 Tihomir Loza, “Yugoslavia: Rising from the Ashes,” *Transitions Online* (26 June 2007); available at <http://www.tol.cz>.

62 *Ibid.*

63 Ivo Sanader, “Croatia’s European Role and Responsibility in South East Europe as SECEP Chairmanship,” opening address to the international conference: Regional Cooperation Challenges 2007/2008. From the Stability Pact for South Eastern Europe to the Regional Cooperation Council: Enhancing the Voice of the Region, Zagreb, 8 September 2006.

and pan-European organizations must enhance co-ordination among themselves, especially when it comes to initiatives implemented in the region: pragmatism and (cost) efficiency are the keywords. To put it the other way round, to enhance its capacities, the RCC might consider focusing on achievable goals and professional expertise, relying on and involving such existing pan-European institutions as the Council of Europe, the OSCE and the UNECE. Secondly, Southeast European countries must encompass the process of wider regional co-operation, including with non-EU countries in Eastern Europe, notably Russia, and countries in the Caucasus, Central Asia and the Mediterranean basin. Such a broad regional network would be of interest at the political, economic and cultural levels. This would provide pan-European organizations with the necessary legitimacy to be considered as key actors.

CEIS view

Rather than developing duplicate initiatives, which will survive only until these regional initiatives are financed, the existing initiatives should be streamlined by exploring their complementarity and improving their co-ordination. There is an obvious need for reinforcing existing solutions (conventions, standards and tools) to address problems in trade and transport facilitation, environmental protection, energy supply, security, efficiency, etc. rather than developing duplicate initiatives. UNECE tools, when shared by the countries of the region, would considerably facilitate their economic relations and enhance regional co-operation. Of course, these tools should also be offered to countries that need to first achieve their own reintegration — Bosnia and Herzegovina springs immediately to mind here, a country that still has two separate economic systems, not yet unified. A technical approach could contribute to solving the political issue.

In light of this, pan-European organizations could consider:

- 1) examining — through common country assessment and a regional review — how Southeast European countries could adopt and implement the various pan-European organizations' tools in the fields of trade, environment, energy and statistics. An outreach campaign in the region could raise awareness that the regional dimension matters and bring more people to support the adoption and implementation of these instruments;
- 2) developing a regional co-operation indicator, focusing on the economic dimension — not as a trendy, intellectual gadget, but as a reliable tool assessing progress in this matter. This would definitively provide a common and reliable indicator that could be useful in assessing progress and elaborating new strategies;
- 3) working on the idea of an indicator of perceived regional co-operation that would be useful in assessing the level of implementation, as well as the effect of the outreach campaign; and
- 4) working out a partnership with the RCC, which could offer its facilities in Geneva to organize under its auspices ministerial meetings requesting the involvement of pan-European diplomatic contacts. The UNECE could provide the RCC with a pan-European framework and facilitate its access to pan-Euro-Atlantic diplomatic circles.

4.2. Enhancing co-ordination in the UN world

The 'One UN' proposal should be discussed in this framework. The overall objective of the 'One UN' pilot project — initiated after the 2005 World Summit⁶⁴ — is to ensure faster and more effective development operations, to accelerate progress toward achieving the Millennium Development Goals and, of course, to counter fragmentation in the UN system that has often led to competition within the organization for resources. This coherence programme seeks to co-ordinate the efforts of 16 agencies, 14 programmes and 17 other offices of the Secretariat⁶⁵ — a remarkable challenge, as each of these organizations has its own agenda and priorities. As stated in the *Report of the Secretary-General's*

64 The 2005 World Summit called for much stronger system-wide coherence across the various development-related agencies, funds and programmes of the UN.

65 See "The United Nations System," *Delivering as One: Report of the Secretary-General's High-Level Panel* (New York: UN, 9 November 2006), p. 51.

High-Level Panel: “The UN needs to overcome its fragmentation and deliver as one through a stronger commitment to working together on the implementation of one strategy, in the pursuit of one set of goals”.⁶⁶

The creation of the ‘One UN’ pilots was recommended by the Secretary-General’s High-Level Panel on UN System-wide Coherence, a group of heads of state and policy makers tasked with examining ways to strengthen the UN’s ability to respond to the challenges of the 21st century.⁶⁷ In a first phase, eight countries — Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Tanzania, Uruguay and Vietnam — volunteered to become ‘One UN’ pilots aiming to evidence the potential of this new approach.⁶⁸ It must be noted that this is in essence mainly a country approach: ‘One UN in Country’ means one leader, one programme, one budget and one office. This is not about full merging, but rather harmonization towards maximum effectiveness and accountability, and building on the core comparative advantages of the entire system.⁶⁹

The UNECE should raise the issue of regional co-operation and explore how this strategic focus could be taken into account. Firstly, it should examine how its programmes might be concerned with and linked to ‘One UN’ — taking into account the implementation time framework in Central and Southeastern Europe. Secondly, the UNECE should consider the extent to which its project would be affected by the country approach of ‘One UN’ and what would not be included in the latter.

CEIS view

UN agencies should examine the potential impact of the ‘One UN’ approach on their programmes and the extent to which they should be involved in this initiative.

- As the regional dimension matters, in particular in Southeastern Europe, pan-European organizations could work on the project of ‘One UN for Southeastern Europe’.
- Another option could be to initiate a ‘regional UN cluster’ aiming to enhance co-ordination among UN agencies.
- In both cases, it would help to work on the project of a ‘One UN regional homepage’ that would illustrate the initiative and facilitate access to information. But, of course, the ‘One UN’ approach should not remain virtual!

4.3. Overcoming Europe’s new divisions

As mentioned above, the specific added value of a renewed pan-European approach is to face and contribute to overcoming existing new divisions, specifically between EU members and non-members (see section 2.). The Bucharest Process — initiated in 2003 — may provide some useful insights here. We may recall that the employment ministers of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the FYROM, Moldova, Montenegro, Romania and Serbia, and the head of the economic administration of UNMIK/Kosovo discussed ways in which to collectively tackle the problems they faced in the employment sector as a result of economic restructuring, the transition to market economies, insufficient levels of investment and the damaging effects of past conflicts in the region. The Bucharest Declaration they adopted called for regional co-operation in addressing these challenges so as to achieve major improvements in national employment policies. They also mandated the Council of Europe and the International Labour Organization to implement their commitment to

66 See *ibid.*, p. 2.

67 See the website of the Secretary-General’s High-Level Panel on UN System-wide Coherence, <http://www.un.org/events/panel>.

68 The UN ‘Delivering as One’ approach starts by establishing, by 2007, eight One Country programmes as pilots. Subject to continuous positive assessment, demonstrated effectiveness and proven results, these should be expanded to 20 One Country programmes by 2009, 40 by 2010 and all other appropriate country programmes by 2012.

69 See *Formula One Newsletter*, 3 (June 2007), available at <http://www.undg.org/docs/7467/Formula%20One%20Newsletter-June.pdf>.

take action, within the framework of the Initiative for Social Cohesion of the Stability Pact for South Eastern Europe.

Based on the Bucharest Process and on other similar initiatives, we may suggest a new architecture for Southeastern Europe regional co-operation based on a specific set of criteria:

- strong regional ownership of the initiative (SEECF, RCC, Bucharest Process);
- focused processes (for example, the Bucharest Process targets employment);
- peer-reviewed country reviews;
- mobilization of political resources;
- convergence with European tools and practices;
- integration of cross-cutting issues such as the involvement of social partners and gender equality promotion;
- involvement of EU countries;
- participation of pan-European organizations; and
- improved co-ordination among implementing organizations.

CEIS view

Pan-European organizations should consider the initiation of — or support for — a ministerial process for economic regional integration at the pan-European level. This process would consist of a set of political and technical meetings. The technical meetings would typically focus on UNECE tools and involve other organizations working on the same issues. The aim of the political meetings would be to mobilize political support for a process of change.

Conclusion

The EU integration process represents a particularly strong source of outside interference for Southeast European countries. Different to what happened in the case of the integration of Central European countries, the EU is directly involved in the institutional development and decision-making processes of the next group of potential EU member countries. In the best case, instead of ownership, we may speak of an ownership-friendly ‘positive conditionality’ — to use a term coined by Othon Anastasakis and Dimitar Bechev.⁷⁰ Against this background, the establishment of the RCC is sending out a strong signal: Southeast European countries are shifting from a passive policy-tracking to a proactive policy-making approach. This locally owned regional co-operation process should be supported and completed by a broader pan-European approach that would focus on practical results and prioritize well-defined sectoral activities enhancing regional economic development.

From this viewpoint, Southeast European countries should not consider pan-European organizations as ‘waiting rooms’, but as partners able, firstly, to provide technical assistance in the application of norms and standards that also correspond to the *acquis communautaire*; secondly, to help them view their economic problems and policies in a pan-European rather than in a purely national framework; and, thirdly, to up-grade their regional co-operation to a truly pan-European level. In a broader sense, already available pan-European instruments may contribute to overcoming newly established divisions — among EU members, would-be-members and non-members — and foster consensus at the pan-European level.

Currently, Europe is fragmented in various sub-regions; there is an obvious need to overcome this by focusing on inter-regional strategies and working out a renewed pan-European co-operation strategy. Thus, both at the economic and geo-strategic levels, pan-European organizations should reinvigorate their approach and work out a road map — focusing on key issues of regional co-operation — for pan-European policies that could be used as a long-term strategic framework. This necessitates, on the one hand, a clear division of labour and more coherent co-operation among existing pan-European structures and, on the other hand, the development of a more efficient strategy focusing on a set of key issues: the economy, energy, transport and the environment.

70 Othon Anastasakis and Dimitar Bechev, *EU Conditionality in South East Europe: Bringing Commitment to the Process* (Oxford: St Antony’s College, European Studies Centre, April 2003), p. 3.

Bibliography

- Anastasakis Othon and Dimitar Bechev, *EU Conditionality in South East Europe: Bringing Commitment to the Process* (Oxford: St Antony's College, European Studies Centre, April 2003), 22 p.
- Berthelot, Yves and Paul Rayment, *Looking back and Peering Forward: A Short History of the United Nations Economic Commission for Europe, 1947–2007* (New York & Geneva: UNECE, 2007), 157 pp.
- Bićanić, Ivo, Vladimir Gligorov and Ivan Krastev, *State, Public Goods and Reform* (Vienna: wiiw, 2003), 33 pp.
- Carothers, Thomas, *Aiding Democracy Abroad: The Learning Curve* (Washington, DC: Carnegie Endowment for International Peace, 1999), 409 pp.
- , *Critical Mission: Essays on Democracy Promotion* (Washington, DC: Carnegie Endowment for International Peace, 2004), 300 pp.
- , “How Democracies Emerge,” *Journal of Democracy*, 18: 1 (2007), pp. 12–27.
- (ed.), *Promoting the Rule of Law Abroad* (Washington, DC: Carnegie Endowment for International Peace, 2006), 363 pp.
- and Marina Ottaway (eds.), *Uncharted Journey: Promoting Democracy in the Middle East* (Washington, DC: Carnegie Endowment for International Peace, 2005), 302 pp.
- Chestermann, Simon, *Kosovo in Limbo: State-Building and ‘Substantial Autonomy’* (New York: International Peace Academy, August 2001), 15 pp.
- , Michael Ignatieff and Ramesh Thakur (eds.), *Making States Work: State Failure and the Crisis of Governance* (Tokyo: UN University Press, 2005), 400 pp.
- Commission of the European Communities, *Communication from the Commission: European Neighbourhood Policy Strategy Paper* (Brussels: COM (2004) 373, 12 May 2004).
- , *Communication from the Commission: On Strengthening the European Neighbourhood Policy* (Brussels: COM (2006) 726, 4 December 2006).
- , *Communication from the Commission to the Council and the European Parliament: Black Sea Synergy — New Regional Cooperation Initiative* (Brussels: COM (2007) 160, 11 April 2007).
- , *Report from the Commission to the European Parliament and the Council on Bulgaria's progress on accompanying measures following Accession* (Brussels: COM (2007) 377, 27 June 2007).
- , *Report from the Commission to the European Parliament and the Council on Romania's progress on accompanying measures following Accession* (Brussels: COM (2007) 378, 27 June 2007).
- , *2006 Pre-accession Economic Programmes of Candidate Countries* (Brussels: European Economy Occasional Papers, No. 31, June 2007), 58 pp.
- Dvornik, Srđan and Christophe Solioz (eds.), *Next Steps in Croatia's Transition Process: Problems and Possibilities* (Baden-Baden: Nomos, 2007), 157 pp.
- Džihic, Vedran et al., *Europa — verflucht begehrt: Europavorstellungen in Bosnien-Herzegowina, Kroatien und Serbien* (Vienna: Braumüller, 2006), 301 pp.
- “Europe centrale et orientale 2005–2006,” *Le courrier des pays de l'Est* (July–August 2006), 1056.
- “Europe centrale et orientale 2006–2007,” *Le courrier des pays de l'Est* (July–August 2007), 1062.
- European Bank for Reconstruction and Development (EBRD), *Transition Report 2003: Integration and Regional Cooperation* (London: EBRD, 2003), 234 pp.
- , *Transition Report 2004: Infrastructure* (London: EBRD, 2004), 204 pp.
- , *Transition Report 2005: Business in Transition* (London: EBRD, 2005), 208 pp.
- , *Transition Report 2006: Finance in Transition* (London: EBRD, 2006), 204 pp.
- , *Transition Report Update 2007* (London: EBRD, 2007), 71 pp.
- Freedom House, *Nations in Transit 2006: Democratization from Central Europe to Eurasia* (Lanham: Rowman & Littlefield, 2007), 710 pp.
- , *Nations in Transit 2007: Democratization from Central Europe to Eurasia* (Lanham: Rowman & Littlefield, 2007).
- Forbrig, Joerg and Pavol Demeš (eds.), *Reclaiming Democracy: Civil Society and Electoral Change in Central and Eastern Europe* (Washington, DC: German Marshall Fund of the United States, 2007), 254 pp.
- Gagnon V. P., Jr., *The Myth of Ethnic War: Serbia and Croatia in the 1990s* (Ithaca & London: Cornell University Press, 2004), 217 pp.
- Glamocak, Marina, *La Transition guerrière Yougoslave* (Paris: L'Harmattan, 2002), 287 pp.
- Gligorov, Vladimir, *Aiding Balkans* (Vienna: wiiw, January 2006), 18 pp.
- , *Balkan Endgame and Economic Transformation* (Vienna: wiiw, December 2006), 17 pp.
- , *Transition, Integration, and Development in Southeast Europe* (Vienna: wiiw, January 2007), 43 pp.
- , *Task Force on Economic Strategy for South Eastern Europe* (New York: East-West Institute, advanced copy, April 2007), 46 pp.
- , Mary Kaldor and Loukas Tsoukalis, *Balkan Reconstruction and European Integration* (Vienna: wiiw,

- October 1991), 56 pp.
- and Sándor Richter *et al.*, *High Growth Continues, with Risks of Overheating on the Horizon* (Vienna: wiiw, Research Reports, No. 341, July 2007), 139 pp.
- Huntington, Samuel P., *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1991), 366 pp.
- International Commission on the Balkans, *The Balkans in Europe's Future* (Sofia: Centre for Liberal Strategies, 2005), 64 pp.
- Kostovicova, Denisa and Vesna Bojičić-Dželilović (eds.), *Austrian Presidency of the EU: Regional Approaches to the Balkans* (Vienna: Centre for the Study of Global Governance & Center for European Integration Strategies in cooperation with the Renner Institute, 2006), 183 pp.
- Krastev, Ivan (ed.), *Human Security in South-East Europe* (UNDP, August 1999), 48 pp.
- , “The Balkans: Democracy without Choices,” *Journal of Democracy*, 13: 3 (2002), pp. 39–53.
- , “Weak States as a Security Threat,” *Südosteuropa Mitteilungen*, 44: 4 (2004), pp. 102–16.
- Loza, Tihomir, “Yugoslavia: Rising from the Ashes,” *Transitions Online* (26 June 2007).
- Ott, Katarina (ed.), *Croatian Accession to the European Union: Economics and Legal Challenges* (Zagreb: Institute of Public Finance & Friedrich Ebert Stiftung, 2001), 303 pp.
- (ed.), *Croatian Accession to the European Union: Institutional Challenges* (Zagreb: Institute of Public Finance & Friedrich Ebert Stiftung, 2002), 339 pp.
- (ed.), *Croatian Accession to the European Union: Facing the Challenges of Negotiations* (Zagreb: Institute of Public Finance & Friedrich Ebert Stiftung, 2003), 297 pp.
- (ed.) *Croatian Accession to the European Union: The Challenges of Participation* (Zagreb: Institute of Public Finance & FES, 2006), 404 pp.
- Ottaway, Marina and Thomas Carothers (eds.), *Civil Society Aid and Democracy Promotion* (Washington, DC: Carnegie Endowment for International Peace, 2000), 340 pp.
- Papić, Žarko, Ranka Ninković and Omer Čar, *Integrity in Reconstruction: Corruption, Effectiveness and Sustainability in Post-War Countries* (Sarajevo: IBiH-BiH, 2007), 225 pp.
- Roth, Klaus (ed.), *Soziale Netzwerke und soziales Vertrauen in den Transformationsländern* (Vienna: LIT, 2007), 332 pp.
- Sanader, Ivo, “Croatia’s European Role and Responsibility in South East Europe as SEECP Chairmanship,” opening address to the international conference Regional Cooperation Challenges 2007/2008. From the Stability Pact for South Eastern Europe to the Regional Cooperation Council: Enhancing the Voice of the Region (Zagreb, 8 September 2006).
- Schultz, Siegfried and Ulrich Brasche, “Absorptionskapazität der Europäischen Union — eine Orientierungshilfe,” *Südosteuropa Mitteilungen*, 47: 3 (2007), pp. 6–19.
- Soliz, Christophe, *L’après-guerre dans les Balkans* (Paris: Karthala, 2003), 159 pp.
- , *Turning Points in Post-War Bosnia: Ownership Process and EU Integration* (Baden-Baden: Nomos (Democracy, Security, Peace, Vol. 179, 2007 [2005]), 171 pp.
- and Svebor Dizdarević (eds.), *Ownership Process in Bosnia and Herzegovina* (Sarajevo, 2001), 120 pp.
- and Tobias K. Vogel (eds.), *Dayton and Beyond: Perspectives on the Future of Bosnia and Herzegovina* (Baden-Baden: Nomos (Democracy, Security, Peace, Vol. 171, 2004), 224 pp.
- Swoboda, Hannes and Christophe Soliz (eds.), *Conflict and Renewal: Europe Transformed. Essays in Honour of Wolfgang Petritsch* (Baden-Baden: Nomos, 2007), 407 pp.
- United Nations Economic Commission for Europe (UNECE), *Economic Survey for Europe 2000* (UNECE: Geneva, 2000, No. 1), 240 pp.
- , *Economic Survey for Europe 2001* (UNECE: Geneva, 2001, No. 1), 269 pp.
- , *Economic Survey for Europe 2002* (UNECE: Geneva, 2002, No. 1), 244 pp.
- , *Economic Survey for Europe 2003* (UNECE: Geneva, 2002, No. 1), 239 pp.
- , *Economic Survey for Europe 2003* (UNECE: Geneva, 2002, No. 2), 127 pp.
- , *Economic Survey for Europe 2004* (UNECE: Geneva, 2003, No. 1), 205 pp.
- , *Economic Survey for Europe 2004* (UNECE: Geneva, 2004, No. 2), 95 pp.
- , *Economic Survey for Europe 2005* (UNECE: Geneva, 2005, No. 1), 143 pp.
- Woodward, Susan L., *Balkan Tragedy: Chaos and Dissolution after the Cold War* (Washington, DC: Brookings Institution Press, 1995), ix–536 pp.
- , *Socialist Unemployment: The Political Economy of Yugoslavia, 1945–1990* (Princeton: Princeton University Press, 1995), 443 pp.
- , “Construire l’Etat: légitimité internationale contre légitimité nationale?” *Critique internationale*, 28 (2005), pp. 139–52.
- World Bank, *From Red to Grey: The Third Transition of Aging Populations in Eastern Europe and the Former Soviet Union* (Washington DC: World Bank, 2007), 271 pp.

Acronyms

| | |
|-------|---|
| BSEC | Black Sea Economic Cooperation |
| CEFTA | Central European Free Trade Agreement |
| CEI | Central European Initiative |
| CEIS | Centre for European Integration Strategies |
| EBRD | European Bank for Reconstruction and Development |
| ENP | European Neighbourhood Policy |
| EU | European Union |
| FYROM | Former Yugoslav Republic of Macedonia |
| GDP | gross domestic product |
| ICTY | International Criminal Tribunal for the former Yugoslavia |
| IGC | intergovernmental conference |
| IPA | Instrument for Pre-Accession Assistance |
| OECD | Organisation for Economic Co-operation and Development |
| OHR | Office of the High Representative |
| OSCE | Organisation for Security and Co-operation in Europe |
| NAM | Non-Aligned Movement |
| NATO | North Atlantic Treaty Organization |
| RCC | Regional Co-operation Council |
| SAA | Stabilisation and Association Agreement |
| SAP | Stabilisation and Association Process |
| SECI | South East European Cooperation Initiative |
| SEECF | South-East European Cooperation Process |
| SFRY | Socialist Federal Republic of Yugoslavia |
| UN | United Nations |
| UNECE | United Nations Economic Commission for Europe |
| UNMIK | United Nations Mission in Kosovo |
| UNSC | United Nations Security Council |