



Summer Seminar for Young Public Servants



The discussion papers presented in this volume were delivered at the Summer Seminar for Young Public Servants from Southeastern Europe: "Preparation for EU Accession", held on 8-11 September 2005, "Riviera Holiday Club", Bulgaria

Organized by

The Economic Policy Institute, Sofia

Under the auspices of the:

Ministry of Foreign Affairs of the Republic of Bulgaria, Sofia

With the support of:

B | T | D The Balkan Trust for Democracy
A PROJECT OF THE GERMAN MARSHALL FUND

 <p>Austrian Embassy Sofia</p>	 <p>ENCOURAGEMENT BANK</p>	 <p>CEI CENTRAL EUROPEAN INITIATIVE</p>
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and co-financed by:

Know How Transfercenter of the Austrian Association of Cities and Towns with funds from the Austrian Development Agency

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Sofia, 1504, 12 San Stefano Str.

Responsible:

Copy Editor:

Photos:

Design:

Print:

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Introduction

Dear Colleagues and Friends,

This is the sixth issue of the volume of papers, which were presented at the sixth annual Summer Seminar for Young Public servants from Southeastern Europe: “Preparation for EU Accession”, September 8-11, 2005, Bulgaria. The already established as traditional Summer Seminars are organized by the Economic Policy Institute – a Bulgarian independent non-governmental organization. The aim of the project is to contribute to networking and an effective knowledge and experience transfer process among the young representatives of the public administrations in the SEE region in view of European integration. Participants from Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania and Serbia and Montenegro, distinguished speakers, organizers and friends of the Summer Seminars met in Bulgaria for a sixth time in a row to intensively exchange knowledge, views and ideas on European integration issues, and actually experience in the praxis regional cooperation and networking.

You can find out more about the Summer Seminars, as well as the Regional Network of Young Public Servants on European Affairs – “T’Club” on www.epi-bg.org.

The present volume contains contributions on the following major topics, discussed at the Seminar:

- South East Europe and the Process of European Integration I - After Signing the EU Treaty and Before Entering Negotiations;
- South East Europe and the Process of European Integration II - Stabilization and Association Agreements;
- Reform in Public Administration;
- The European Integration from the EU Point of View;
- EU Integration of South Eastern Europe: the Business Perspective;
- The Future of Europe;
- The South-East European Enlargement Process and the Future of the European Union – Round Table Discussion.

We are aware of the limits of this effort to make you feel the fresh and inspiring atmosphere of the Summer Seminars “Preparation for EU Accession”. Nonetheless, it is in EPI’s major goals profile and line of activity to publish and disseminate, and thus actively contribute to the widening of beneficiaries’ circles of those ones believing in and working for the future of Europe.

With this long-term “project”, we would like to contribute to the networking and regional cooperation in Southeastern Europe and thank to all the colleagues, friends and

actors who have inspired, trusted and supported us through these five years. We thank to the Balkan Trust for Democracy, the Central European Initiative; the Know How Transfer Center; the Austrian Embassy in Sofia the the Encouragement bank for supporting the 2005 issue of the Summer Seminar!

Ivanka Petkova
Chairperson and CEO
Economic Policy Institute

Picture_1.jpeg

Snimka 1

Summer Seminar “Preparation for EU Accession” 2005, Group photo

**Statement by Mr. Petar Kandilarov
Governor, Varna District**

Ladies and Gentlemen,

First of all, I would like to congratulate the organizers of the event for this good initiative, that gathered here representatives of the public administration structures from South East European countries. The development of the capacities and the know-how transfer between young people not only from the administration, but also from business or political circles and all other structures of the civil society is of greatest importance. The reasons for this are two – in the first place, it is important since these are the people that actually build up the future of Europe and second, the know-how transfer and training makes possible the succession and the exchange of best practices among all of us.

In the foreword of the Treaty of Rome it is stated that the European Union member countries should guarantee the “Harmonious development through reduction of the existing divergencies among the regions as a whole and through reduction of the underdevelopment of the less prosperous regions.

From historical point of view the economic and social cohesion turns into a priority of great importance for the EU. The concept for economic and social cohesion and the development of the Regional policy of the European Union prove the connection between the enlargement of the Union and the deepening of the process of European integration. In this respect this seminar is of real importance for the creation of longstanding contacts among member states institutions and the structures of the candidate countries and for the forming of a common platform in their daily work, as well as in the popularization of best practices in this sphere.

I would like to express my conviction that the efforts of the Economic Policy Institute gained concrete results on the way of the accession of Bulgaria to the European Union.

As a conclusion I would like to declare my institutional support for the practical implementation of the ideas and initiatives this forum will generate. I do believe they will contribute to the overall success and to the logical return of our countries in the European Family.

I wish all the participants in the Summer Seminar successful and fruitful work!

Petar Kandilarov
Governor, Varna District

**PANEL: SOUTH EAST EUROPE AND THE PROCESS OF
EUROPEAN INTEGRATION I - AFTER SIGNING THE EU TREATY AND
BEFORE ENTERING NEGOTIATIONS**

Challenges to Bulgaria till EU Membership

Hristo Georgiev

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Dear Madame Chairperson of the Economic Policy Institute,
Excellencies,

Ladies and Gentlemen,

It gives me great pleasure to be a part of the program of this seminar and to enjoy its friendly atmosphere. In my capacity of a diplomat and an employee of the MFA, which is a partner institution to the EPI in organizing this event, I am honored to share with you some views on Bulgaria's accession to the EU and some of the challenges waiting ahead of us until the long anticipated and full fledged membership in January 2007. In this sense I hope that my presentation would be timely.

I would begin by reiterating that European and Euro-Atlantic integration, joining the European Union, and being part of NATO are the priorities of Bulgarian foreign policy. This is a national position widely shared by all main political parties of my country. This is a long-term view on how my country perceives itself and its place within the international scene. In this endeavor we are not different from our East European neighbors and partners.

Here I would like to take the liberty to briefly remind you the facts that led to the signing of Bulgaria's Treaty of Accession to the EU.

In the beginning of April 2004 my country officially joined NATO. In same year of June, the negotiation process with the EU successfully concluded with all 31 negotiating chapters finalized. It was acknowledged that Bulgaria is a democratic state with a functioning market economy that enjoys macroeconomic stability. The GDP growth is of nearly 5 % in the last several years. The poverty was reduced by half as compared to 2001. Unemployment decreased from 18.1 % in 2001 to less than 12 % today. In the past few years, Bulgaria deepened its structural reforms. Today, two thirds of the country's output is created by the private sector compared to the over 50% five years ago. Bulgaria is now more attractive for investors. The closer we are to the full EU membership - the stronger the economy and the better the investment climate. Employment opportunities are widening. Foreign direct investments register a stable trend of substantial annual growth. For 2004 FDI were nearly two billion euro.

The European Council at its Summit on 17 December 2004 welcomed the successful completion of the negotiations with Bulgaria and reiterated its readiness to welcome Bulgaria as EU member as of 1 January 2007. On 25 April 2005, after many long years of relentless work in fulfilling the Copenhagen criteria, Bulgaria and Romania officially signed the Treaty in Luxembourg. Thus, my country attained the status of an “active observer” to the EU.

The process of Bulgaria’s integration into the EU recently slowed down to some extent due to the parliamentary elections last June and the following, rather, prolonged political consultations for forming the new government. However, the explicit consensus existing between the parliamentary forces on the European integration of Bulgaria was confirmed almost immediately after the constitution of the newly elected Parliament. On 14th of July by an overwhelming majority it adopted a Declaration on its main priorities. The top priority is fulfilling the obligations under the Accession Treaty and adopting the related legislative acts, with a particular focus on the rapid reform of the judiciary system.

The new coalition government, a unique aspect in recent Bulgarian history, considers the EU membership of Bulgaria as its first and most important task. The Government is determined to take all the steps and reforms necessary for becoming a member of the Union on 1 January 2007 and to prepare for the difficulties and responsibilities that the membership requires.

The new government accepts and addresses the concerns, expressed by the European Commission and some Member States in the areas, which still demand action. As you probably know, in June the EU Commissioner for Enlargement Olli Rehn sent a letter to the former Bulgarian Government expressing criticism in regard to insufficient reforms in the areas of justice and home affairs, intellectual property, environment and agriculture. This letter has been studied with scrutiny and a Plan of Action to overcome these concerns has been outlined.

Let me briefly draw your attention on some decisive steps that are going to be taken:

In order to speed up changes, the bills related to the accession were placed on a fast track legislative procedure so that the proposals, introduced in the previous Parliament were passed on to the new Parliament for a final approval. A fast track procedure for legislative and implementing measures is introduced in the administration, as well.

In particular the area of Justice and Home Affairs is one of a great activity. By the end of September 2005 the new Penal Procedure Code and a new Administrative Procedure Code, elaborated in close cooperation with the European experts, will be adopted by the

Parliament. A draft of a Civil Procedure Code should be ready by the end of the year and adopted by the middle of 2006. The decision on whether the Constitution should also be amended to improve the pre-trial procedure is to be taken and the possible amendments will become a fact by the end of the year, depending on that is the introduction of amendments to the Law on the Judiciary.

As per the expressed concerns in regard to intellectual property rights, a new law on the regulation of the production and retail of optical disks was adopted. Important amendments in the environmental and agricultural legislation have also been submitted to the Parliament.

The Plan of Action pays particular attention not only to the adoption but also to the implementation of the legislative acts, which is considered an important priority. For this purpose the Parliament introduced recently a mechanism that every peer review shall be preceded and respectively followed by regular reports from the corresponding ministers to the Parliament.

Strengthening the administrative capacity is another priority. Although a general reform of the civil service was introduced in the past years, the bureaucracy in my country still needs to build up its competence and efficiency of work in line with the EU *avis*. A new coordination mechanism, in accordance with our status of an active observer, has been elaborated.

As you could imagine all these steps are aiming to resolve the still existing problems in the above-mentioned areas. We hope that the two forthcoming Reports of the Commission in October and next March would positively assess the steps undertaken.

I would conclude my presentation by sharing with you how Bulgaria perceives its role in the SEE region.

Bulgaria is advocating an accelerated and comprehensive inclusion of all countries of South Eastern Europe in the European Union. The perspective of becoming an EU member should be extended without any exclusion. The European idea is a common denominator embraced by all states, which for a first time in a long history of confrontation united them, made them look in the same direction and work to implement a common European model of social development and international behavior. Bulgaria is ready to assist those states in the region that do not yet have the official status of EU candidates and are hoping and working hard to be qualified as such. Bulgaria does not support an approach that would draw new dividing lines between the current enlarged EU, acceding countries such as ourselves and other countries of the region. That is why we support the idea of adding pre-accession

elements, instruments and programs to the ongoing Stabilization and Association Process between the EU and the Western Balkans.

We contribute to the strengthening of the European perspective in the Western Balkan countries by supporting them through all means that are in our disposal as an acceding country. We have already signed agreements and Memorandum for cooperation in the field of European integration with Croatia, Macedonia, Serbia and Montenegro and Albania and are ready to fully implement them. Currently, a memorandum with Bosnia and Herzegovina is being prepared. Cooperation with those countries has the potential of efficiency based on the experience we have gained in the accession negotiations. Shared understanding and knowledge of each other as neighboring countries also helps.

Bulgaria attaches great importance to the regional cooperation and the establishment of exemplary good-neighbourly relations as a national commitment to the overall European security and stability. We perceive it as both a cornerstone of European integration and a condition *sine qua non* for resolving the issues that are common to South Eastern Europe. Most importantly, regional cooperation is not an alternative to European integration but a vehicle for promoting it. The countries in the region should try to solve together problems like organized crime and related corruption. Democracy and the rule of law are at the heart of the European standards. On the other hand, a clear Euro-Atlantic perspective for the Western Balkans countries is crucial for strengthening the security and stability in the region. This is also one of the most important lessons learned during the Bulgarian chairmanship of the OSCE in 2004. During the last years we have witnessed real progress in this field. Today we have a more secure, stable and predictable region of SEE, which has as a common denominator the striving towards the EU and NATO.

In its regional policy, Bulgaria attaches particular importance to the implementation of strategic infrastructure projects in South-Eastern Europe. The setting up of functioning transport, energy and communication markets is an important aspect of the strategy to accelerate the European integration of the Balkans.

For the sake of saving time, I would not dare to go into details with regard to the high priority infrastructure projects that are on our agenda. These are the Danube Bridge 2, which should be ready by the end of 2008, connecting the Bulgarian town of Vidin and the Romanian town of Kalafat, the crude oil pipeline Burgas – Alexandropolis, the gas pipeline Burgas – Skopje - Vlora (AMBO), opening of new border check points with with our neighbouring countries among others. I am just mentioning them because I hope that my colleagues from other Bulgarian ministries present here will familiarize you in greater detail with the projects' implementation during the next two days of the seminar.

Thank you for your attention!

The European Union: Present Challenges in a New Context

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1. Introduction: a new European mood

The quasi-failure of the European Council that took place between 16-17 June, which many view as one of the biggest setbacks in the history of the Union, does not merely mirror the sense of frustration provoked by the French and Dutch “No” to the European Constitution or the lack of progress in the financial dossier. These are not insurmountable failures and the fate of the Constitution or that of the financial package is far from being sealed. The Union has at its disposal more than a year to get to an agreement on the financial package, while the institutional provisions of the Constitutional Treaty would have been enforced only after 2009. In this context, one can assume that the Union is not out of time in its attempts to find the adequate formula for a more democratic and flexible system of governance.

The problems the EU is currently confronting have much deeper roots and the French and Dutch “No” have been only an effect of much profound causes, which built up in time and were largely brought about by the inability to find a common stance regarding the objectives and basic orientations of the European Union. Therefore, beyond the financial package or the European Constitution, which pervade the political and media discourse regarding the EU, there is a deeper problem: what is our concept of Europe? What kind of Europe we envisage?

The concrete determination of the EU geographical and historical *contour*, treated, up till now, with certain condescension especially at the political level, has come to the fore of the debate regarding Europe, largely because of the attitude of the public opinion on the enlargement and because of the general mistrust the Union stirs among its own citizens.

The surfacing of two divergent opinions regarding the future of Europe clearly proves the need to conceptually re-define the European Union (the Union being only an instrument, not an end in itself), which will logically facilitate the re-arrangement of the priorities.

Now, two visions seem to lead the battle for supremacy: the one of a market-based Europe, and the one of a politically united Europe, circumscribed to a well defined social model. Of course, a synthesis between the two theses is not impossible, and the emphasis laid on competition inside the Union, without ignoring the social *acquis*, might bring it about.

The recent debates regarding Europe have also brought about a mutation in the previous pattern of alliance building between the 25 Member States. This is apparent in the alliances regarding the financial perspectives or the opinions regarding the process of enlargement in general, and the attitudes towards Turkey's accession in particular.

The 10 new Member States seem to be much more dedicated to the European project than "old Europe", yet there are nuances to be considered, the so-called "old Europe" encapsulating a variety of attitudes which make labeling quite impossible.

These considerations might look to be too general and even a divagation from the concrete problems – the financial perspectives, the ratification of the Constitutional Treaty, the continuation of the enlargement process beyond 2007, the beginning of negotiations with Turkey and Croatia etc. – that bear an important influence on Romania's accession process. Of course, each of these subjects and their implications on Romania will be discussed in this article, yet the present "European mood" will have a decisive role in their conclusion and the way they are being tackled with.

The festivity atmosphere which was characteristic to Europe in May 2004 and its immediate aftermath, caused by the landmark historical event of the accession of 10 new Member States to the EU, 8 of them being former communist states, has gradually waned away being replaced by a more skeptical mood which brings about new (or old, but ignored) questions in the European debate. And most of these questions require intelligent and pragmatic answers.

Yet, although the mood has changed, the couple of months which passed from the summer European Council have showed that there is no "deep crisis" at EU level, that its institutions function as they did before, without losing any of their capacity to deal with the bulk of daily work that constitutes, in fact, the main *raison d'être* of the EU decision-making system.

There are three major "leftovers" on the Union's table: the Financial Perspectives 2007 – 2013, the Constitutional Treaty and the beginning of negotiations with Croatia and Turkey, although it is contentious whether the last one can be called a "leftover", being more complex and far-reaching than that.

2. The Constitutional Treaty: Waiting for revival?

“In the foreseeable future, we will not have a constitution. That's obvious. I haven't come across any magic formulae that would bring it back to life.”

*Jose Manuel Barroso*¹

As far as the Constitutional Treaty is concerned, the present French and Dutch trends may reverse only after the change of the political elite, as a result of general elections. It is obvious that, during Jacques Chirac's mandate, the referendum will not be re-organized in France.

Despite the common declaration of the heads of state and government in support of the Constitution and for the continuation of the ratification process, it is, nevertheless, obvious that this declaration represents the *maximum* the EU Member States are disposed to do together regarding the Constitution. The *summit* concluded that the timetable for organizing the referendum should be the individual decision of each Member State. In this context, Ireland, Denmark, the Czech Republic and Portugal announced the revision of the timetables regarding the organization of the *referendum*. Finland and Sweden also announced the postponement of the ratification, though it was through parliamentary vote, not by referendum.

Luxembourg was the notable exception in maintaining the initial date for the referendum, and, although this decision might have looked to many a political gamble, its positive conclusion, materialized in a “Yes” to the Constitutional Treaty, bears significant symbolic importance.

The reflection process, set out at European level, might prod the process of European construction, as long as the politicians will use this opportunity to lend a more attentive ear to the citizen's wishes.

Moreover, the Constitutional Treaty definitely lacked the proper “marketing” within the Member States. It was obviously not well enough promoted, and the effects were the ones we all know. The ill-thought promotion campaign not only failed in persuading the voters to say “yes”, but also backfired and gave the opportunity to its opponents to rouse all the possible *phobias* dormant within the European citizen. In order to succeed on issues related to the EU which have to receive popular approval, the European leaders should become more persuasive, and to do so they must realize that an idea has also to be sold and therefore effectively advertised.

3. The Financial Perspectives: are there any perspectives to reach an agreement?

¹ Quoted in *The Economist*, “Crisis, what crisis?” , September 8th 2005

The negotiation of the Financial Framework 2007 – 2013 commenced in February 2004, once the proposal of the European Commission was published. On 22 April 2005, the European Parliament adopted a resolution on this proposal, based on its own report. During the Irish (semester I 2004) and Dutch (semester II 2004) Presidencies, the technical aspects of the Commission's proposal were analyzed in detail by all parties involved, but political progress was modest. Moreover, the six net contributors – Germany, the Netherlands, Austria, Sweden, Great Britain and France – asked for a 1% ceiling of expenditure of the GNI (about 815 billion Euro for the 7 years), compared to the initial proposal of the Commission, which mentions 1,24% of the GNI (about 1,021 billion Euro). The 1% ceiling was rejected by Italy, Spain, Portugal, Greece and most of the new Member States.

The Luxemburg Presidency sought to find a compromise at political level, especially by making various proposals meant to satisfy all the Member States. At the summer European Council of 2005, no agreement was reached on the EU financial framework. The main differences were caused by the British rebate and by the UK insistence on the reformation of the Common Agricultural Policy.

The British Presidency stated that the conclusion of the negotiations on the future budget is a priority for the UK. It also announced that it will make public its compromise proposal only after the round of negotiations, which will take place in the interval 15 July and 23 September 2005 between the member and acceding states.

The failure in reaching a conclusion at the December European Council is particularly risky for the new Member States, since they might not be able to fully engage the European funds. Both the European Commission and the Visegrad Group (Poland, Hungary, the Czech Republic and Slovakia) urged the British Presidency to speed up the initiatives for finding a compromise.

For Romania, the situation is not that pressing as far as the financial package is concerned. For Romania and Bulgaria, the Financial Framework 2007-2013 will be directly applicable starting with 2010. For the first three years after accession, Romania benefits from the sums incorporated in the Financial Package 2007-2009, established during the accession negotiations and included in the Accession Treaty. Depending on the results of the negotiations, in the interval 2007 – 2013, Romania will be allocated 28-31 billion Euro. We hope that the fund programming will be timely concluded for their successful use beginning with 1 January 2007.

4. The Enlargement Process

4.1. Croatia: well-prepared, yet rejected

The problem of the “limits of the Union” will be at the “core” of the reflection process, not only in academic discussions, but also at political and common citizen level. The enlargement beyond the present EU borders became an increasingly sensitive theme, and the national politicians will try to gain maximum profit out of it.

The summer Council conclusions mention the Union’s support for enlargement, affirmed (and re-affirmed) at the European Councils of June and December 2004, and emphasize the importance of implementing the commitments assumed in this respect. Although there is direct reference on Romania and Bulgaria, Turkey and Croatia are not mentioned.

As far as Croatia is concerned, we are confronting a quite unprecedented situation. Although well prepared from an economical point of view (ahead of any EU aspiring country from the Western Balkans), on 16 March 2005 the Union decided to postpone the launching of negotiations for EU accession with Croatia, which constitutes a novelty in the Union’s history. The decision was motivated by the refusal of the Croatian part to fully cooperate with the International Criminal Tribunal for former Yugoslavia (ICTY).

At the General Affairs and External Relations Council (GAERC) of 13-14 June 2005, the EU foreign ministers decided that another three or four months are needed to assess whether the negotiations are or are not to be opened. The *deadline* is closing near. The efforts of the Croatian authorities in solving the Gotovina case are considered rather shy by the ICTY officials, despite the drafting, by the Croatian government, of an Action Plan for solving it.

At the GAERC of 18 July 2005, the British Presidency presented its proposals for dealing with the Croat dossier. The strategy entails the continuation of discussions at the level of the Task Force EU – Croatia. According to its conclusion, and after consultation with the chief prosecutor of the ICTY, the adoption of a proposal will be recommended. At GAERC of 3 October 2005, the EU will once again examine Croatia’s bid for opening the negotiations with the EU. The ICTY will play an essential role in taking a final decision.

4.2. Turkey: if not accession, what else?

Probably the subject which attracts most of the passion and heats the debates on enlargement is the accession of Turkey. On the eve of the date supposed to mark the start of negotiations with Turkey, the situation is far from being settling both for the British Presidency, which is strongly committed to opening the negotiations during its mandate, and for the Turkish authorities, who might see once again that their endeavors led to nothing. By the time this article is published, we will know for sure whether Turkey is a negotiating country or not. Yet, even if negotiations will be launched, the negotiations framework might be amended and new conditions added. They might even

mention a privileged partnership as a substitute for accession, a mention that would by no means satisfy Ankara. By contrary, it might tantamount to a downright rejection of Turkey's EU aspirations.

We will not enter now all the intricate details of Turkey's bumpy course towards accession. A couple of recent events are worth mentioning: Turkey's declaration on Cyprus and EU's counter-declaration and the Austrian proposal on the amendment of the negotiations framework.

Turkey's unilateral declaration, additional to the Ankara Protocol on the Extension of the Custom's Union on Cyprus, mentions that Turkey would recognize Cyprus only after a settlement over the whole island is reached. EU's counter-declaration, finally agreed upon on 21 September 2005, specifies that Turkey cannot accede to the Union unless it recognizes Cyprus.

On the 29 June 2005, the European Commission presented the Negotiation Framework with Turkey, which contains the main action lines which will guide the negotiations process. The document the Commission presented is the most rigorous till now. It proposes *benchmarks* both for the opening of negotiations, and for the negotiations of each of the 35 chapters (compared to 31 of the previous wave of enlargement). The open ended character of the negotiations process with Turkey is maintained (which entails that the opening of negotiations will not necessarily lead to accession). It contains many safeguard elements, which can lead to a halt in the negotiations process in case there are serious breaches of the human rights or other derailments from the democratic values and principles (besides the benchmarks for the opening/closing of the negotiating chapters, there is the safeguard clause, clauses and permanent derogations in the fields of the movement of labor, agricultural policy and cohesion policy).

The Draft Negotiation Framework presented by the Commission on 29 June has to be endorsed by the Member States before the launching of negotiations. The discussions held to the moment point to an overall agreement on the text proposed by the Commission on 29 June. Yet, the debates over the Commission proposal were not short of wrangling, mainly over the open ended character of the negotiation process – Austria proposes a special EU – Turkey partnership instead of full membership), the recognition of Cyprus (sustained, besides Cyprus, by France) and the implementation of the Additional Protocol to the Ankara Agreement (Cyprus). These disputes might result in the amendment of the Negotiation Framework, by adding further conditions for Ankara, before opening the accession negotiations.

The recent arguments around Turkey's case – which are strongly influenced by the events that took place since the European Council summit of December 2004, when Turkey was promised the beginning of negotiation on 3 October 2005 – create a Turkish

complex in regard to its relation to the European Union. This complex – also present, to some extent, in Croatia, especially among the population – is caused by a sense of unfair and unequal treatment, prompted by the opposition, often politically opportunistic in nature, of some European political leaders to Turkey's accession.

The consequences of another delay in the launching of negotiations or the further adding of conditions in the Negotiation Framework might be, this time, the straw that broke the camel's back. At least it results so from the recent declarations of the Turkish authorities. A reorientation of Turkey might produce important geopolitical shift and we consider that it would be a major strategic loss for the European Union. The Turkish threats, whether bluffs or not, might lead, if put into practice, to a political reconfiguration of the region whose effects in the long term are hard to assess.

As we mentioned in the introduction, the European mood has drastically changed lately or at least this latent feature became manifest with the events in France and the Netherlands. The hassle Turkey is facing lately is closely linked to the new political atmosphere at EU level. The elections in Germany were proof of how sensitive, and politically profitable, the subject might be. Turkey played a central role in the election confrontation in Germany, yet the results show that the specter of its accession is not dreadful enough to bring to power those who promise to block it.

The Turkish case might influence the accession of Romania and Bulgaria, in particular, and the enlargement process, in general. Many of the EU citizens, and some of the European political class, seem to blame all the ills the Union is currently facing on the process of enlargement. They seem to believe that additional accessions might provoke an EU indigestion. And Turkey seems to epitomize this feeling. Yet, it is dangerous and even irresponsible to blame the enlargement, which was one of EU's biggest achievements, above all in promoting prosperity and spreading the democratic values, for the identity crisis the Union is passing through at the moment. Problems are not meant to be solved by giving up great projects.

Snimka 2

Snimka 3

**PANEL: SOUTH EAST EUROPE AND THE PROCESS OF EUROPEAN
INTEGRATION II - STABILIZATION AND ASSOCIATION AGREEMENTS**

**Albanian Progress in the Stabilization and Association Process –
Main Challenges and Prospects**

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1. Development of Relations Between Albania and the European Union

Diplomatic relations between Albania and the European Union were established in 1991. The most important event in the relations between Albania and the European Union came a year later, on 11 May 1992, with the signing of the Trade and Cooperation Agreement, including a joint statement on political dialogue, which came into force on 1 December 1992.

In spite of its limited scope and content, this agreement is one of the most important contractual documents Albania has signed in the past decade, and brought Albania closer to the European Union. During the same period, Albania was included in the General System of Preferences (GSP), which represents a general regime of trade preferences that the European Union offers to a large number of countries with which it has contractual agreements.

The Trade and Cooperation Agreement of 11 May 1992 enabled Albania to benefit from the funds of the PHARE programme, marking an important step forward in the restructuring of EU assistance to Albania, in a number of areas that coincided with the reforms that were under way in the country. In the period from 1992 to 2000 Albania was given substantial aid and assistance in the framework of this programme.

In 1996, Albania was close to signing a new contractual agreement with the European Union, which would open the way to a classic association agreement. But the contested parliamentary elections of May 1996 and the profound financial and social crisis in the early months of 1997 following the collapse of the pyramid investment schemes caused all initiatives of this kind to fail.

The political developments of that period in various countries of the region, the disintegration of the former Yugoslavia and the emergence of a series of new states with different parameters from those of Central Europe, caused the European Union to adopt a special approach to the Balkan countries in 1996, called the “*Regional approach*.”

At that time, the General Affairs Council defined a series of political and economic preconditions that the Balkan countries needed to meet to develop and strengthen their relations with the EU. These criteria are related to respect for democratic principles, human rights and freedoms, setting up and strengthening the rule of law, protection of minorities, development of a market economy, and regional cooperation.

Although oriented to help strengthen democracy and reforms in the respective countries, this EU policy failed to achieve the predicted results. Dramatic developments in the region and tragic events in Kosovo, which “traumatized” the international relations system and increased the pressure to find new ways and means to accelerate the integration of South Eastern Europe into European Union structures.

2. The Stabilization and Association Process

In May 1999, the European Union approved a new initiative involving five Balkan countries: Albania, the Former Yugoslav Republic of Macedonia, Croatia, Bosnia-Herzegovina and the Federal Republic of Yugoslavia, called the Stabilisation and Association Process (SAP). Albania was part of this process from the beginning. This process aims at establishing closer relations between the European Union and the respective countries through Stabilization and Association Agreements (SAA).

In November 1999, the European Commission wrote a feasibility study report on starting negotiations with Albania for signing of the Stabilization and Association Agreement, which came to the conclusion that Albania did not meet the conditions for such an agreement.

The possibility for Western Balkan countries to join the European Union was strengthened after the Feira European Council, held in June 2000, which decided that all the countries involved in the Stabilization and Association Process are potential candidates for accession to the European Union.

In November 2000, a meeting of the countries involved in the Stabilization and Association process was held in Zagreb where the European Union decided to intensify its cooperation with Albania by forming the EU-Albania High Level Group. The purpose of this group was to assess Albania’s capacity to carry out the obligations for a Stabilization and Association Agreement with the European Union. The EU-Albania High Level Group held three meetings in Tirana, at the end of which the European Commission compiled an evaluation report, identifying the process and areas for improvement. The report concluded that although there are still things to be done with regard to the fulfilment of obligations stemming from the Stabilization and Association Agreement, the potential for opening negotiations is the best way to keep up the pace of political change and economic reform in the country. For this purpose, the Commission reached the conclusion that it is time to proceed with a Stabilization and Association Agreement with Albania.

In June 2001, The Council of Ministers of the European Union approved the Commission's report and requested a draft-mandate for starting negotiations with Albania before the end of the year 2001. In conformity with the requirements of the Council, in December 2001 the European Commission submitted the draft-mandate to the Council regarding negotiations on a Stabilization and Association Agreement with Albania. The Council also decided to set up an EU-Albania Consultative Group.

The draft-mandate for negotiations, prepared and presented by the European Commission, was discussed on a technical level by the European Union member states from January to July 2002. The General Affairs Council of the European Union, in its meeting of 21 October 2002, decided to open negotiations with Albania. The negotiations were officially opened by the President of the European Commission, Mr. Romano Prodi, on the 31 January 2003.

The aim of the Stabilization and Association Agreement is to establish political and economic stability in the candidate state. It is precisely for this reason that this Agreement contains favourably asymmetrical obligations.

In order to become a party to the Agreement, Albania must meet the criteria established by the European Council of Copenhagen in June 1993. These are criteria of a political and economic nature. On the one hand, they require that the state which is a candidate for integration must guarantee democracy, the rule of law, respect for human and minority rights and on the other hand, have a market economy in place able to cope with competitive pressure from the European common market. Lastly, the candidate state must be able to meet the obligations coming from the "*acquis communautaire*," the legislation of the European Union.

The general framework of the Stabilization and Association Agreement is made up of four pillars: political dialogue and regional cooperation, trade provisions on the progressive liberalization of exchanges until the establishment of a free trade zone among the parties, community freedoms, and lastly, cooperation in priority areas, especially in the areas of justice and home affairs.

For the realization of the objectives of the Stabilization and Association process and of the Stabilization and Association Agreement, the EU offers financial support through the Community Assistance for Reconstruction, Development and Stabilization (CARDS) programme, which replaced the PHARE and OBNOVA programmes, under regulation No. 2666/2000 of 5 December 2000 of the Council of the European Union. In the period 2001-2004, EU assistance to Albania in the framework of the CARDS Programme amounted to approximately € 180,000,000.

3. Albanian Institutional Structure for European Integration and Its Powers

a. Inter-ministerial Committee for European Integration

- The inter-ministerial Committee for European Integration is the highest institutional structure responsible for conducting and monitoring the entire integration process in Albania
- This Committee is chaired by the Prime Minister and is composed of the Ministers and senior officials from other central institutions
- The Inter-ministerial Committee for European Integration meets twice a month, to discuss the most important issues related to the European integration process

b. The Ministry of European Integration

b/1 The Department of European Integration:

- Coordinates and monitors the whole Stabilization and Association process as well as the negotiations for the Stabilization and Association Agreement
- Coordinates and monitors the process of preparation and implementation of the Strategy for European Integration
- Leads the work of the EU-Albania Joint Working Groups and monitors the activities of the working groups in the context of the Stabilization and Association process
- Is responsible for negotiating, programming, coordinating, and monitoring the implementation of the CARDS Programme

b/2 The Department of Legislative Approximation:

- Coordinates, monitors and analyzes the progress of the process of the approximation of the country's legislation with that of the European Union, keeping regular institutional contact with line ministries and other central institutions
- In cooperation with line ministries and other central institutions, develops the National Plan for the Approximation of the Albanian Legislation to that of the European Union, and checks the implementation of this plan as well as other programmes related to the European Partnership
- Assesses the compatibility of normative draft acts proposed by line ministries and other central institutions with EU legislation. An accompanying report must describe the degree of approximation and contain references to relevant legislation and European Community jurisprudence
- Coordinates work and helps line ministries and other central institutions to develop the necessary legislation, with the aim of fulfilling the obligations stemming from the Stabilization and Association Agreement
- Confirms the translation of fundamental documents necessary for the process of the approximation of the local legislation to that of the European Union

c. The SAA Team of Negotiators

- The Minister of European Integration is the Chief Negotiator of the Albanian Government

- The team of negotiators is made up of representatives from all line ministries and other central institutions
- The team of negotiators is responsible for the coordination, monitoring and implementation, within their own institutions, of activities for all sectors related to the Stabilization and Association process

d. The Legislative Approximation Working Group

- This group was created by Order of the Prime Minister nr. 26, dated 27.02.2001, with the aim of coordinating the actions of line ministries and other central institutions, which, headed by the Department of Legislative Approximation, have the responsibility to oversee the process of legislative approximation
- The group is responsible for the application of the methodology for the approximation of local legislation to *acquis communautaire*
- The group is composed of Heads of the Legal Departments of line ministries and the other central institutions

e. The Ministry of Foreign Affairs – The General Department of Euro-Atlantic Cooperation:

- Is responsible for promoting, recognizing and supporting the Stabilization and Association process at the highest political levels of the European Union
- In the context of Foreign Policy, the Ministry of Foreign Affairs is responsible for increasing and strengthening political dialogue with member states and other countries, in support of the Stabilization and Association process

4. A Short History of the Ministry of European Integration

The intensification of relations between the European Union and Albania highlighted the need for a new structure that would coordinate and monitor the process of Albania's integration into the European Union, in conformity with the political and technical requirements of the process of Albania's approximation to European structures. For this purpose, in October 2001, new structures were set up: the State Minister of Integration and the Department of European Integration, which answers directly to the State Minister of Integration. These new structures were created in response to the demand of the European Commission for a partner structure to carry out talks with the Albanian Government.

In addition, this structure was also set up to deal with issues related to the integration process, preparation of the country for the opening of negotiations, the negotiations themselves, the signing and monitoring of SAA implementation.

Intensification of the integration process and extension of areas of cooperation between Albania and the European Union reached an advanced stage with the opening of the EU-Albania SAA negotiations. Increased administrative capacities and human resources

were deemed essential for better coordination and monitoring of reforms and engagements carried out by the Albanian state. The EU also recommended strengthening the Ministry of European Integration in order to meet the political, economic and legislative criteria. (The recommendation was made in the 2002 and 2003 Stabilization and Association Reports, and in various meetings of the Task Force.)

For this purpose, the Ministry of European Integration was established in 2003, with two important departments: the Department of European Integration and the Department of the Approximation of Albanian Legislation to that of the European Union. Both departments ensure the coordination and monitoring of the SAA negotiation process, dialogue between Albania and the EU (in the framework of the joint EU-Albania structures) and the process of harmonization and approximation of Albanian legislation to that of the Community. In addition, the Ministry of European Integration is responsible for programming, coordinating and monitoring the implementation of EU aid and other forms of assistance given to Albania in the framework of the CARDS Programme. This function is carried out by the community assistance sector, at the Department of European Integration within the Ministry.

5. The Mission and Activity Areas of the Ministry of European Integration

The mission of the Ministry of European Integration is to carry out the technical management and coordination of the process of integration of the Republic of Albania into the European Union, by approximating the local legislation to that of the European Union and by developing integration policies, coordinating financial aid and informing the public about the process.

The Ministry for European Integration carries out the following activities:

Coordinates and monitors:

- Preparatory work done and commitments made by Albanian institutions in the framework of the Stabilization and Association Agreement
- The joint work of the line ministries and other central institutions for the development of national plans for European Partnership, with a view to realizing the objectives set in the framework of the European integration process
- The progress of the process of legislative approximation with that of the European Union, by keeping regular institutional contact with line ministries and other central institutions. Also, it helps the line ministries and other central institutions to develop the necessary legislation, with the aim of meeting the obligations that stem from the Stabilization and Association Agreement
- Community aid to the Republic of Albania (The CARDS programme, the Neighbourhood Programme, TAIEX, as well as other aid programmes that might

be offered to the Republic of Albania), according to Albanian priorities, in the framework of European Integration. Also the Ministry of European Integration follows the signing of agreements on EU financial aid to Albania, in the framework of these programmes

Prepares:

- The methodological mechanisms necessary to facilitate the implementation of sectoral reforms stemming from the negotiation and implementation of the Stabilization and Association Agreement
- In cooperation with line ministries and other central institutions, the National Plan for the Approximation of the Albanian Legislation with that of the European Union and checks the implementation of this Plan as well as other plans related to European Partnership

Evaluates:

- The compatibility of normative draft acts proposed by line ministries and other central institutions with European Union laws. An accompanying report must describe the degree of approximation and contain references to relevant legislation and European Community jurisprudence
- Confirms the translation of fundamental documents necessary for the process of the approximation of local legislation with that of the European Union

Takes part in:

- Activities of the working groups, set up by other state institutions, engaged in the development of various programmes for the integration of the Republic of Albania into the European Union
- Exchange of data and organization of meetings at the national, regional and international level, in the framework of the European integration process
- Monitoring and reporting of the implementation of the European Commission recommendations, that come out of joint meetings with the European Union, at various levels

6. EU-Albania Joint Structures and Monitoring Instruments

The most important joint structure with the European Union is the **Joint EU-Albania Consultative Group**. This group meets three times a year and monitors Albania's progress in the implementation of reforms. So far, this group has had eight meetings, the first on 18-19 October 2001, the second on 6-7 March 2002, the third on 19 June 2002, the fourth on 13-14 November 2002, the fifth on 24-25 March 2003, the sixth on 24 June 2003, the seventh on 7 November 2003 and the eighth on 23 April 2004.

The meetings of the Joint Consultative Group address the progress of reforms in all areas, such as:

- The stability of the institutions that guarantee democracy, the rule of law, human rights, respect and protection of minorities, good relations with neighbours and a consultative policy in the region
- A fully functioning of the market economy, privatization of strategic sectors, improvement of the fiscal system and the ability to cope with the pressure of competition from market forces within the European Union
- The ability to fulfil obligations that come with full membership, including the goal of achieving political, economic and monetary union

The meetings of the Task Force are guided by **Joint Recommendations** that reflect discussions in previous meetings, and the problematic issues raised that require a solution, accompanied by clear timetables for their fulfilment. The monitoring and timely implementation of these recommendations is the main focus of the Ministry of European Integration as the body responsible for coordinating and monitoring this process, in cooperation with line ministries and the Team of Negotiators established for this purpose.

Another monitoring structure is the **Joint EU-Albania Committee**, a body set up in the framework of the 1992 Trade Agreement and Economic and Trade Cooperation, which deals with the progress made by the Albanian institutions in the course of a year in the areas covered by the Agreement, such as trade, economy, infrastructure, and approximation of the legislation.

The Committee has **several technical working groups** that examine issues related to the infrastructure, economy, finance, customs and taxation, legislative approximation, and agriculture. These groups meet once a year and discuss the progress made since the last meeting.

Another instrument for checking the reform processes in Albania is **the Annual Report of the European Commission** on Albania and the Stabilization and Association process. These reports provide a realistic and detailed description of the state of the country in all aspects, political and economic, and make suggestions for improvements in the areas that need more attention in the next 12 months.

This year's report on the Stabilisation and Association process pointed out that for the first time ever, the European Commission adopted the **European Partnerships for the Western Balkans**, inspired by the Accession Partnerships that helped candidate countries in their accession to the European Union. The partnerships are based on the Annual reports of the countries of the Stabilization and Association Agreement, are prepared in

conformity with the specific needs of each country, and determine the priorities for the short-term (12-24 months) and medium-term (3-4 years).

Modelled after the Accession Partnerships which helped the Eastern European countries' accession to the European Union, these partnerships will help governments to focus their reform efforts and available resources where they are needed most. The responsible authorities are expected to respond to this document with a detailed plan for the implementation of the European Partnership priorities, by establishing concrete measures and an action plan, and by showing what human and financial resources will be available for the fulfilment of these tasks. Priorities identified in the European Partnerships will also affect the financial aid offered by the European Union.

7. EU-Albania Negotiations for the Signing of the Stabilization and Association Agreement (January 2003-June 2004)

On 21 October 2002, the Council of General Affairs of the European Union authorized the European Commission to open the negotiations for the signing of a Stabilization and Association Agreement with the European Community and the European Union member countries. The EU-Albania negotiations for the signing of the Stabilization and Association Agreement between Albania on the one hand, and the European Community and the European Union member countries on the other, were officially opened on 31 January 2003. A schedule was established of one political round and two technical rounds of negotiations. So far there have been 11 rounds of negotiations, including four political and seven technical. More specifically, the titles and articles discussed in these negotiations were:

The first political round of negotiations was held in Tirana on 13 February 2003 and focused on Articles 1-15, as follows:

1. **Preamble** to the draft Stabilization and Association Agreement and its Article 1
2. Title I **“General Principles”** - Articles 2-7
3. Title II **“Political Dialogue”** -, Articles 8-11
4. Title III **“Regional Cooperation”**- Articles 12-15

The provisions of the “General Principles” establish the main preconditions for the implementation of the Stabilization and Association Agreement, such as respect of democratic principles and human rights, compliance with international principles and strengthening the rule of law, and the principles of a free market economy. These principles not only form the basis of the internal and external policies of the parties, but because they are the fundamental elements of this agreement, they are also mandatory.

The first technical round of negotiations was held on 25 March 2003 and included the **following chapters of the draft agreement:**

- **Title V, “Freedom of movement of workers, services and capital”-** Articles 46-56
- Chapter I **“Freedom of movement of workers”-** Articles 46-48
- Chapter II **“The right of establishment”-** Articles 49-56
- Annex V **“On Financial Services”**

These articles address the equal treatment of Albanian workers with community workers, seeking to provide workers with legal employment in order to avoid any sort of discrimination based on citizenship, working conditions, remuneration or dismissal. The right of establishment addresses the development of a legal framework on the establishment of Albanian and community companies with reciprocal rights, as well as the facilities these companies will have in the respective markets, with the aim of avoiding any kind of discrimination. In addition, this chapter contains issues related to the possibility of reciprocal recognition of professional qualifications and exercising reciprocal activities in given areas.

The second technical round of negotiations was held on 14 – 16 May 2003 and examined the following issues:

- Chapter III **“Freedom of provision of services”** - Articles 57-69
- Chapter IV **“Current payments and capital movement”** – Articles 60-62
- Chapter V **“General Principles”** – Articles 63-69
- Annex VI **“Union citizens benefits from real estate”**
- **The land transport protocol**

These articles seek to ensure the provision of services in border areas. In order to realise such a freedom, it is necessary to have free movement of the people and personnel necessary for providing the services, or for conducting talks to enter into agreements for this purpose.

Articles 60-62 on current payments and capital movement aim to liberalize direct investments. This is important for the development of the country and is mandatory for both parties, because it provides benefits and helps stabilize the financial system. Articles 63-69 are standard provisions that regulate employment, entry into the country, and provide justification for the restrictions in the exercise of the four freedoms of the single market.

Article 59 covers the provision of transport services and, in addition, provides a specific protocol on land transport. This article deals with the conditions of general land transportation of goods. Other conditions regarding the provision of transit transport services are dealt with in the Protocol. The fundamental elements of these services are linked with the total liberalization of the sector, the same as in the area of international law. Also, this point deals with road safety and respect of environmental standards. The same article foresees the liberalization of all restrictions on maritime traffic and the conditions for the liberalisation of air transport services.

The second political round of negotiations was held on 25 June 2003 in Brussels, addressing issues related to “**Justice and Home Affairs**” –Title VII (Articles 78, 81-84).

This title relates to the strengthening of the rule of law and institutions, as well as cooperation in the fight against terrorism, money laundering and other criminal activities. In order to create a European space of freedom, security and justice, the parties to this agreement will cooperate in the area of visas, border control, asylum and migration, and will establish a collaboration framework at the regional level, taking into account other initiatives in the field.

With regard to the visa regime and border control, this article provides for close cooperation and coordination, providing also for technical and administrative assistance. The cooperation will focus mainly on Asylum with the aim of ensuring compliance with the Standards of the Geneva Convention (28 July 1951 on the Refugee Status) and with the New York Protocol (1967), as well as in the field of legal migration by regulating admission of people, their status on the basis of the principle of non-discrimination from the citizens of the host country and by promoting integration policy.

The third technical round of negotiations was held in Tirana on 16 July 2003 on Title IV “**Free Movement of Goods,**” and Chapter I “**Industrial Products**” - Articles 16-23 of the draft agreement.

The chapter deals with provisions on industrial products, agricultural produce and fisheries, of Albanian or European Union origin, and forms the basis for the creation of a free trade zone with the European Union. This agreement aims to create a free trade zone between the partner countries during a transition period and foresees the stages for the opening of the Albanian market to European Union exports during the transition period, with the aim of consolidating the Albanian economy in these areas, the protection of consumers, stimulation of business, and other sectoral policies.

The fourth technical round negotiations was held on 18 September 2003, in Brussels, and continued on Title IV “**Free Movement of Goods**” as well as the Chapter on “**General Provisions**” - Articles 32-42 and 45.

Chapter III deals with dumping and subsidies practices, state monopolies on the trade of goods as well as general protective clauses. These articles cover the trade of industrial, agricultural and fishing goods between the parties and aim to eliminate customs, duties, measures and quantitative restrictions on imports or exports after the Agreement comes into effect.

The third political round of negotiations was held on 5-6 November 2003, in Tirana, and continued on Title IV “**Free movement of goods**” and Chapter II “**Agriculture and Fisheries**” - Articles 24-31.

These articles deal with agricultural produce and fisheries, which are considered to be sensitive products by the negotiating parties. In order to protect these products, negotiations focused on establishing some transitional deadlines.

The fifth technical round of negotiations was held on 22 January 2004 and included talks on Title VI “**Legislative Approximation and Implementation and Competition Rules**” – Articles 70-74.

More concretely, the negotiated articles deal with some key issues of a single market between Albania and the European Union, and priority issues in the approximation of Albanian legislation to community law. These issues deal more specifically with ‘Consumer Protection’, ‘State Assistance, ‘Intellectual, Trade and Industrial Property’, ‘Public Procurement’, ‘Standardization, Metrology, Accreditation and Conformity Evaluation’ and ‘Working Conditions and Equal Opportunities’.

In this round of negotiations, the parties also discussed the specific regimes to be applied in the trade of wines, alcoholic beverages and processed agricultural produce.

The sixth technical round of negotiations was held on 15 – 16 March 2004 in Tirana and focused on Title VIII “**Cooperation Policies**” - Articles 85 – 110.

According to these articles, the parties will cooperate on economic and trade policies, statistics, banking, insurance, and other financial services, financial control, promotion and protection of investments, industry, small- and medium-sized enterprises, tourism, agriculture and the agro-industrial sector, fisheries, customs, taxation, social cooperation, education and training, cultural cooperation, audio-visual cooperation, the information society, electronic communications infrastructure and related services, transport, energy, environment, technological research and development, regional and local development, and public administration. The development of these policies demands first and foremost the alignment of Albanian legislation to community legislation.

The fourth political round of negotiations was held on 22 – 23 April 2004 and included:

- Chapter VII “**Justice and Home Affairs**” – Articles 78-84
- Chapter IX “**Financial Cooperation**” - Articles 111-114
- Chapter X “**Institutional, General and Final Provisions**”- Articles 115-135

The articles on justice and home affairs relate to the cooperation in the area of movement of people, visas, border management, asylum and migration, prevention and control of illegal migration, readmission, combating terrorism, money laundering and illegal drugs, preventing and combatting organized crime, as well as cooperation in the area of weapons of mass destruction.

The institutional provisions of the Agreement cover the setting up and functioning of institutions such as the Stabilization and Association Council, the Stabilization and Association Committee and the Stabilization and Association parliamentary Committee.

These committees oversee the implementation of the Stabilization and Association Agreement. The Stabilization and Association Council is composed of members from the two parties [European Union (Council+Commission) and the Albanian Government], is headed by one representative from each party on a rotational basis, operates on the basis of the equality principle and determines the rules that govern its functioning.

Decisions are unanimous and binding for both parties. The role of the Stabilisation and Association Committee is to assist the Council and it will be composed of members from both parties [European Union (Council+Commission) and the Albanian Government]. The Stabilisation and Association Parliamentary Commission is composed of MPs from both the Albanian and European Parliaments.

The seventh technical round of negotiations was held on 28 – 30 June 2004. It re-examined two protocols, one on “**The Origin of Goods**” and the other on “**Methods of Administrative Cooperation and Reciprocal Administrative Assistance on Customs Issues,**” also negotiated previously in the fourth technical round, in September 2003.

In this round the parties also negotiated Article 43, “Anti-Fraud,” which aims to coordinate the parties in their fight against irregularities and fraud in the customs system, by clearly defining the procedures to be followed, to ensure administrative cooperation between the European Union and Albania in this area.

The party representing the European Union evaluated the administrative capacities on the ground, as well as and the customs officers’ knowledge of origin rules and classification of goods, as well as other issues covered by the protocols.

Meanwhile, there have been held so far and the eighth **technical round of negotiations** (on October 21, 2004) focused on the fishery and agriculture products; the **fifth official round of negotiations** (on November 26, 2005), focused on the agriculture products, Protocol on vine and alcoholic products etc; the **eleventh technical round** of negotiations (on February 23, 2005), focused on agriculture products, Protocol on vine and alcoholic products, fishery products etc; **the seventh official round** of negotiations (May 11, 2005), focused on fishery products and transitional period; the **tenth technical round** of negotiations (September 29, 2005), focused on the administrative errors, purchase of real estate etc.

8. Approximation of the Albanian Legislation to that of the European Union – A Condition for the Country’s Integration into the European Union

The Copenhagen Summit of June 1993 defined the criteria for establishing preferential relations and potential accession of Eastern and Central European countries into the European Union. The main criteria to be met by states aspiring to join the European Union are the following:

- Stability of institutions that guarantee the proper functioning of democracy and the rule of law, including protection of minorities;

- The ability to undertake and meet membership obligations and especially *acquis communautaire*
- The creation of a functional market economy, capable of coping with the pressure of competition and market forces within the EU market
- Internalization of the objectives of the political, economic and monetary union.

Acquis communautaire is made up of a series of general norms and principles of European Law, without which the institutional and material make-up of the European Union cannot be understood. For this reason the Treaty of Rome, in its original version, included provisions on the process of legislative approximation. In addition, the approximation process is directly identified in the Association Agreements (European Agreements and Stabilization and Association Agreements) that the European Community and the European Union member countries have drawn up for the Eastern European countries.

According to the Draft SAA (Title VII), this approximation must be done in two stages:

- Starting from the date of the signing of the Agreement and the length of its duration, it will cover some main elements of the *acquis* on the Internal Market and in other areas. These areas will be defined in the **National Plan for the Adoption of the Acquis** in coordination with the European Commission. In addition, the modalities for monitoring the implementation of legislative approximation and the actions to be taken for legislative implementation will be defined.
- In the second phase of the transition period of association, this will be extended to other areas that include other, no less important, *acquis communautaire*.

This voluminous and multi-dimensional process is led by the Department for the Approximation of the Legislation at the Ministry for European Integration, which is working on the approximation process, thus ensuring the necessary legal framework, as well as the respective procedures and methodologies for legislative approximation. More concretely, the DAL prepares legal opinions on the compatibility of draft-acts with the *acquis communautaire* and international acts, before submitting these acts for approval to the Council of Ministers. The work for the transposition of community legislation started with the adoption of important laws on the internal market. In addition, the department, in cooperation with the Working Group for Legislative Approximation, Negotiators and line ministries will present the National Plan for the Approximation of the Legislation for approval in the Spring of 2005.

The Department for the Approximation of Legislation has given line Ministries and other institutions involved in the approximation process, responsibility for the translation of the **White Pages** (which form part of the pre-accession strategy for the associated countries of Central and Eastern Europe, adopted by the European Council in Essen in December 1994), **the methodological document** where one can find

professional information on the European Union and community legislation, and the **manual on how to use community legislation, the fundamental document (inventory) of the whole Albanian legislation in force to be approximated to the *acquis communautaire*.**

At the same time, the entire necessary framework for the setting up and functioning of the Centre of European Documentation has been completed. This Centre will be established within the Ministry of European Integration. It will become part of the European network and will make the *acquis communautaire* as well as the necessary information on the approximation process available to the Albanian administration, academics, civil society and interest groups.

II. EUROPEAN UNION ASSISTANCE TO ALBANIA

1. The CARDS Programme

In May 1999, the European Union adopted a new initiative for 5 countries of the Western Balkans (Albania, Bosnia-Herzegovina, Croatia, Serbia-Montenegro and the Former Yugoslav Republic of Macedonia) called the Stabilisation and Association process. This process aims at establishing closer relations between the European Union and the above countries, through the Stabilization and Association Agreements.

In this context, in the year 2000, the financial aid provided to this region was channelled through a new programme called CARDS (**C**ommunity **A**ssistance for **R**econstruction, **D**evelopment and **S**tabilization), which was adopted by the Regulations of the EC Council, no. 2666/2000, dated 5 December 2000, which outlines the following:

- 1) *The main goal of community assistance in the framework of this programme* is to support the participation of benefiting countries in the Stabilization and Association process and the implementation of the Stabilization and Association Agreement, for which the Albanian Government has been negotiating with the European Union since January 2003;
- 2) *The funds of the programme for the period 2000 to 2006* for all the Western Balkans countries amount to €4.65 billion (programme funds allocated to Albania for 2001-2006 are nearly €280 million);
- 3) *The form of EC assistance*, a grant (free, with no obligation to return the funds);
- 4) *The strategic framework* used to establish intervention priorities of the programme in the benefiting countries, including:

The long-term strategic framework 2000-2006 (Country strategy paper) which is the document that defines the long-term objectives and priority areas for the intervention on

the CARDS Programme in the countries benefiting from it. This document does not determine the amount of funding for the CARDS Programme;

The medium-term strategic framework (indicative multi-year programmes) for periods of up to 3 years, for each of the countries benefiting from this assistance, developed in accordance with the long-term strategic framework. The framework reflects the priorities of the Stabilisation and Association process and those agreed upon with the partners. The programmes describe the reforms to be carried out by the partners in their priority sectors. In addition, the strategy specifies the indicative funds (overall funds and funds by sector) necessary for carrying out the programmes;

Annual National Action Plans are developed in accordance with the long-term strategic framework and the indicative multi-annual programmes. They are developed for each of the countries benefiting from community assistance. They also provide details of actions to be taken, areas of action and the budget. Annual action plans contain a detailed list of the projects that will receive funds and the itemized funds. Both the donating and benefiting parties, in accordance with the legal procedures of each party, approve these programmes.

5) *Methods of implementing the programme*, which are as follows:

- a) Concentrated, for which the responsible contact authorities are European Commission services in Brussels
- b) Deconcentrated for which the responsible authorities are the Delegations of the European Commission to the respective countries (European Union assistance to Albania, Bosnia-Herzegovina, and Croatia is managed by the European Union Delegations to these countries, while the European Agency for Reconstruction is responsible for the management of the European Union assistance to Serbia and Montenegro and the Former Yugoslav Republic of Macedonia.)
- c) Decentralised this is a responsibility of government authorities of the respective countries benefiting from the CARDS programme.

Since January 2001, The Directorate General of External Relations (DG RELEX) of the European Commission has had the responsibility managing political relations with the Western Balkan countries (the Stabilisation and Association process) and multi-annual programming (2002-2006 national and regional strategic documents as well as the indicative multi-annual national and regional programmes) while the European Office of Aid and Cooperation (AIDCO) is responsible for the management of the project cycle and annual programmes. The AIDCO office also manages the implementation of all regional programmes.

Main Areas of CARDS Programme Intervention in Albania

The documents for Albania (The 2002-2006 Strategic Paper, The Indicative 2002-2004 Multi-Annual Programme, and the Annual Programmes) that ensure the strategic framework of the CARDS programme for Albania and form the basis on which European Union assistance is provided for the given period, outline the areas of intervention of the CARDS programme in Albania for the period 2001-2004. Funds allocated to Albania for 2001-2004 amount to €187.4 million and the major areas of funding are:

- 1. Justice and home affairs** – which include aspects of strengthening the judicial system, law and order, improvement of integrated border management, combatting organized crime, trafficking and corruption
- 2. Establishing administrative capacities** – including the general improvement of public administration implementation capacities and sustainability, focusing on areas that help accelerate the Stabilization and Association process
- 3. Economic and social development** – including support to trade, education and local infrastructure
- 4. Environment and natural resources** – including support to institutional strengthening for the implementation of environmental protection programmes, with special attention to the improvement of environmental indicators in the process of urban and regional planning
- 5. Democratic stabilization** – which involves support for and strengthening of the civil society in Albania

The CARDS 2001 Programme

According to the strategic documents for Albania, the European Commission allocated a grant amounting to €37.5 million to CARDS-Albania. This amount and the intervention areas of CARDS-Albania 2001 are subject of the financial Agreement of CARDS 2001, which was adopted by the European Commission and the Albanian Government.

The main objective for the intervention of this programme is to support Albania's participation in the Stabilisation and Association process.

The major specific objectives of this support include: support capacity building and improvement in the areas of security and public order, strengthen the rule of law and better governance with regard to respect of human rights, create favourable conditions for regional cooperation, strengthen public finances, increase revenue from customs duties and taxation, strengthen standards and certification, improve foreign aid coordination, improve local community development and improve the quality of higher education.

The CARDS 2002 Programme

The European Commission allocated a grant amounting to €44.9 million to CARDS-Albania 2002. This amount and the intervention areas of CARDS-Albania 2002 are subject to the CARDS 2002 financial agreement, adopted by the European Commission and the Albanian Government.

The general objectives of this annual programme include the strengthening of the rule of law, economic and social development and support for the environment.

The major specific objectives of the project are: 1. Justice and Home Affairs 2. Strengthening of administrative capacities 3. Social and economic development 4. Support for environmental protection 5. Democratic stabilisation.

CARDS 2003

The European Commission allocated a grant amounting to €46.5 million to CARDS-Albania 2003. This amount and the intervention areas of CARDS-Albania 2003 are subject to the CARDS 2003 financial agreement, adopted by the European Commission and the Albanian Government.

The general objectives of this annual programme include the strengthening of the rule of law, democratic stabilization and economic and social development.

The major specific objectives of the project are: 1. Justice and Home Affairs 2. Strengthening of administrative capacities 3. Social and economic development 4. Support for environmental protection 5. Democratic stabilisation.

CARDS 2004

The European Commission allocated a grant amounting to €58.5 million to CARDS-Albania 2004. This amount and the intervention areas of CARDS-Albania 2004 are subject to the CARDS 2004 financial agreement, to be adopted by the European Commission and the Albanian Government in the Autumn of 2004.

The general objective of this annual programme is to support Albania's participation in the Stabilization and Association process including contributions to the social and economic development of the country.

The major specific objectives of the project are: 1. Justice and Home Affairs 2. Strengthening of administrative capacities 3. Social and economic development 4.

Support for environmental protection 5. Strengthening of the civil society by improving the electoral system/process.

2. The Interreg Programme

Since the 1990s Albania has been participating in the INTERREG programmes of the European Union. These programmes are mainly for the European Union member countries and have as a main objective the strengthening of cooperation across borders, regions and countries. The INTERREG Programme is financed equally by the European Fund for Regional Development, and by the European Union member countries and the local authority that applies for projects.

In the case of an EU member state bordering a non-EU state, the non-EU state can also be a participant in the programme. The INTERREG programme under way at present is the INTERREG III Programme, which covers the period from 2000 to 2006. INTERREG III is divided into three programmes, according to the type of cooperation. These are: INTERREG III A, INTERREG III B and INTERREG III C.

2.1. INTERREG III A

INTERREG III A funds cross-border projects. These projects aim at increasing cooperation and links among the border regions of participant countries. Participants in the project are communes, municipalities or provinces situated on border areas. Albania participates in three INTERREG III A programs, which are described below:

a) Cross-border INTERREG III A The Adriatic

Participants of the INTERREG III A/Adriatic include seven Italian regions on the Adriatic Coast (Friuli Venezia Giulia, Emilia-Romagna, Veneto, Marche, Molise, Abruzzo and Puglia), Croatia, Bosnia-Herzegovina, Serbia-Montenegro (including Kosovo) and Albania. It has to be said that the whole Albanian territory is part of the programme, in spite of the fact that not all of it is coastal area.

The Programme is managed by the Abruzzo region in Italy. The technical secretariat of the Programme is based in Acquila, which is the capital of the Abruzzo region. The Steering and monitoring committee is made up of 11 members, seven from Italy (one from each region) and four from the countries of the Western Balkans (one from each country). The chair of the committee is selected by rotation. Albania chaired the committee in May and June 2004.

INTERREG III A Adriatic has funding of approximately €101,000,000. Until May 2004 a total of €45,000,000 has been allocated to approved projects. In the second half of 2004, there will be a call for projects totalling of €40,000,000.

b) INTERREG III A Italy/Albania

The INTERREG III A Italy/Albania Programme involves the Italian region of Puglia and Albania (the entire Albanian territory). This programme has funds of about €66,500,000. The priorities of the programme are:

- Transport, communications and security
- Environment and health care
- Economic development and employment
- Tourism, cultural heritage and institutional cooperation

The Programme is managed by the Puglia region. The technical secretariat of the Programme is based in Bari (Puglia). The steering and monitoring committee is made up of representatives from Albania and the Puglia region.

c) INTERREG III A Greece/Albania

Participants in the INTERREG III A Greece/Albania include the Greek areas bordering Albania and the Albanian districts of Gjirokastra, Saranda, Përmeti, Kolonja, Korça and Devoll. The parties to the Programme have agreed on two priority areas:

- Cross-border infrastructure, where efforts will be made to improve the border areas between Greece and Albania, modernisation of the border crossing points, customs points, and security and border control
- Economic development and employment, where measures will be taken to promote cooperation among private operators from both countries, environment protection and improvement, improvement of the quality of public health services and promotion of employment opportunities

Total funds for INTERREG III A Greece/Albania Programme total €126,000,000 (€90,000,000 contributed by the European Union and €30,000,000 by Greece and the local authorities in the Greek border regions that participate in the programme).

The Greek Ministry of Economy and Finance manages the Programme. The technical secretariat of the Programme is based in Athens.

2.2. INTERREG III B

INTERREG III B finances international projects. These projects aim at increasing the cooperation and relations among national, regional and local authorities of the countries involved in the programme. One of the programmes of INTERREG III B, which Albania is also a part of, is the CADSES programme (Central European, Adriatic, Danubian, South-Eastern European Space). The aim of the CADSES Programme is to achieve a more advanced territorial and economic integration in the cooperation zone covered by this programme.

The Programme cooperation zone includes nine European Union member countries (Austria, Germany, Greece, Hungary, Italy, Poland, Czech Republic, Slovakia and Slovenia) and nine non-member countries (Bosnia-Herzegovina, Bulgaria, the Former Yugoslav Republic of Macedonia, Croatia, Moldova, Rumania, Serbia-Montenegro, Albania and Ukraine).

The programme has four priority areas, as follows:

- Promotion of territorial development and measures for social and economic cohesion;
- Efficient and sustainable transport systems and access to information technologies;
- Promotion and management of territorial, natural and cultural heritage;
- Environmental protection, resource management and risk prevention.

The funds of the programme amount to approximately €237,500,000 (roughly €128,700,000 from the European Union, while the rest are contributed by EU member state participants in the programme). The Italian Ministry of Infrastructure manages the programme and Transport (Rome) while the Technical Secretariat of the Programme is based in Dresden, Germany.

2.3. INTERREG III C

INTERREG III C aims to strengthen inter-regional cooperation among the regions and other public authorities in European Union territory and European Union neighbouring countries. This programme promotes the development of cooperation networks by bringing together different regions to work on joint projects.

Albania is not a participant in this programme, although Albanian regions are, on some occasions invited to participate in projects funded by this programme, by co-funding them.

3. The Neighbourhood Programme

The INTERREG III Programmes, because they are financed by internal European Union funds, cannot provide funds for activities (especially infrastructure) outside the European Union territory. In an attempt to get around this and to apply truly joint programmes (that can cover both sides of the border), the European Union, through the CARDS programme funds, decided to establish a Neighbourhood Programme from 2007 onwards. However, the Neighbourhood programme will have an initial period of implementation from 2004 to 2006, with funding of €5,000,000.

The funds aim to co-fund joint projects with the INTERREG Programme, covering the costs of activities carried out in non-EU countries.

Thus, Neighbourhood funds will be added to the INTERREG Programme funds to create the so-called “Neighbourhood Programmes.” In the case of Albania there will be four “Neighbourhood Programmes:”

- The Italy/Balkans Neighbourhood Programme
(€2,200,000 for 2004, for activities carried out in four Western Balkans Countries);
- Italy/Albania Neighbourhood Programme - (€1,000,000 for 2004, for activities carried out in Albania);
- Greece/Albania Neighbourhood Programme - (€2,200,000 for 2004, for activities carried out in Albania);
- CADSES Neighbourhood Programme - (€1,600,000 for 2004, for activities carried out in the nine non-EU countries that participate in the programme).

3. Community Programmes

In the Thessaloniki Summit (June 2003), The European Council decided to launch community programmes that included Western Balkan countries. These Programmes were initially open to EU member states and candidate countries.

Following this decision of the European Council, the European Commission, in its Communiqué no. 748, dated 3 December 2003, set out rules for Albanian participation and for other countries of the Western Balkan Community Programmes. In order to be participants in these Programmes, all the Western European countries must make their own financial contributions. This contribution will be calculated on the basis of population, gross domestic product, and other economic indicators.

The Albanian Government and the European Commission will sign a framework agreement on Albanian participation in Community Programmes and, after it takes effect, a Memorandum of Understanding will be signed for each of the specific programmes. There are about 10 programmes that the European Commission has opened to Albania, and now the government has to decide with which of them to participate. The programmes are as follows:

- ***Marco Polo***

The programme runs from 2003 to 2010. Its purpose is to promote the use of multimodal transport systems, focusing on sea shipping, rail and inland waterways. The Programme targets economic operators. European Union funding for the Programme amounts to €18,750,000.

- ***Daphne II***

The programme runs from 2004 until 2008, and focuses on measures and actions to prevent or to combat all types of violence against children, young people and women. The programme targets NGOs and multi-sector organizations. Funding allocated by the European Union for this Programme amounts to €10,000,000

- ***Sixth Framework Programme on Research and Technological Development***

The programme runs from 2002 to 2006. The purpose of the programme is to support research, experimentation and demonstration, as well as the creation of a European forum for scientific research. European Union funding for this project is €4,119,000,000.

- ***Socrates II***

The programme runs from 2000 to 2006, with the aim of developing education and quality training, as well as the creation of a European forum for cooperation in the area of education. EU funding for this programme amounts to €264,000,000.

- ***Leonardo da Vinci***

The programme runs from 2000 to 2006. The aim of the programme is the implementation of an action plan in the framework of the European Commission Policy on Vocational Education. EU funding for this programme amounts to €164,000,000.

- ***LIFE***

The programme runs from 2000 to 2004 (an extension to 2006 is being approved), with the purpose of supporting the environment. The programme has three components: (i) LIFE nature; (ii) LIFE environment; (iii) LIFE for third countries. EU funding for this programme amounts to €128,000,000.

- ***YOUTH***
The programme runs from 2000 to 2006. The aim of the programme is to support cooperation policies for young people, including youth exchanges among EU and non-EU countries. EU funding for this programme amounts to €120,000,000.

- ***INTELLIGENT ENERGY EUROPE***
The programme runs from 2003 to 2006 and supports actions in the areas of energy, as well as sustainable development by contributing to the security of energy supply, competition and protection of the environment. EU funding for this programme amounts to €50,000,000.

- ***CULTURE 2000***
The programme runs from 2000 to 2006. The purpose of the programme is to support cultural cooperation, covering all areas of cultural and artistic cooperation. EU funding for this programme amounts to € 33.000.000.

- ***MEDIA PLUS***
The programme runs from 2001 to 2005 and its purpose is to help the development, distribution and promotion of European audio-visual works, as well as the training of professionals involved in the European Audio-Visual Industry. EU funding for this programme amounts to €10,000,000.

- ***ENTREPRISES & SMEs***
The programme runs from 2001 to 2005. The purpose of the programme is to support community policies for small- and medium-sized enterprises (SMEs). This support aims to improve the administrative, financial and regulatory environment for businesses. EU funding for this programme amounts to €46,000,000.

4. The Regional Cards Programme

The Regional CARDS programme funds projects involving two or more countries of the region. As provided in the 2002-2006 Regional Strategic Document, the priorities of the CARDS programme are as follows:

- Support for democratic stabilization
- Strengthening of institutions
- Development of regional infrastructure
- The SIGMA Programme
- “Twinning” programmes

Annual allocations of funds in the Regional CARDS Programme are as follows:

Distribution of regional CARDS funds by priority area

Priority areas	Budget (million Euro)				
	Budget year				Total
	2001	2002	2003	2004	
REGIONAL CARDS PROGRAMME	14,0	43,5	31,5	-	89,0
1. Integrated border management	-	1,0	1,0	-	2,0
2. Strengthening of institutions	10,2	19,9	21,8	-	51,9
3. Democratic stabilization	0,8	7,6	5,0	-	13,4
4. Regional Infrastructure	3,0	14,0	3,7	-	20,7
5. Other	-	1,0	-	-	1,0

5. The TAIEX Programme

In the context of the acceleration of negotiations for the finalization of the Stabilization and Association Agreement with Albania, the European Union is examining the possibility of providing technical assistance in the area of harmonization of Albanian legislation with that of the European Union in the framework of the TAIEX Programme. T.A.I.E.X. is the Technical Assistance and Information Exchange Unit of the Enlargement DG of the European Commission. From 1996, **TAIEX has been offering short-term technical assistance in the area of legislation approximation and implementation.**

TAIEX's main tasks are:

- To offer technical assistance and counselling on the transposition of *Acquis Communautaire* to local legislation and its implementation;
- To act as a collector and provider of information on *Acquis Communautaire*;
- To offer ways of working with the database in order to facilitate and monitor progress of legislative approximation as well as identify the need for further technical assistance.

TAIEX Services are offered according to need. Technical assistance to Albania includes seminars, expert missions, study visits, monitoring, training and documentation and translations.

- *Expert missions* normally last for several days (maximum 2 weeks) and cannot be complementary to other assistance programmes. Experts are dispatched to give advice on legal acts and interpretation of *Acquis* as well as to give advice on administrative regulations and their implementation. A proposal is made by the requesting party and all costs are paid by the programme. In the case of *study visas*, they receive approval only if judged indispensable. While cases of *training*, occur in the form of "train the trainers" programmes. The trainings will

be done for specific “target groups” (for example translators, terminologists, etc).

TAIEX Beneficiaries from both the public and private sectors, which have an irreplaceable role to play in the transposition and implementation of EU legislation, specifically: civil servants of the Public Administration, Parliament (the permanent staff), the judiciary, civil servants in the local authorities as well as social partners – mainly professional and trade associations and translators of legal texts. TAIEX does not offer direct support to individual persons or companies.

Requests: to apply for the programme, the standard process is: Submission of an request by the beneficiary; assessment of the request by the Delegation; if considered a priority request, it is sent to the TAIEX Central Office; evaluation by the TAIEX board, after completion of consultations. With regard to all of the above, it is the central institutions (in this case the people involved in the development of legal acts), which need to present their application for assistance on legislative approximation and implementation.

Macedonia's Path to Integration

Elizabeta Buova

Head of Unit

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"There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things."²

Niccollo Machiaveli

It is true that any change from the set course of doing things means causing turmoil, disliking, resistance and often, lack of understanding. Transition from one system of political and economic organization to another most definitely implies a change of the vastest possible scope and impact. Reforms underlying that process, though leading to a progress in most cases, are not welcome, and take time to be implemented. Biggest amount of time is actually spent on changing the matrix of thinking and embracing the new practices.

The European integration process, being an umbrella process for the transition towards a market economy and solidification of democracy in any country of the Eastern and South-eastern part of Europe was and is a difficult and very fast paced process, necessitating a lot of sacrifices as well as a lot of dedication. One thing is true though, that it is a process of a long term nature, rather than a project with immediate deliverables and tangible outcomes and outputs. The biggest confirmation of the nature of this endeavour is precisely seen in the latest enlargement of the European Union of the 1st of May 2004.

Republic of Macedonia is advancing towards the tenth year of the European integration process and is in the fourteenth year of transition. Reforms proved to be most difficult exam and test for the political elites in the country, and they have developed at different tempo in different times. It seems that the time for convergence and complementarity of these efforts had finally come – and, precisely under the umbrella of the European integration effort.

² "... Because the innovator has for enemies all those who have done well under the old conditions, and lukewarm (indifferent, uninterested) defenders in those who may do well under the new.", The Prince, Niccollo Machiaveli.

The biggest task until now was to promote this process and undertaking as an all-encompassing one, not done or conducted solely by politicians in power but also conducted and realized through the administration, with the strong support and assistance from the non-governmental and the private sector. The involvement and acting of each and every citizen of the country counts towards achieving this goal. The elitism around the process is now behind us, it is more understood and it is well understood. The biggest breakthrough was the acceptance and ownership of the process by the administration in general. It was perceived in the beginning that it was a task of a sporadic nature, of short-breath and for specific issues as well as to be performed by specific people. The multitasking demanded from an administration in transition is maybe the most challenging and most tiring thing, and having the process of European integration not so well recognized and adopted represented a major obstacle.

Macedonia, the Region and the Stabilisation and Association Process

“Do not let the fear of the time it will take to accomplish something stand in the way of your doing it. The time will pass anyway - we might, just as well, put that passing time to the best possible use.”

Earl Nightingale

The official political dialogue of the Republic of Macedonia with the EU began in 1995, and in 1996 the Cooperation Agreement was signed and came into force, thus giving a frame for both political and technical level dialogue and cooperation via the institutions set up by the Agreement. Macedonia became also a Phare assistance beneficiary, which in its greatest part provided support for the structural changes in the country as well as promoted the cross-border cooperation with Greece. The Phare instrument provided a great opportunity and a learning process for Macedonia, where it was a part and was as well able to follow the European integration process in the other Phare countries.

In 1999, the Commission approved the feasibility of negotiations of a Stabilisation Association Agreement with the Republic of Macedonia – first Agreement in the new generation of agreements created by the EC and its Member States. The actual negotiations lasted for 6 months, they were concluded in November 2000 and the SAA was signed on 9th of April 2001 in Luxembourg, which was followed by the usual procedure of ratification in the domestic Parliaments of the Member States.

Meanwhile, it was high time to take the political will beyond the acclamation and declarative statements. The already existing structure and *modus operandi* of the administration regarding this process, was assessed and approved, yet with one big

problem – lack of people working or dedicated to the process. This was a period of time when things started changing in the practical sense of the matter. The limited resources were constantly taking toll, and Macedonia had to perform to the level of standard needed to make the best use of the cooperation with the EU and make best use and absorb the available funds through the new instrument – CARDS.

The Copenhagen criteria are in place for all the newcomers in this process, they will not change and they will be measurable indicators against which each country's ability, readiness and capacity is assessed. The Western Balkan countries, and to that matter, Macedonia, is not an exception to the rule. The process of achieving those standards remains the same, with another addition that comes from the 'lessons learnt' from the previous enlargement. One of the most important things for the EU, the Commission and the Member States, now more than ever, was the administrative capacity, the institutional ability and readiness to absorb the EU funds, to perform under pressure, and to be able to communicate and operate at the level of the so called 'European Administrative Space'.

As always, thus in the case of Macedonia, there was resistance and difficulty in building structures. This has been an ongoing process for over a decade in which we have started from creating and strengthening the structure for coordination of foreign aid, and moving on towards an umbrella process encompassing almost all reforms: the European integration process. Apart from the core body, the Sector for European Integration (now Secretariat for European Affairs), we have created a Network of European integration units, as well as other forms of monitoring and coordinating of the process: Working Committee for European Integration, Sub-committee for Approximation of Legislation, Committee for Coordination of Foreign Aid and so forth.

Slowly and gradually, things moved from 'new' to 'normal', normal daily operation of the process, that grew and spread. The breakthrough was in a way, achieved 3 years ago, with the rapid strengthening of the human force contributing towards strengthening of the structure, and more active upgrading of the skills.

Thus Macedonia has to work hard and build and shape an administration that is ready and able to respond to the enormous and tedious tasks that lay ahead of it. Until present day, we are still in a process of engaging more people in the administration, strengthening the numbers, as well as, constantly working on acquiring and strengthening the skills and capacity of the involved civil servants. We have continued to refine our internal system of coordination of the European integration process, and we have continued to work on the most exhausting task – approximation of the domestic legislation to the one of the EU and adoption and transposition of the *acquis communautaire*.

Institution building at the central core, capacity building throughout the administration, acquiring new skills, coping with work under pressure, multitasking – all these represent small constitutive parts of the balancing act that has to be achieved. This lens of too narrow and too focused observing of the needs at home does not prevent or exclude the awareness of the ongoing themes and process within the EU and those on the world scene, as the world cannot wait for us to undertake each of these processes one at a time.

In 2001 we have undergone a severe internal crisis and ethnic conflict in the country. With the support and assistance from the international community and in particular the EU, we have managed to overcome the problems and we have continued with our reforms, thus slowly moving away from the stabilisation and threading on towards the association part.

Given that none of the current processes is an isolated process, it is inevitable to recognize and to act in respect to the cooperation with neighbours and especially with the new Member States. The Western Balkans suffer from the same problem of trans-national and trans-boundary nature, that severely affects and sometimes even undermines the process of stabilisation, and that is the organised crime. Apart from that, the economic ties among these countries, the shared populations between the countries and within their borders are just elements of the cooperation that is and needs further to be fostered. Cooperation with the new Member States is of great importance given that their experiences are recent, fresh and some of them still represent an effort of integration and convergence, are invaluable to the aspiring countries and candidate countries in their *rapprochement* to the EU.

Getting informed and involved in matters of interest for the EU – the Constitution, the Lisbon Agenda, anti-terrorism measures, WTO developments, the global scene, are just matters that keep us on board with the latest developments but also in steering our own domestic course and domestic and foreign policy of the country.

Recent developments and the road ahead

Knowing is not enough - we must apply.

Willing is not enough - we must do.

Goethe

Coming into force of the Stabilisation and Association Agreement, establishing its structures and forms of dialogue, the ongoing discussions and checks-and-balance drills are just enhancing the tempo and putting greater pressure on the country to perform better and to deliver faster on the set goals.

The Republic of Macedonia had officially submitted an application for EU membership on 22.03.2004 – it took us a long period of time to actually do this, and as time has proven it, it was the right time. The European Commission had prepared a Questionnaire upon this application and had delivered it on 01.10.2004, asking numerous information and intricate details of the organisation and the legal order of the matters in various domains of the operation of the state. We have responded to the Questionnaire and submitted the response to the Commission on 14.02.2005.

This exercise, though in the context of the overall process of negotiations with the institutions of the EU represents just a micro-exercise, was the first greater test of the capacity of the administration to provide a cohort and coordinated response to a given challenge, and it revealed other relevant things apart from the capacity to do that: the team spirit, the constructivism, the interlinking of the processes and efforts and, above all, the ownership and understanding of the European integration process – qualities that cannot be imposed, but built over time.

During the British Presidency, on the Summit held in Brussels on 15.12.2005, the Republic of Macedonia was granted the Candidate status – a validation of the efforts made until now in the country, a reason to be happy and a motive to continue with an even stronger and more resolute spirit with the reforms and with the European integration process.

Macedonia, also, had received a European partnership – an instrument for pacing out the short-term and mid-term priorities both for the country and for the EU, which was established with the Thessalonica Agenda for the Western Balkans, and which is just another tool for the whole process of alignment and reform. The recommendations contained in it, in the annual Stabilisation and Association Process Report, as well as those uttered and spelled on the regular meetings of the Council for Stabilisation and Association, the Committee of Stabilisation and Association and the 8 Sub-committees for Stabilisation and Association are all taken into consideration and are pieced together in the first draft of the National Plan for Adoption of Acquis (NPAA) – the most renown tool for monitoring of the progress of the achievements, the approximation of legislation and the enforcement.

The enforcement of the laws shall be one of those things that are considered to be a ‘must’ in the screening process to come. Putting into practice of the legal solutions and provisions, ensuring the rule of law, introducing working protocols and discipline in the everyday operation of the administration simply represents the litmus of the success of the reforms, of the European integration process and of achieving the status of a substantive democracy.

Thus, again, shaping of the first frontline of civil servants to meet the challenges of the European integration process is an imperative, and working concomitantly on the development of the administrative capacity wider both on horizontally and vertically remains an ongoing task. In the course of 2005 a reviving the public administration reform process took place, linking it to the strategic planning and budgeting processes, and at the same time refining the European integration structure, which contributes to the stepping up the reforms in all domains. Building the capacity of the administration, but also wider, of the other two pillars – the private and the non-governmental sectors, to make use of the candidate status and of the opened opportunities with the new financial perspective 2007-2013, i.e. IPA instrument is crucial for Macedonia. Acquiring skills on how to do that or how to negotiate shall be the task for the biggest part of the civil servants.

In the 2006 the tasks ahead of us are related to the receiving the date for the beginning of the negotiations between the EC and the Republic of Macedonia. Consequently, forming of negotiation teams shall take place in the coming months, together of their training and through acquainting with the matter of negotiation, as well as learning of the experience of the other countries regarding the same. The date of the beginning of negotiations almost immediately implies the beginning of the process of ‘screening’ of the conditions and situation in each and every domain of the legal order of the country and the respective sphere regulated by it. The logical step afterwards is the opening of the first chapter of negotiations, followed by all other accompanying steps, well known from the latest and greatest enlargement of the European Union.

The majority of the measures to be undertaken are already known:

- Internally: improving the record with the reforms in the police, the judiciary system, the cadastre and guaranteeing the right to ownership and property, boosting the climate for the Foreign Direct Investments, and for better economic operation, transparent and best-practice based flow of money in the institutions of the state, fighting tax evasion, stimulating employment – promoting and working on the function of the state and the rule of law;
- Working in parallel on endearing and acquainting with the process the private sector, the non-governmental sector, the overall population of Macedonia, thus providing them with the opportunity to get involved and contribute to the process - though on the opinion polls the support of the population for this process is among the highest in Europe, efforts should be continuously invested to keep this momentum and support;
- regionally: trans-border phenomena, like smuggling, trafficking, crime – necessitate concerted regional and international effort, and the cooperation in this domain and in the boosting of the economy and exchange regionally shall bring the countries of South Eastern Europe closer to the goal.

With the reforms and the candidate status and all that it implies on domestic turf and on the international scene - the boost of the stagnant economy, possible Foreign Direct Investments, the first visible results in the improved standard of living, economic performances and reduced level of unemployment, combined with the alleviated visa regime - can be felt already in the coming year.

The quotations I used in this text are hanging on the wall in my office; they have an omni-essence valid for numerous processes and just as I have found them, in my microcosmos, to be appropriate for my lifestyle, I have found them to be ever more valid and true for the European integration process and the changes and adjustments it implies.

And thus, as mentioned centuries ago by Machiavelli, no introduction of new order of things is easy.

Attachment – EI process in the Republic of Macedonia

Prilozi attachment!

Experience of Serbia and Montenegro on its Road towards EU Membership

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1. General

Relations with the EU are the top priority of Serbia and Montenegro foreign policy. Serbia and Montenegro short-term goal (in 2006) is to conclude the Stabilization and Association Agreement (SAA) with the EU, and the mid-term one is to become a full member of the Union (beginning of the next decade). **It is noteworthy that for the first time in a modern history all SEE countries share the same foreign policy priority(ies), which creates a positive, quite different environment for the development of cooperation and resolving of open issues among those countries.**

2. Background

Since the democratic changes in Serbia took place in October 2000, when Serbia and Montenegro (than FRY) was included in Stabilization and Association Process (SAP) the cooperation between Serbia and Montenegro and EU has recorded permanent improvement. However, between mid 2002 and autumn 2004 this pace was rather slow – mainly due to problems in internal harmonization of economic systems of the two republics that constitute Serbia and Montenegro, difficulties in re-composition of the common state (state union) and insufficient level of cooperation with ICTY.

In 2004 within EU prevailed an opinion that it was too detrimental for both EU's interest in the region and Serbia and Montenegro's euro-integration process to persist on the condition of full economic harmonization. A new approach – the so called “twin-track” approach was introduced, that unblocked the process, which was followed by significant improvement in cooperation of Serbia and Montenegro with ICTY. The result was finalization of the Feasibility Report by the Commission and its adoption by the EU Council in April 2005. In July the Commission presented to the Council the draft mandate for negotiation and we are confident that the mandate will be adopted at the Council's meeting at the beginning of October, followed by official opening of SAA negotiations shortly after that. Preparations for negotiations are well under way both in Serbia and Montenegro and the two republics. **It is of utmost importance that the momentum of the process, revitalized by the introduction of the twin-track**

approach is preserved – as the key factor for continuation and deepening of the reforms, as well as for further democratization and stabilization of Serbia and Montenegro and the region as a whole.

3. Preparations for Negotiations of SAA

Although the negotiations on SAA do not have the form of classical negotiations – SAA is more or less a model agreement (key issues open to negotiations are, as in case of Croatia and Macedonia, the duration of the transitional period and possible exceptions related to trade in goods), the preparations for negotiation the SAA are well under way in Serbia and Montenegro. The Council of Ministers of Serbia and Montenegro decided on the members of negotiating team, structure and composition of three working groups charged with preparation of negotiating mandate at the level of the state union, while the two republics named their negotiating teams and their working groups (each republic formed six working groups). According to available information, Republic of Serbia has completed the preparation of the draft negotiating mandate a few days ago.

It should be noted that there is a certain difference in the structure of working groups formed at the level of the two republics and representatives of the Commission expressed concern about that. However, the meetings of the Enhanced Political Dialogue (technical-political working body) are to continue throughout the process of negotiations, enabling all participants to find solutions to each and every open issue. It also applies to differences shown in the area of justice and home affairs, where state union has some competencies, but does not have implementing mechanisms.

4. Specificities of Serbia and Montenegro

The SAP is a process that's very similar in each and every country of the region and similar to the process that brought 10 other countries of central Europe and Mediterranean into EU membership more than a year ago. So, there is no need to waste too much time on things that are well known to most. On the other hand, certain differences are inevitable. The Copenhagen criteria of 1993, which remain basic guidelines for the countries of the region towards EU are coupled with the so called - policy of conditionality. The “value added” of the policy of conditionality compared to Copenhagen criteria, if I may simplify it, is on putting an emphasis on full and unconditional implementation of international obligations. That actually constitutes a EU response to recent history of the region marked by wars, violence and disregard of the basic rules of international law.

In case of Serbia and Montenegro “implementation of international obligations” is usually read as full cooperation with ICTY. Although EU is most concerned about the

progress in that field, the full meaning of “implementation of international obligations” is, however, more complex. Anyway, significant progress in cooperation with ICTY, as already mentioned, loosened the pressure and enabled EU to unblock the process. It is important to state that Serbia and Montenegro is absolutely aware that full cooperation with ICTY is not only an international obligation – it also confirms that Serbia and Montenegro shares the same values as the EU and that Serbia and Montenegro is oriented towards the future, not past.

Complex internal structure of Serbia and Montenegro means atypical division of competencies, where the power of the republics is bigger than that of the state union they form. Further problems include the uncompleted process of establishment of state union institutions envisaged by the Constitutional Charter and, which is even more striking - different interpretations of the competencies of the state union - in terms of range of competencies and its nature (whether Serbia and Montenegro’s prerogatives are autonomous or derivative/delegated by the republics).

Finally, at the level of state union, EU matters are basically (according to Constitutional Charter) within the competencies of Ministry for External Economic Relations, which is a rather unusual solution. However, in reality it is MFA, together with European integration office that is the most outstanding institution spearheading the process of euro-integration. The reason for that is not somebody's eagerness to breach Constitutional Charter, but the very nature of the process of euro-integration, which requires active engagement of the MFA.

Besides that, we should single out the lack of qualified administrative structures in Serbia and Montenegro, but that is probably an open issue for all countries in the region. In case of Serbia and Montenegro, besides the problems one could expect to encounter in each transitional country (administration used to old system, slow, too big and too expensive, unready to reform), the problem with administrative capacities has at least one additional dimension, which is already mentioned but in other context, and that dimension is a complex state structure. And while the process of reform of the administration is well under way within the two republics (although not coordinated or harmonized), the drafting of necessary regulation related to the state union administration is in very initial phase.

If someone looks at certain segments of state administration he can see that the results of the reform are uneven. Without entering into deep or methodologically structured analysis, it is safe to conclude that reform of JHA segment is becoming more and more important for all countries aspiring to EU membership and Serbia and Montenegro is not an exception. That is everything but a surprise, if one has in mind what is going on in this field within the EU.

In short, these would be internal specificities of Serbia and Montenegro euro-integration process. As for the external factors, besides still unclear consequences of French and Dutch "NO" on European Constitution referendum and the deadlock in next budget discussion on further enlargement, including the region of SEE, or the so called Western Balkans, one should always be ready for new surprises. It is enough to mention recent terrorist attacks in London, repercussions of the hurricane Katrina, preparations to possible birds-flu pandemia to realize that EU agenda is already full even without the issue of new enlargement.

The best way to handle such a situation and further deepening of the enlargement fatigue on the EU side is, to my mind, doubling of efforts the countries in the region make to speed-up the SAP. Prioritizing has proved to be weak point to most countries in the region. Focusing on issues other than EU integration, however difficult they might be, often proves to be a bad choice. Most often, resolving of those problems is impossible outside the EU context, and the most obvious (if not only) result is a waste of time. On the other hand, EU should also double its presence and commitment in the region.

That approach should apply also on issue of Kosovo and Metohija, undoubtedly the most difficult question in the region. Although there is a separate SAP for Kosovo, the so called STM (Tracking mechanism), which formally means that what is going on in Kosovo neither speeds up, nor slows down the euro-integration process of Serbia and Montenegro, the fact is that everything in the region is highly interdependent.

**Political and Economic Challenges to
Bosnia and Herzegovina on the Way to EU**

Prof. Dr. Dragoljub Stojanov
University of Sarajevo, Sarajevo

Slides – Dragoljub Stojanov

SNIMKA 4

Prof.

PANEL: REFORM IN PUBLIC ADMINISTRATION

**Governance Indicators as Useful Tools to
Measure Government Performance?**

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Reform in the Public Service – the International Context and Reform in Ireland

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1. Introduction

In this short address I will, firstly, review in broad terms the background to, and forces driving, reform of public administration on the international front – in short, the “*why*” and “*what*” of reform based on developments in a number of countries. Secondly, I will briefly describe reform of the public service in Ireland and, thirdly, highlight parallels between the Irish and international developments.

2. International Developments

On looking back it is noteworthy that public service reform as we are undergoing it today has been in train since the early 1980s. The early developments were driven by unprecedented economic and social changes which were giving rise to major challenges for Governments and their administrative machinery. These challenges arose from factors such as:

- Demands for better and more accessible public services;
- A better informed and more questioning public, increasingly showing less trust in government and the public service;
- The escalating costs of public services;
- Increasing globalisation and internationalisation;
- Expanding trade and trading blocs, e.g. the EU; and,
- The need for individual countries to become, and remain, economically competitive in the international arena.

These demands presented serious challenges to the traditional modes and standard of public service delivery since they gave rise to rapid growth in the range, cost and complexity of government services and activities. Very significantly, this led to critical appraisal in some countries about the role of government and whether government had, or could develop, the long-term capacity to respond effectively to changing demands and circumstances. Such appraisals were, in turn, fuelled by emerging new developments and ideas, for example:

- The developments in information and communications technologies (ICTs), enabling and facilitating the delivery of services which would be more responsive and better tailored to the needs of the public;

- A growing appreciation and acceptability of private sector management techniques and practices, manifesting itself in the emergence of the so-called “new public management”;
- A greater emphasis on achieving results and obtaining better value for money, leading to the introduction of more effective and robust approaches to evaluating and managing performance, and;
- A growing appreciation among both politicians and public servants of the potential of reform, whetting political and administrative appetites for change.

In turn again, such developments were greatly aided and abetted by:

- New and innovative administrative practices which were rapidly evolving in a number of countries, for example, in New Zealand, Australia, United Kingdom, United States, Canada, and the Nordic Countries all of which were, to one extent or another, among the early movers in introducing innovations and leading and advancing reform in public administration;
- Emerging “common” themes and potential solutions such as outsourcing, public/private partnership, market testing, agentisation, and privatisation; and
- A growing international legitimacy arising principally from the work of OECD which highlighted and promoted the need for reform and its potential benefits.

Taken together, these various developments and forces helped to create and foster a political and administrative climate conducive to, and encouraging of, reform of the public service and the application of new and innovative approaches designed to make it more responsive to the needs of government, business and society at large. However, the nature and extent of reform were not uniform between countries but were subject to the accepted and/or preferred role of government and its perceived capacity to deliver over the long term. In some countries, this led to a critical examination and reorientation of the scope of government’s role and sphere of influence. In other countries a more conservative, though nonetheless a relatively radical, approach was taken. In all cases, the view was that public administration had to become more efficient and effective and demonstrate better value for money. The various approaches adopted are highlighted in a study of the then leading reformists entitled: *Public Management Reform: An International Comparison, Pollitt & Bouckaert (Oxford University Press, 2000)*. (This study has since been updated by the addition of some other countries but the findings remain the same.)

On foot of their examination, the authors of the study identified four broad approaches, viz: “*Maintain*”; “*Modernise*”; “*Marketise*”; and “*Minimise*”.

- “**Maintain**” – entails the maintenance of the status quo of the role and scope of government, while seeking to improve structures and management practices; Germany provides an example of this approach;

- **“Modernise”** - involves retaining a large role for government, but seeks fundamental changes in the management of the public service; Canada and Sweden are cited as adherents to this approach;
- **“Marketise”** – leads to the introduction of competition and market mechanisms on a wide scale to public service activities; Australia, New Zealand and the United Kingdom are put forward as proponents of this approach;
- **“Minimise”** - retains only the core functions of government with all else being outsourced or privatised; the authors cite New Zealand, United Kingdom and the United States as selective adopters of this approach.

It may be noted that the various approaches are not mutually exclusive and, indeed, most countries have pursued a mix of these approaches as deemed appropriate and best suited to their circumstances and reform objectives. Ultimately, all aim to make their public services more responsive to the needs of the public, while simultaneously improving the levels of efficiency and effectiveness and ensuring better value for money. For present purposes, and as it is the most dominant approach, our focus will be on the “modernisers”.

Modernisers are characterised by:

- A holistic and integrated, rather than a piecemeal, approach to reform of the public service;
- The devolution of authority and accountability to the most appropriate levels within each organisation;
- A focus on long-term, strategic goals;
- Being output and outcome orientated in the short to medium term; and
- Maintaining a strong focus at all times on the consumer of public services.

Overall, the goal is to empower managers and staff by creating an environment conducive to, and supportive of, taking responsibility for one’s actions by letting and making managers manage. To these ends, a range of support measures can be commonly identified, including:

- Strategic planning, usually covering a three to five year period;
- Resource-based budgeting, often multi-annual;
- An emphasis on people as a key, strategic resource underpinned by extensive but highly targeted training and development programmes;
- The proactive development of quality, customer-oriented services through service delivery plans and charters;
- A whole-of-government approach to and management of cross-cutting issues to ensure effective and timely responses to those major issues and challenges which require concerted action by a number of ministries; and,
- Where deemed necessary, putting in place enabling legislation to give effect to and underpin the needed changes in public service practices.

A central element of the measures is an effective means of evaluating and managing performance in order to promote and foster a performance culture and to demonstrate increased efficiency and effectiveness and continuing value for money. Thus, clarity of objectives and roles and the devolution of authority, with matching accountability, to the most appropriate levels, underpinned by an effective performance management system, are features of the process. All-in-all, the objective is to make the public service more flexible and responsive to, and to equip public servants with the wherewithal to better meet, the demands of a changing economic and social environment.

3. Reform in Ireland

I will turn now to the Irish experience of reform. The current and ongoing reform of the public service in Ireland has its roots in the mid to late 1980s when, consequent on a rapidly deteriorating budgetary situation, growing and unsustainable levels of public expenditure, high unemployment, and continuing erosions in economic competitiveness, an economic austerity programme was put in place. This programme had serious consequences for the public service resulting in major cuts in some services, such as health and infrastructural developments, and the introduction, for the first time in the history of the State, of a voluntary retirement scheme to reduce the number of public servants.

However, it is an ill wind that does not blow some good! The prevailing circumstances helped to stimulate a period of reflection by senior civil servants who were concerned about the role and capacity of the civil service and its overall performance. The civil service here may be taken to mean the administrative arm of central government. As a result, in a series of meetings of “networks” of senior civil servants the issues and challenges facing the civil service were widely discussed with a view to identifying how best it might respond to such issues and make a more telling contribution to national development. Time does not permit of a more detailed account of these deliberations and events. Suffice it is to relate that arising out of them an extensive reform programme was formally launched by the Government, with the backing of the opposition parties, in February 1994. This reform programme was the *Strategic Management Initiative* or **SMI** as it is more commonly called. Briefly, the SMI may be summed up as follows:

- Was formally launched by the Taoiseach (Prime Minister);
- Was centred on the preparation of strategic plans (called “strategy statements”) for each organisation; and
- Critically, was overseen by a group of secretaries general who were mandated to identify “barriers” to the better management of the civil service and to devise an appropriate change programme; the group was required also to report regularly to government on the progress being made.

On launching the SMI, the Taoiseach set three objectives for the civil service:

- To make a greater contribution to national development;
- To be a provider of excellent services; and,
- To make best use of available resources.

It was strongly stressed that the strategic plans, which had to be completed within six months, were to be action-orientated. Though initially aimed at the civil service, SMI was also to be applied throughout the entire public service.

A significant feature of the SMI process was the oversight or steering group comprised of a number of secretaries general (the top-most senior civil servants in government ministries) under the chairmanship of the secretary general of the Taoiseach's Office. The establishment of this group, and the mandate it was given, ensured that ownership of the process and the responsibility for advancing it rested with the secretaries general, thus placing an onus on them to give effect to the SMI and to devise the necessary change programme. Consequently, the group prepared a major programme of change which the government launched in May 1996 – this programme was entitled ***Delivering Better Government or SMI/DBG***. It represented a blueprint for extensive change, the twin objectives of which may be succinctly stated to be:

- Better "government", and
- Delivering better "government"

Better government (i.e. a public administration better serving the nation and its citizens) entailed:

- Quality services;
- Regulatory reform;
- Openness and transparency; and,
- Better management of cross-cutting Issues.

Delivering better government (i.e. what the public service needed to do to become more efficient and effective and give value for money) involved:

- Devolved authority and accountability;
- Modernised human resource management system;
- Comprehensive financial management; and,
- Effective and innovative use of ICTs.

The goal of these latter measures was to remove barriers to better performance and radically change the way public servants work

Time does not allow for a discussion of the many initiatives and resulting changes that this programme gave rise to, or of the processes pursued to involve managers and other

staff in the programme in order to help bring about the changes in question. A critical element of the process, however, was a series of enabling legislation which includes:

- Ethics in Public Office Act 1995;
- Freedom of Information Act 1997;
- Public Service Management Act 1997;
- Privileges & Compellability of Witnesses Act 1997;
- Recruitment & Appointments Act 2004; and
- A New Civil Service Act (pending 2005).

Taken together, these acts and some earlier Acts - e.g. Ombudsman's Act; Data Protection Act; Comptroller and General Auditor (Amendment) Act - represent a move towards a significantly new governance framework designed to make the workings of the civil (and public) service more open and transparent and render civil (and public) servants more accountable for their actions and performance. In this context, one Act merits special mention – the *Public Service Management Act 1997*. This Act provides the basic cornerstone for a modern governance system. Its purpose may be briefly stated as:

- ... to enhance the management, effectiveness & transparency of operations ... and to put in place a mechanism for increased accountability of civil servants.

In particular, the Act sets out, and thus for the first time in law clarifies, the role, responsibilities and powers of secretaries general. Under the Act the secretary general is specifically responsible for:

- The day-to-day management of her/his department (i.e. ministry);
- The provision of policy and other relevant advice to the minister;
- The implementation and monitoring of policy;
- The delivery of the department's services;
- The appointment, dismissal, and management of the performance, of the staff of her/his department – but, senior levels are exempted;
- The formal assignment of specific functions and tasks to other officers or grades; and,
- The preparation of strategic plans, at least once every three years, for approval by the minister.

4. The Parallels

Turning finally, very briefly, to the matter of parallels between reform of the public service in Ireland and its international counterparts, it will be readily seen that Ireland's approach is principally that of the “modernisers”. The SMI/DBG programme, which is ongoing, displays all of the characteristics outlined previously in relation to the modernisers. That said, however, it may be stated also that Ireland may be seen to be a “pragmatic” marketiser in that it is a relatively low-key proponent of agentisation and

privatisation as a means of opening up certain public services to competition and general market forces. In the time available it was not possible to consider this aspect of the Irish reform programme. Overall, then I will conclude by saying that reform in Ireland has been selectively radical and continues to adapt to changing economic and social needs. In this context, we are by no means unique; indeed, we are in good company!

/... for more information:

Some Useful Websites

- www.gov.ie/taoiseach
- www.gov.ie/finance
- www.bettergov.ie

For information and publications on SMI/DBG and e-government developments and programmes

- www.gov.ie/

For information on civil and public service organisations – provides links to the individual organisation's websites (containing strategic plans; customer service plans, etc.)

- www.irishstatutebook.ie

Irish legal data base (e.g. Public Service Management and other Acts).

- www.gov.ie/cpmr

For discussion and research papers on public management issues and topics relevant to SMI/DBG developments

DINNER SPEECH

European Integration – the Swiss Way

H.E. Rudolf Knoblauch

Ambassador of the Swiss Confederation to Bulgaria, Sofia

1. *Switzerland: The country and its political, economic and legal conditions*
2. *Swiss “European Policy”*
3. *EU enlargement and consequences for Switzerland*
4. *Conclusions*
5. *Questions*

1. Switzerland

- The **country**: in the heart of Europe, size (3rd of BG), population (= BG), 4 languages, 26 cantons, 25% foreign population (→ xenophobia), not a member of the EU

- **Politics:**

The Swiss political system is unique and has grown over centuries

- **Federalism**: 3 levels of Government (federal, cantonal, municipal)
- **Direct democracy**: initiatives, referenda, majority of the people as well as of the cantons in votes on international treaties
- **Parliament**: 2 chambers, non professional parliamentarians (system of militia)
- **Federal Government** (“magic formula”, coalition parties and regions) representing 80% of the popular vote
- **No opposition** → more opposition within the ruling majority than outside. A problem for any coherent, progressive policy.

- **Economy:**

The Swiss economy is well integrated – this makes it vulnerable and strong at the same time

- Geographic position (heart of Europe, communications)
- GDP: CH 310 Bio \$ - BG 20 Bio
- Dependence on exports (50% of income from exports)
- Dependence on trade with the EU (80% of imports, 60% of exports) → CH second most important trading partner of the EU
- Worldwide: CH is geographically a very small and politically a small country – a middle sized economy - a big commercial power and a financial super-power

- **Legal framework:**

Switzerland's legal framework with respect to European Integration is comparable to EU law, but has quite a few particularities:

- CH is an active member of practically all international economic organisations (WTO, UNCTAD, OECD etc.)
- Member of EFTA since 1960
- FTA with the EU (1972) and many other countries (BG 1993)
- Euro-compatibility of most new legislation (fit to join in order not to join)
- But: Legislative process often "hindered" by federalism and direct democracy

2. Swiss European Policy

A Chinese proverb states that "one crosses the river by feeling for the stones" (i.e. that you cross the river safely by feeling for safe stones with your feet). This is also a fitting image for **Switzerland's policy on Europe**: It is a policy of prudent, well-considered & balanced steps, of pragmatic solutions and of the efficient pursuit of specific Swiss interests.

Let me briefly summarise the stages of Swiss policy towards Europe throughout the last decades:

- In **1960** Switzerland joined **EFTA** together with many present EU-countries like the UK, Denmark, Sweden, Austria, Portugal etc. and not the then European Economic Community. Main reason: political objectives of EEC ↔ neutrality
- The **Free Trade Agreement of 1972 with the EEC** abolished tariff-based trade restrictions on industrial goods between Switzerland and the European Community, an important step in Switzerland's economic integration in Europe.
- In **1992** Switzerland's efforts to integrate into the Single European Market failed with the rejection of the participation in the EEA (European Economic Area). The EEA is a dynamic, institutionalized legal framework which comes close to EU-membership. The main arguments against the EEA were political: neutrality, dependence on EU, direct democracy. (On the sidelines: Norway - the only other important European country outside the EU – contrary to CH did join the EEA).
- **After 1992**: The "No" to the EEA forced the Government back on the bilateral track: In 1994 start of the **first series of bilateral negotiations** Equal access to the Single Market was to be brought about in seven different sectors, through agreements in selected areas such as transport, scientific cooperation, free movement of persons and technical barriers to trade. The objective was to negotiate with the EU a set of bilateral agreements fitting the interest of both parties.
- **2001** The first set of bilateral agreements between Switzerland and the EU was clearly accepted by the Swiss voters.

- Parallel negotiations between CH and the EU in **ten new fields** were started in **2002**. On the table were seven so-called “**leftovers**“ from the first series to which three new sectors were added: The EU approached Switzerland with a demand for a solution in the **taxation of EU capital on Swiss banks** as well as with the wish for improved cooperation in the **fight against tax fraud**. Switzerland used this *window of opportunity* and for its part added its own wish to the negotiation basket: **participation of CH in the Schengen/Dublin treaties on border control and asylum procedures**. From the point of view of internal Swiss politics there were some rather sensitive points which according to some “might endanger Swiss neutrality and sovereignty”, namely the agreements concerning free movement of persons and banking secrecy.
- The negotiations on a second packet of bilateral treaties were finalised in spring **2004** and ratification procedures in Switzerland and the EU are now underway. Last June the Swiss voters approved the participation of CH in the Schengen/Dublin treaties with a majority of nearly 60%.

3. On-going EU enlargement and its consequences for Switzerland

- Switzerland’s European policy is influenced by the fact that it is dealing with a *moving target*, a dynamic and constantly evolving EU. With the accession of ten new Member States in 2004, the EU accomplished the biggest enlargement in its history. This **historic step** was also of great significance for Switzerland.
- From an economic perspective, EU enlargement presents a **great opportunity** for Switzerland: The EU internal market – already the destination of around two-thirds of our exports – will grow by around a fifth in population terms to 450 million people. Switzerland will extend the bilateral agreements of 1999 to the new members, which – together with the Free Trade Agreement of 1972 - will significantly improve access to these central and eastern European growth markets.
- The new EU members will also be interesting for Switzerland as a **market for labour force** with great potential for recruitment. The extension of the bilateral agreements on the free movement of persons will mean the Swiss economy will have unrestricted access to this market for potential labour in the medium term. Various sectors of the economy such as agriculture, catering or healthcare are already pushing for an opening up Eastern European countries.
- The **extension of the first set of bilateral agreements to the 10 new EU members** will be automatic in six of the agreements. The extension of the agreement on free movement of persons however is not automatic. Negotiations on the necessary amendments to this agreement were carried out successfully and they could be put into force at the end of this year.
- A **vote** on the extension of the agreement on free movement of persons will take place in two weeks. If Switzerland proves unable to decide positively on extending this agreement, it may risk putting at the stake future cooperation with the EU in this and other important fields. The next enlargement of the EU as you well know is in

only a short time away. Switzerland will than once again have to renegotiate certain aspects of its bilateral set of agreements with Brussels.

4. Conclusions

- It seems clear that up to now Switzerland has been rather successful in defending its political, economic and legal status while staying outside the EU.
- The present legal framework guarantees Switzerland nearly full integration into the European market, with a legal framework which takes over a great deal of the so-called “acquis communautaire” and without the political strings attached to EU-membership.
- The present sets of agreements with the EU are legally speaking of a static nature, i.e. they do not automatically follow up the evolution of European legislation. Periodic re-negotiations to up-date the bilateral treaties are therefore necessary. It is however not sure that the EU has the time or/and the political will to follow up on the Swiss separate way (Alleingang).
- Switzerland’s policy of bilateral arrangements with the EU may therefore have reached its limits – for Swiss politics as well as for Brussels.

5. Questions

As is seems, Switzerland has been successful in its European policy. Yet some doubts about the wisdom of this policy may nevertheless be expressed – in fact nearly half of the Swiss citizens ask themselves some rather intriguing questions:

- Can Switzerland continue to go its own way in European Integration?
- Does the Swiss economy have a choice to stay outside the EU market in the longer term?
- Can Switzerland really defend its unique political institutions i.e. direct democracy and federalism by staying outside the EU?
- Or will Switzerland join the EU within a reasonable lapse of time in order to uphold its peculiarities?
- What happens in 2007 or 2008 when Bulgaria and Romania will join the EU?
- What could happen when countries such as Turkey, the Ukraine or Albania join the EU?

Therefore, in the next few years the Swiss Government will have to take a decision as to whether the time is ripe to take up **membership negotiations**. This decision will depend on the following conditions:

- **Sufficient experience** with the bilateral agreements.
- **Future Development of the EU** (constitution, evolution à géométrie variable)
- An **appreciation of the consequences of EU membership** on key areas of the Swiss political system. In particular, these concern the consequences for direct democracy, federalism, neutrality and economic and monetary policy.
- A **broad(er) domestic support** to become a member of the EU.

**PANEL: THE EUROPEAN INTEGRATION
FROM THE EU POINT OF VIEW**

Europe's Conflicting Agendas for the Balkans and Beyond

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1. Root Causes and Future Prospects*

Contrasting views on the prospects, time frames and the necessary strategies to bridge the current gap between the Western Balkans and the enlarged Europe of Twenty-five are premeditated by diverging assessments of root causes and regional specifics. Views range from the assumption that the real evil genius is the Balkans' bad reputation of ethnic strife and backwardness to the claim that either the violent disintegration of Yugoslavia or structural historical factors reaching back to Ottoman times got the Balkans off the beaten track of post-communist transition.

The recipes for success vary accordingly. Some would argue that the Balkan countries have to be treated as normal transition countries in need of some additional resources, patience and support in order to catch up with Europe. Catching up usually begins with nation and state building much along the lines of what other European nations accomplished one or more centuries ago. Others would object that the Balkans seems to be rather oblivious to the application of the standard instrumentarium of transformation and association assistance. Arguably, Croatia was destined to make it, with or without international guidance and assistance, whereas intensive international engagement has failed to achieve a decisive breakthrough in Kosovo or Bosnia-Herzegovina. The reason for the disparities within the region may be either the more massive and unresolved conflicts of the 1990s, the modernisation gap Yugoslav socialism failed to eradicate or the inadequacy of the current international regimes in Sarajevo and Prishtina.

The "Western Balkans" is a 1998 Brussels construction. Nevertheless, since the early 1990s shared legacies from authoritarian rule, traditional societies and ethnic confrontation have set developments in the region apart from the transition process

* Abridged and updated reprint of: "Rethinking the Balkans. Incongruities of State and Nation Building, Regional Stabilisation and European Integration", in: *Enlarged EU – Enlarged Neighbourhood. Perspectives of the European Neighbourhood Policy*, eds. Nicolas Hayoz, Leszek Jesień, Wim van Meurs (Bern: Peter Lang, 2005). The current paper is partly based on two papers written in the context of the Bertelsmann Foundation project "Balkan Forum": *The Next Europe: Southeastern Europe after Thessaloniki* (July 2003) and *Rethinking the Balkans. Incongruities of State and Nation Building, Regional Stabilisation and European Integration* (June 2004).

towards pluralist democracy and market economy in East-Central Europe. The destructive and inconclusive process of state and nation building emerging from the disintegration of the Yugoslav Federation obviously factors into the loss of relative advantages as a basis for democratisation and market reforms. The structural weakness of the state in shaping societal dynamics constitutes another major legacy. Generic explanations such as these, however, tend to gloss over the distinct profiles of the individual cases, ranging from state weakness without unfinished state building in Albania to inconclusive state and nation building in Serbia. Generic Balkan trends also fail to acknowledge the heterogeneity of outcomes, ranging from Croatia fulfilling the preconditions for EU accession negotiations to other states and entities failing to meet basic European criteria. The perception of a shared past is a divisive rather than an integrative factor, whereas the shared EU perspective has induced and facilitated some regional cooperation initiatives. From a European perspective, the positive avis of April 2004 for Croatia will precipitate a redefinition of the “Western Balkans”, exempting Croatia from the region as it exempted the EU accession states of Romania and Bulgaria five years ago. Whether Croatia’s “graduation” marks the erosion of the Balkans as an ignominious enclave in Europe or whether it merely brings an reputedly ancient and fundamental divide to the fore again is pivotal to any credible strategy.

In line with diverging assessments of root causes and future prospects, opinions on international assistance and guidance tend to diverge as well. If the consolidation of the Balkans is considered the basis of the process of emulation and catch-up that must be allowed to run its course, (too much) international interference seems inappropriate. Others might argue that, considering the havoc it wrought in the recent past, the region requires particularly comprehensive and intensive external interference in these processes of state and nation building. Historical lessons indicate that a constructive handling of ethnic confrontations requires a supranational authority. Both might agree that the deficits in good governance and economic development could be compensated for by additional assistance, infrastructure projects and foreign investment. Sceptics, however, persistently point to the unintended consequences of external assistance and guidance to weak states, ranging from aid dependency to political de-legitimisation. The qualitative asymmetries between regional realities and European/international strategies consequently might result in part in vicious rather than virtuous circles.

2.The Balkans in Europe

Realities in the Balkans and Europe *anno 2004*, however, tend to be more complex and causalities less distinct. Neither the Ottoman legacies nor the ethnic wars of the 1990s can be considered in isolation. Irrespective of all debates on culprits and causalities, what counts are strategic options of *hic et nunc* – in Europe and in the Balkans. The current constellation of a Balkan enclave in an enlarged European Union does not allow for a catch-up of 19th century nation building or 20th century state building in selective

isolation whilst striving to enter the mainstream of European political and economic transition in the 21st century.

Conversely, even though European proximity and demonstration effects have exerted decisive influence during most epochs of Balkan history, in current circumstances the imposition of Western blueprints of state and nation building is as much a fallacy as the a-historical catch-up approach. Unlike East-Central Europe where the agendas of post-communist transformation and European integration could be handled largely consecutively over a period of fifteen years, the Western Balkans are currently treated with an amalgamate of stabilisation, transformation and integration strategies. The congruence and applicability of the three strategies thus becomes a pertinent issue for both Europe and the Balkans. For the Balkans, moreover, there is no chance of isolation from overarching globalisation and European integration, thus precluding a catch-up approach as a time-out from current developments and norm setting. For Europe, the Balkans challenges the paradigm of transition as well as the sequencing of transition and EU integration. Thus, neither is the Balkans an outsider to Europe nor can Europe pretend to be an outsider to the Balkans. Europe and the Balkans are inextricably linked, both historically and prospectively. Alas, the incongruencies and disparities are none the less real.

The crux of the matter is the fact that the perspective of EU integration is essential for the region's future, but is not a panacea for all its structural problems. In fact, Eastern enlargement is a role model, but a success is not guaranteed for the next enlargement process. Due to structural historical legacies and ten years of warfare and ethnic conflict, the preconditions for post-communist transition are substantially less favourable than they were in East-Central Europe. The long process towards EU integration began with the 1999 Stabilisation and Association Process (SAP). The integration process is partly driven by the urge to stabilise the region and coincides with (rather than succeeds) the main thrust of socio-economic transformation. By the time the Copenhagen Criteria were written down, in East-Central Europe key macro-economic indicators were already pointing upwards again, towards sustainable development. In the Western Balkans today, unemployment, inflation and de-industrialisation have reached levels Estonia, Slovakia or Poland have witnessed, if ever, only for brief periods of time. Thus, the challenges of stabilisation, transformation and integration have to be handled all at the same time and the EU consequently finds itself in multiple roles: initiator, driving force, assessor, mediator and final destination.

Although it remains to be seen how and when the three Southeastern European candidate countries (Romania, Bulgaria and Croatia) will be able to follow in the footsteps of Eastern enlargement 2004, the Western Balkans constitute a strategic challenge for both national and European policy-makers that cannot be met by replicating Eastern enlargement. In the current state of affairs incongruencies abound.

State weakness and the predominant concern of state and nation building tend to seriously hamper international engagement by not providing matching indigenous counterparts with corresponding institutional capabilities and policy priorities. Conversely, elites and constituencies throughout the region increasingly share a European orientation, but indigenous political and structural constraints tend to run counter to European priorities and conditionalities.

Over the past three years strategy debates seemed to suggest that the Balkans was ready for a major step forward: Moving from stabilisation to integration was largely seen as a matter of the EU providing the right sets of instruments and coherent policies. Since then, trends and events – in particular the Thessaloniki Summit in June 2003 and the positive avis for Croatia's candidate status in April 2004 – indeed announced the paradigm shift from stabilisation and reconstruction to European integration and sustainable development. On the other hand, reform progress and political normalisation in most of the region fail to meet expectations – despite massive assistance and the acclaimed ultimate incentive of the European perspective. For most states and state-like entities, state and nation building still constitutes the prime agenda. Thus, the key question remains whether stabilisation, transformation and integration are either synergetic or incongruent policy agendas – both from a national/regional and from a European perspective. As neither catching up by rigorously implementing the traditional nation and state building agendas nor reproducing the EU enlargement agenda corresponds to current realities and past legacies, the search is out for sincere policy options matching Balkan and European potentials and constraints.

3. State and Nation Building – the Learning Curve

Nation and state building in the Western Balkans was marked by emulation of Western prototypes, combining the French model of the centralised state of citizens with the decentralised German nation-state and eventually territorialising ethnicity in multiethnic states. With the post-communist conflicts of the 1990s, external interference in processes of sovereign statehood achieved a new quality. Although regional stabilisation as a guiding principle links Dayton to Belgrade and Ohrid to UN Security Council Resolution 1244, the actual sovereignty arrangements for ethnically divided societies vary widely. The variety of arrangements demonstrates both the specificity of each case and the learning curve of the international community. Balancing the representation of *ethnos* and *demos* under the overall objective of a consolidated order of states is a 21st-century challenge that cannot be resolved by reference to and replication of classic Western modes of nation and state building. The Western ideal of multiculturalism was largely a response to the ethnic clashes in the Balkans. Throughout the 20th century, the ideal of the homogeneous nation-state and the invoking of

conflicting historical and ethnical claims to certain territories and populaces has equally failed to produce a consolidated outcome in the Balkans, to say the least.

Nation and state building does not allow for time warps and catch-up strategies, if only because local constituencies have been exposed to political rhetoric deifying the territorialisation of ethnicity and the homogeneous nation-state for decades and centuries. Irrespective of the question whether the political focus on national statehood is a root cause of state weakness and ethnic conflict or rather a compensation strategy for existing reform and legitimacy deficits, constituencies do matter. Surveys throughout the region indicate that socio-economic prospects constitute the key concerns of the populace. Unlike issues of national sovereignty, however, these socio-economic concerns and actual economic growth barely translate into reform constituencies. Reform governments tend to be democratically dismissed by the voters at the next elections and replaced by any political alternative, sometimes nationally oriented coalitions. Typically, nationalist parties are less exposed to the mood swings and frustrations of the electorate as their agenda of scapegoating and stirring up ethnic hatred is detached from the constraints and compromises of day-to-day policy-making.

The unrivalled popularity of the European perspective has meanwhile indulged virtually all parties to proclaim the compatibility of their nation and state building program with European integration. The principles of regional stabilisation and the consolidation of the order of states is rarely presented or perceived as a precondition for European integration. Existing incongruities between national projects and European objectives are covered up. Too often, constituencies have been captivated by nationalist and anti-reform programs. Constituencies thus remain a key disincentive to constructive dialogue and strategic compromises on issues of national sovereignty in and among ethnically divided societies.

In the Balkans, neither the ideal of a democracy based exclusively on individual rights nor the rigorous implementation of national self-determination provides the acclaimed silver bullet. Balancing a modest institutionalisation of ethnicity with the strengthening of state functionality without provoking a cascade of new claims is the real litmus test of political acumen and farsightedness. As a matter of fact, current proposals for the territorialisation of ethnicity in the Balkans relegates inter-ethnic cooperation and coexistence either to the level of informal local communities or to the level of international relations between sovereign states. The deadlocked Belgrade-Prishtina negotiations, the recent outburst of violence in Kosovo and the strenuous process of functional centralisation in Bosnia bear witness to the persistent predominance of the ethnic principle. Contrary to common wisdom this predominance does not imply a “natural” inclination disqualifying the concept of a multiethnic state as such. Respect for and integration of minorities has to be the bottom line for any state with a credible claim to “European-ness.” The actual implementation of this basic principle is not a

matter of finding the magic formula, but rather of acknowledging that a degree of generosity in decision-making by the majority and constructive participation by the minorities are key.

4. Democratic and Territorial Ethnicity

Along the same lines, political will and vision – not the sophistry of legal or historical arguments – are critical to putting a halt to a Balkan cascade of new claims and actions triggering further state fragmentation and ethnic state building. As much as any change to the status quo of territoriality and sovereignty may be interpreted as a precedent for other claims, it may also constitute a disincentive. Logically, each claim for ethnic self-government (statehood or autonomy) adds to the justification of similar claims by newly created ethnic minorities within newly created entities. The Kosovo Albanians' claim to independence adds justification to the Kosovo Serbs' demand to autonomy or partitioning. The Mitrovica concept of a further territorialisation of ethnicity adds to corresponding temptations for Muslim, Albanian or Hungarian minorities in Serbia. There is no logical or “just” end to the spiralling logic of ethnic state fragmentation but state functionality and regional stability. These principles, however, hardly ever feature in the debated considerations and plans. The international community's learning curve started with the comprehensive institutionalisation and proportionalisation of ethnicity in Bosnia, while current wisdom (i.e. the Belgrade and Ohrid Agreements) cautions against minority vetoes and ethnic decentralisation. Overall, recent experiences in democratisation, decentralisation, the institutionalisation of ethnicity and resolving status issues have forcefully demonstrated the fallacies of replicating either Western models or Balkan traditions in the weak states and ethnically divided societies of the region.

Democratisation as a key objective for the future of the region highlights similar dilemmas for both local and international strategists. The dilemmas of international interference in local processes of democratic opinions and policy-making culminate in the “quasi-protectorates” of Bosnia-Herzegovina and Kosovo. Democracy as a basic mechanism of electoral accountability of political leaders constitutes a fundamental European norm. With legacies of ethnic conflict and captive constituencies, however, the ideal of a democratically responsive political elite may conflict with the ideal of responsible policy-making. Democracy as the comprehensive institutionalisation and implementation of good governance certainly is a key priority of international strategies for the region, but has proven largely elusive in the Western Balkans. In sum, for lack of a vision beyond the national interest, positive synergies between electoral democracy, separation of powers, good governance and regional stabilisation are no forgone conclusion.

Recently, decentralisation has become a favourite strategy to boost democratic participation and circumvent deadlocked status issues by combining ethnic and civic representation. In the 20th century, in Southeastern Europe centralisation in state building failed to produce “strong” functional states, but rather generated regional and ethnic conflicts. Today, the three complementary objectives of decentralisation tally with European norms. Firstly, enhancing political participation and involvement of reform potentials and constituencies at the local level in national politics. Secondly, a closer connection and communication between the demands and needs of the local population generating immediate feedback and pressure on local decision-makers who can be made responsible for the results of their policies. Thirdly, the integration and inclusion of ethnic minorities and their demands for self-government on a sub-state level. For weak states of unfinished nation building, however, decentralisation can be both a source of (new) strength and a process of devolution sapping the limited policy-making capacities of the central state, even without an ethnic dimension. In ethnically divided societies, no decentralisation can be ethnically blind, but neither should decentralisation pave the way for dysfunctional segregation instead of enhancing state functionality. The risks of sliding state fragmentation and ethnic segregation in the Balkans cannot be eliminated by referring to past successes of decentralisation in other parts of Europe. Arguably, a tailor-made devolution of competencies taking the ethnic as well as the functional specificities of sub-state regions into account may contribute to state consolidation and a reduction of conflict potentials. Again, political will and confidence building are key.

“Europe,” moreover, sends mixed signals as far as the (de)centralisation of state competencies is concerned. The European Union itself is a prime example for the divisibility of sovereignty, subsidiarity and “fuzzy statehood.” On the other hand, the new outer borders of the EU are increasingly perceived as hard borders by adjacent regions and cross-border minorities. In the candidate states of Eastern enlargement the EU has consistently championed a strengthening of regional and local self-government. At the same time, not unlike accession negotiations, the Stabilisation and Association Process builds up the position of the executive vis-à-vis the legislative, the central government vis-à-vis regional bodies. The various EU association or pre-accession strategies and instruments typically presuppose a fully functional and sovereign state as counterpart. At the same time, the EU actively upholds less-than-sovereign entities in the case of Kosovo or Bosnia and Herzegovina and advocated a “fuzzy” state edifice in the case of Serbia and Montenegro as a lynchpin of regional stability and a halt to further state fragmentation. Evidently, the classic nation-state is the typical clientele of the EU and its integration processes, but in the Balkans the current state of affairs contains a “catch-22” dilemma of a trade-off between EU compatibility, regional stability and state functionality: EU integration is no substitute for state functionality, nor does regional stability produce state functionality – occasionally they even appear to be mutually exclusive.

Similarly, international organisations and the EU in particular object vehemently to any further territorial institutionalisation of ethnicity e.g. in schemes for the federalisation of Macedonia or the cantonisation of Kosovo. On the other hand, the international attitude towards models of de-territorialised ethnicity has been rather reserved too, as indicated by reactions to the Hungarian status law or various patronage relations between nation-states and “their” minorities in neighbouring states in the Balkans. Again, not the legal sophistry of the arrangement, but rather the confidence on both sides that proposals for devolution or fuzzy statehood are not intended as a first step towards state fragmentation and further ethnic territorialisation, but rather as a flexible accommodation for ethnic rights without impairing civic democracy and functional statehood. A functioning state – i.e. balancing powers, resources and needs, while providing all its citizens with rule of law and other social and economic framework conditions – remains the key prerequisite.

5. Beyond Status Questions

All due attention for unresolved status questions or unconsolidated sovereignty arrangements ought not to detract attention and energy from key impediments for future development – impediments beyond current status questions. The absence of unresolved status questions is by no means a guarantor of progress in political and economic transformation, as developments in Albania, Montenegro and Macedonia demonstrate. Obviously, an answer to the status question does not qualify as a reply to the key questions of modernisation and post-communist transformation.

Despite the significant economic growth of recent years, most macroeconomic and socioeconomic indicators concerning trade balance and de-industrialisation, unemployment and poverty reduction, corruption and organised crime, as well as regional disparities and social inequality, do not bode well for future economic sustainability, let alone “economic prosperity.” The lost decade of the 1990s has not only worsened preconditions for economic development, but also sapped popular motivation for the hardships of transition, while paradoxically heightening expectations of a prosperous future. Unresolved status questions certainly have a negative impact on attracting foreign direct investment, ensuring international credits and implementing privatisation, but the case should not be overstated. The pervasive problem of corruption and organised crime, moreover, is not a regional tradition, but rather a global phenomenon with a typical concentration in the weak states of post-communist or post-imperial regions. The priority tasks of improving state functionality, public administration and legal frameworks are quite unrelated to the status issue – they can and should be tackled prior to any status arrangement.

Typically, the vision of future prosperity is a frequent theme in speeches by both local leaders and international representatives. Locally, it is usually presented as a natural consequence of a national self-determination solution to the respective status question. In international and European statements, on the other hand, it is presented as the reward for consistent reform efforts and corollary of European integration. Visions such as these may heighten the already hypertrophic popular expectations, but not the chances of sustainable development. Due to historical-structural deficits and competitive disadvantages in post-communist transition, all realistic socio-economic scenarios for the region have to be modest and long-term and thus lose much of their mobilising power. Current economic setbacks are blamed either on the local political leaders' lack of political will and vision or on the internationals' unwillingness to settle for an ethnic answer to the status question. Yet, both pointing fingers tend to overestimate political agents and underestimate underlying structural dilemmas and constraints.

6. The Next Decade – Conflicting Agendas

Contrasting the current state of affairs in the region to the national and European strategies seems to indicate that agenda conflicts and idealised strategic objectives persist on both sides. Incongruencies exist not only among the *European* strategic agendas of stabilisation, transformation and integration, but also among the *national* agendas of statehood, transformation and European integration, let alone between the European and national sets of agendas.

In the case of East Central Europe, stabilisation was at most a sub-agenda of political and economic transformation. By the time EU integration and accession negotiations became the dominant issues on the political agenda, post-communist transformation had long passed the political point-of-no-return and the economic bottom. In the case of the Western Balkans, stabilisation was the initial and high-priority agenda institutionalised in the Stability Pact. The parallel institutionalisation of a Stabilisation and Association Process represented the projected paradigm shift from reconstruction and crisis management to sustainable development and European integration. Thus, in the case of the Western Balkans stabilisation, transformation and integration are three parallel, equally important and inextricably linked agendas. For a variety of reasons the transformation process lacks indigenous momentum. Objective and subjective reasons include the disadvantageous structural preconditions, the lost decade of the 1990s, unfinished state and nation building, weak statehood and hypertrophic popular expectations and the remoteness of the EU perspective. The EU, however, has proven its value as anchor and stimulus for an indigenous reform process, but has not (yet) become a development agency in its own right. The trade-off between concentration of economic growth projects and stabilisation-related distributive assistance essentially

points in the same direction. Administrative capacities and thus absorption capacities for external assistance and guidance are a key deficit and hardly amenable to external remedies. Thus, rather than in *more* assistance, room for improvement has to be found in a better prioritisation, targeting and more local ownership.

Despite the EU's increasing engagement in crisis management and post-conflict governance, stabilisation strategies are essentially alien to the EU. The Stability Pact covers a number of conflict-related priority issues that find no match in the instruments of the Stabilisation and Association Process – refugee return, reconciliation, etc. At least in principle, the open regional approach of the Stability Pact is often at odds with the bilateral, conditional approach of the EU. EU conditionalities are mainly linked to the criteria of integration leaving few options to link stabilisation to meaningful sanctions and attractive incentives.

The EU, moreover, is likely to become more stringent in the interpretation and application of its accession criteria – partly because of the state of affairs in Southeastern Europe, partly because of deficits in the implementation of enacted laws in East Central Europe that will become apparent after accession. In fact, cooperation with the Hague Tribunal, the Dayton, Ohrid and Belgrade Agreements, as well as minority protection and refugee return, already constitute specific conditions for the Western Balkans. Typically, the EU continues to develop new policy areas that come with new standards to be met and new reforms to be implemented. “Europe” thus remains a moving target. At the same time, EU funding for the Western Balkans is typically “frontloaded” and decreases with basic stabilisation and the completion of reconstruction. Funding is not likely to increase in the 2007–2013 budgets. Conversely, the ten new members; the two 2007 candidates with roadmaps and enhanced assistance; and Croatia with candidate status will all take full advantage of the EU. The gap between the Europe of 28 and the Balkan enclave is bound to increase considerably.

Local political decision-makers may easily feel left alone with the incongruencies of the EU agendas of stabilisation, transformation and integration. Despite the assumption of complementarity and synergies, they face hard choices concerning a plurality of instruments, conflicting options and unranked priorities. Local agendas of national statehood, transformation and European integration, however, tend to be incongruent as well. Insisting on a maximised option of ethnic statehood certainly jeopardises both economic progress and EU integration for the region as a whole. The best integration instruments may or may not be equally effective and purposive for the key objectives of the development and transformation agenda. A premature implementation of the full EU *acquis* may unnecessarily limit policy options and waste political energy more urgently needed in transformation management. A generic European vocation shared by next to all parties in each country tends to obscure the basic conditions of EU integration and the incompatibility of some national agendas. Caught between seemingly unmovable

counterparts both internationally (imposed conditionalities and directions) and domestically (illusory support bases and political consensus), the model of EU integration often seems more convenient than the hardships of the transition process.

If external factors are as vital for the future of the Western Balkans as most strategies see it, prospects are bleak, to say the least. Evidently, the time has come for a rethinking of strategies by and for the Balkans. The optimism generated by the apparent success of physical reconstruction and basic stabilisation in the post-conflict phase is wearing thin. The paradigm shift from reconstruction to development, from stabilisation to transformation and integration as well as the reproduction of the successful Eastern enlargement strategy in the Balkans, however, raise a number of fundamental questions that have yet to be answered.

Consequently, it becomes increasingly clear that it is a fallacy to treat the Western Balkans as a case of delayed or catch-up transition that is essentially comparable to East Central Europe. Most likely, neither additional time nor additional funding per se can replicate the apparent success of Eastern enlargement in Southeastern Europe. What sets the Balkans apart may be structural phenomena dating back to (pre)-communist times, the legacies of post-communist conflict or the current mismatch of weak states and strong international assistance. Despite best intentions and well-tried policies, the current strategies for the Balkans, somewhat paradoxically, seem to place the ball in the EU's court. Rethinking, however, not only involves current European policies for the Balkans as largely modelled after the strategies and instruments of EU Eastern enlargement, but also local policy-making. The EU perspective is often (ab)used as a substitute for stringent national reforms and constructive regional policy-making. Although its enclave position in Europe and solemn promises secure the EU perspective for the Balkans, there is no guarantee against losing out in the on-going process of European integration. Time is of the essence.

7. Europe's Rethinking of the Balkans

Europe's inclination to perceive and remodel the Balkans to its own image is as much in need of rethinking as the Balkans' inclination to treat Europe as expedient for local contradictions and incongruities. Formally, the Thessaloniki EU-Western Balkans Summit of June 2003 marked the latest "rethinking" of EU strategies for the Balkans. Since then, however, EU integration strategies for the exclave region have been modified by proxy due to substantive changes both in European policies towards other regions and in other EU policy fields. Firstly, the inception of the European Neighbourhood Policy a.k.a. Wider Europe in 2003–2004 culminated in a consolidated EU strategy and a first series of national Action Plans (in May and December 2004 respectively) and may be challenged by the upcoming regime change in the Ukraine.

Secondly, the completion of Eastern enlargement in May 2004 with ten new members has freed up resources and political attention for the next (South-eastern) enlargement, all the more so as the Brussels European Council (December 2004) made an epochal decision by announcing accession negotiations with Turkey for October 2005. Thirdly, with the consolidation of Common Foreign and Security Policy (CFSP), Europe's role in policing and peacekeeping in the Balkans have expanded and now include the Proxima civil police mission in Macedonia as well as the EU Police Mission (EUPM) and the EUFOR in Bosnia-Herzegovina (replacing SFOR). Fourthly, in late 2004 a new European Commission has taken office, which implies a rearrangement and redefinition of competencies in external relations and a window of opportunity for a major reallocation of resources in the financial perspective 2007–2013 (in which external policy is a key objective, together with competitiveness and cohesion, sustainable development and European citizenship).

The Presidency Conclusions of the Thessaloniki European Council focused on the historical process of deepening and widening European integration. As the European Council did not go all the way in shifting the paradigm from stabilisation to European integration, the Presidency's Conclusions summarily indicates adjustments within and around the Stabilisation and Association Process, while turning a blind eye on non-EU institutions (e.g. the Stability Pact), bypassing its own heavy-handed interference in Serbia-and-Montenegro state building and praising the policing and military missions as a European achievement without reference to the underlying stability risks. Following the optimist's logic, the Conclusions rather eulogised the Stabilisation and Association Process (SAP) on the European side and the development of "regional ownership" on the part of the Balkan states. The strengthening of the accession dimension, the copying of some accession instruments and some additional funding for social and economic cohesion in the region were meant to underline the European promise by "enhancing" or "enriching" the SAP.

In the summit declaration of 21 June, a new biannual forum, the so-called "EU-Western Balkans Forum" flanking the SAP was announced with the two-thronged objective of stimulating regional co-operation and strengthening the political dimension of EU-Western Balkans relations. Additionally, a new European Partnership (modelled on the National Programmes for the Adoption of the Acquis in the accession process) was initiated, highlighting the bilateral "privileged relationship" and promising tailor-made benchmarks and incentives. The details were hammered out in the so-called "Thessaloniki Agenda for the Western Balkans. Moving Towards European Integration" that specified the promised "strengthening of the accession dimension of the SAP": twinning programmes, access to TAIEX (Technical Assistance Information Exchange Office) and acquis monitoring as well as a tuning of CARDS (i.e. Community Assistance to Reconstruction, Development and Stabilisation) and SAP assistance to the acquis.

Compared to the highly critical and blunt assessment of progress made in the Balkans over the past few years (e.g. in the SAP annual report), the confirmation of the “European perspective” by the European Council was lukewarm at best: “The future of the Balkans is within the European Union”. The conditionalities were highlighted and some observers will have noticed that the term “European Integration Partnership” proposed by the Commission was changed to “European Partnerships” in the Thessaloniki Agenda. Two proposals made by regional leaders and international experts – and partly adopted by the Greek Presidency – were dropped in Thessaloniki: To transfer the SAP and the Western Balkans from DG External Relations to DG Enlargement and to provide additional funding for social and economic cohesion in the region. The Thessaloniki Agenda seemed to have identified “political will” as a largely independent variable as far as the structural causes of reforms deficits are concerned, but a dependent variable as far as European incentives and conditionalities are concerned. Probably the most tantalising statement in the Declaration was the acknowledgement that the SAP “will remain the framework for the European course of the Western Balkan countries, all the way to their future accession.” This suggested that countries like Croatia, even if they “graduated” from Stabilisation and Association Agreement (SAA) to candidate status would stay within the SAP (and under DG External Relations!). Thus, the heterogeneous region would be kept together no matter what – an awkward set-up again suggesting that a real (long-term) trajectory towards European integration was (and is) not yet on the political agenda.

In a weighing of the pros and cons of the Thessaloniki Agenda, the cons concern the absence of a concept for social and economic cohesion and against increasing disparities between Western Balkans and the accession states, the missed opportunity to transfer SAP to DG Enlargement, the prioritisation of advanced governance issues and the push for intra-regional cooperation rather than functional cooperation in a broader European framework. The pros of Thessaloniki are the introduction of benchmarking, interim incentives in the SAP (visa regimes, customs union), a regular political dialogue, the enriching of the SAA’s accession dimension as well as some tentative elements of non-acquis driven cooperation. In sum, the EU agenda after Thessaloniki did not fully follow through on the necessary far-reaching consequences of a strategy of European integration. At the same time, paradoxically, in dealing with the specific burdens and deficits of the region, the EU relied too much on the European perspective alone.

The Task Force designing what would become known as the European Neighbourhood Policy referred to the Western Balkans in some of its strategic considerations. Arguable, the countries of the Western Balkans may have more in common with Moldova or Ukraine in terms of nation and state building challenges than those two neighbours have in common with Algeria or Israel. Stabilising post-communist and/or post-colonial states in Eastern or Southeastern Europe (or, for that matter, the Caucasus) seems

qualitatively different from the challenges of modernisation and democratisation the African states on the Mediterranean face. The new category of “neighbours” implies that EU accession is not an option, no matter in what timeframe or in what stages. Once this “golden carrot” of EU membership is off the table, the EU hopes to offer its neighbours attractive special, privileged relations in the economic sphere and concerning the “four freedoms.” It remains to be seen when the governments of the neighbours will be ready to relinquish the mantra of an illusory EU perspective and settle for privileged relations conditional on concrete reform efforts. The African neighbours may be more ready to do so as they do not claim to be “European.” By the same token, the Balkan countries that do have a long-term EU perspective must have run havoc in Brussels to undo any association with the category of never-candidates. Nevertheless, the idea of a “silver carrot” might be relevant for the Balkans and the long interlude between EU perspective and EU membership as well. Enhanced bilateral relations and functional cooperation with the EU outside the logic and dynamics of the enlargement process can be mutually advantageous. It can still be conditional on reform progress and may be used to improve local preconditions for development without, however, further eroding regional ownership.

Currently, the European Union of Twenty-five is to some extent moving (are being moved) in the direction of external cooperation and flexible modes of integration without an absolute nexus to the full accession process. Some elements from the accession package are spread more widely: The Western Balkans access to TAIEX was hotly disputed less than two years ago and is now offered under the European Neighbourhood Policy. And in its July 2004 Communication outlining the European Neighbourhood and Partnership Instrument (originally called the New Neighbourhood Instrument), the Prodi Commission argued that “in order to ensure a comprehensive approach, the Instrument should also cover those neighbouring countries which benefit from CARDS and Euro-Med partnership, even though the Western Balkans fall outside the political scope of the Wider Europe Communication. Following the accession of Bulgaria and Romania to the European Union, their borders with the Western Newly Independent States and the Western Balkans will be future external borders of the Union, and are therefore also considered.” Similarly, Brussels no longer rejects Moldova’s claim to Southeast European status (implying the perspective of participation in the Stabilisation and Association Process) outright and for all eternity. More practically, irrespective of individual progress in SAP, in November 2004 the Commission decided to sign framework agreements with the five states on their participation in Community programmes ranging from anti-discrimination and public health to e-learning and gender equality. Thus, in these cases, fuzzy, but functional considerations took precedence over the neatness of segregated regions defined by their status vis-à-vis the European Union. If the Ukraine were to move consistently in a European direction – not only in terms of political rhetoric, but also in terms of

economic and political reforms – the EU might feel obliged to take additional steps towards a new approach of integration.

With the successful completion of the “big bang” enlargement of 2004, the EU seems also more willing to “compromise” on the separation of new-members and still-candidates (Romania and Bulgaria) as well as on the separation of old candidates and new candidates countries (Croatia). To avoid that the decision to postpone the accession of Romania and Bulgaria will exacerbate the gap between the ten acceding states and the two latecomers, at the Copenhagen European Council in December 2002, the EU came up with the roadmap for Romania and Bulgaria. They will receive additional pre-accession assistance to match their reform efforts to become members in 2007. The new EU members are likely to attract more foreign investment and will have access to the various EU funds for social and economic cohesion. Well-defined specific benchmarks in the roadmap are linked to a phase increase of assistance (to +40% by 2006). Additionally, Romania and Bulgaria will in many respects be treated as if they already were members and be allowed to participate in a number of Community programmes, agencies and committees. By making the borders between different statuses somewhat permeable, the EU intends to meet the counterproductive consequences of its conditionality – widening gaps and increasing disparities. The recent decision to close the last chapters in the accession negotiations with Romania points in the same direction. Again, the option of a rigorous application of the full *acquis* conditionality (no doubt resulting in a further postponement of Bucharest’s membership perspective) was weighted against the predictable counterproductive consequences, the problems involved in accepting Bulgaria but not its neighbour and the automatic reform push an accession date produces ... and a portion of political goodwill tipped the scales. And Croatia has been accepted as a candidate, even though formally the six-year Stabilisation and Association Agreement will not enter into force before 1 February 2005. Macedonia’s application was not rejected and there are some indications that the EU is ready to apply a certain degree of leniency in order to move the SAP forward for the other countries of the region as well.

The recent proliferation of EU missions (policing, peacekeeping, monitoring) in Macedonia and Bosnia, prominent proposals for an EU leading role in Kosovo as well as the EU High Representative’s robust mediation in unfinished state-building processes in the region (Serbia and Montenegro, Kosovo, Macedonia) all point in the same direction. The European Union is increasingly willing to shoulder responsibility for this European region. The dilemma of the three potentially conflicting agendas of stabilisation, transformation and integration, however, remains. The EU is reputed to be a soft power with increasing hard-power capabilities, wielding a full set of tools ranging from economic assistance to crisis diplomacy, from trade privileges to policing missions. Thus far, in Brussels different institutions and different strategies tended to be responsible for the various power-projection instruments. Thus, the Belgrade

Agreement for the state of Serbia and Montenegro might be a success under the CFSP priority of stabilisation, but it was at the same time a stumbling block for the Commission's strategies of economic transformation and, eventually, integration. The ENP provided part of the missing link between the stabilisation agenda of the December 2003 European Security Strategy (with a strong focus on weak states) and the reform guidance and assistance offered by the European Commission.

Last, but not least, the new Barroso Commission of Twenty-Five has eliminated the strange constellation with Enlargement Commissioner Verheugen taking responsibility for the Neighbourhood Policy, while the Western Balkans and the SAP were still in the hands of External-Relations Commissioner Patten. Croatia might achieve candidate status, but would never be transferred from DG External Relations to DG Enlargement. Currently, Commissioner Ferrero-Waldner is in charge of External Relations, which prominently includes ENP. Typically, the ENP Task Force is led by officials from External Relations, who also take responsibility for the two "sub-regions" (Middle East/South Mediterranean and Eastern Europe and Caucasus), whereas their colleagues from Enlargement handle horizontal and sectoral issues. Responsibility for the Western Balkans and the management of the SAP has been transferred to Enlargement Commissioner Rehn. Coordination between the relevant DG's (Foreign Policy, European Neighbourhood Policy, External Cooperation Programmes, Enlargement, External Trade, Development Policy and Humanitarian Aid) is being enhanced. As of 2007, the budgetary resources for external relations will be concentrated in three horizontal instruments (Instrument for Stability, Macro- Financial Instrument and Humanitarian Aid Instrument) as well as three "concentric" instruments: the Development and Economic Co-operation for countries beyond the neighbourhood (Asia incl. Central Asia, Latin America, ACP); the European Neighbourhood & Partnership Instrument (ENPI) combining TACIS, CBC and MEDA for the Southern and Eastern neighbours; and the Pre-Accession Instrument (PAI) for candidates and potential candidate countries (i.e. Western Balkans), replacing Phare, CARDS, SAPARD and ISPA. In the Commission draft ENPI and PAI would each account for one-seventh of the external-relations budget (i.e. 2 billion Euro per annum). Thus, the institutional and budgetary set-up would be streamlined quite considerably, but the concentric logic geared towards membership would still dominate: the regional borderline between EU-15 and the original candidates will disappear with the accession of Romania and Bulgaria in 2007. Thus, by default the new inner border is between the EU-27 and the six candidates of "Southeastern enlargement" and the outer border between the EU-27+6 and the 17 countries of the European neighbourhood.

In sum, international and internal developments and constraints have upset the EU's scheme of "regional containment" even before it had been fully implemented. With their roadmaps, the delayed Southeast European candidates of Romania and Bulgaria have eroded the barrier between new members and candidates. Croatia has jumped the

wall between “East-Central Europe” (including Romania and Bulgaria) and the “Western Balkans” by acquiring candidate status. Macedonia may be the next in line. Finally, after the “orange revolution” Ukraine has some strong arguments to be freed from its “never-candidate” status as the topping-up of the action plan and messages from Brussels indicate. And Moldova is on the bandwagon while claiming with some success “Southeast European” (i.e. potential SAP-candidate) status. Correspondingly, EU paradigms of intra-regional (rather than inter-regional) cooperation, separate integration tracks for the various regions as well as neat regional prioritisations and sequentialisations of the three agendas of stabilisation, transformation and integration are being subverted before the scaffoldings have been taken down.

Collapse or Recovery?

Remarks on the Lisbon Strategy of the European Union

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Introdcution

From the late nineties, the process the European Union could be characterized by contradictory trends of development. On the positive side, the integration process could successfully face the challenges of introducing a new and common currency in twelve of the fifteen member states at that time. Not less importantly, although not without problems and hidden conflicts, it has carried out the broadest enlargement of the Union from 15 to 25 member countries. However, on the negative side, similarly important factors and new phenomena emerged that are likely to affect the medium- and longer-term perspective of Europe in general, and of the integration process, in particular. A substantial part of the envisaged deepening in the framework of the internal market program has not been implemented fully or at all (liberalization of several factor markets, deregulation, etc.). As a result, the numerically largest enlargement took place in a „vacuum of simultaneous deepening”, always a trend accompanying previous enlargements. But more concern was produced by global (external) developments. In the last decade, the EU started to lagging behind in international competition. First, the United States could achieve higher growth rates, lower levels of unemployment, and – although professionally a topic of hot discussion -, productivity gains as compared with the EU. Second, and this development is not yet fully taken into account as far as its longer-term economic, social and even political consequences are considered, new and highly competitive powers have entered the scene. China, India, but a growing number of emerging economies, including the new and candidate EU members of Central and Eastern Europe, have become serious competitors both in global commodity and service markets and for international capital.

The European Union did discover the challenges and did identify some but not all of the new trends and their potential impact on the future of Europe. As a result, a new strategy was outlined and accepted by the European Council in Lisbon, in the spring of 2000. The importance attached to this strategy is clearly demonstrated by the fact that annual progress reports have been prepared in order to measure the EU’s performance as compared to the targets set.³ Also, as evidently represented by the rapidly growing litereture on the subject, also the international professional community has devoted

³ See: The annual Lisbon Scoreboard reports prepared by A. Murray (2003, 2004).

outstanding attention to the EU's future role in the global economic environment and the necessary changes in the framework of the integration and the national economies of the key member countries as well. Furthermore, the priority of the topic has been underlined by a special committee led by the former Dutch prime minister, Wim Kok, that prepared and presented a critical overview of the first four years of the Lisbon process and came up with new proposals and a modified agenda until 2010.⁴ As a result of the report, in the spring of 2005, the basic objectives have been officially modified and new instruments for their achievement accepted.

This paper consists of seven chapters. First, the origins of the Lisbon agenda will be shortly described. The second chapter deals with the main objectives and their current level of implementation, followed by a short chapter on the methods proposed for their implementation (Chapter 3). Chapter 4 addresses some of the key problems and contradictions of the Lisbon Agenda. Next, the innovative suggestions of the Kok Report will be presented (Chapter 5). Chapter 6 contains some remarks on the position of the new member countries in the Lisbon process. It provides a preliminary assessment of their performance and tries to give preliminary, and in some cases necessarily contradictory, answers to the question, to what extent enlargement can be considered as a proactive or a retarding factor of achieving the (modified) Lisbon goals. Finally, in Chapter 7, some conclusions will be drawn.

1. Origins and birth of the Lisbon Agenda

Interestingly, and in sharp contrast to many other key policy areas and reforms of the EU, the Lisbon process could not rely on several years of fundamental and coordinated theoretical and policy-oriented research. While the gestation process of the Economic and Monetary Union was accompanied by high-level professional studies and even an institution (European Monetary Institute, led by Mr. S. Lámfalussy), the Lisbon strategy emerged suddenly, although not decoupled from long-term global processes the impact of which had already been felt in Europe as well. Nobody denies the timely emergence of the strategy. However, beside the pressing external pressures and the - right or not fully justified - perception of declining competitiveness of Europe, the birth of the Agenda needed two accidental elements. On the one hand, the Portuguese Presidency in the first half of 2000 was apparently short of concepts how to make this half a year a success story in the process of European integration. A new and refreshing idea had to be identified – and it could be. On the other hand, there was a document written by a Portuguese expert that has been integrated into the agenda of the European Council meeting in March 2000.⁵ In fact, these elements have given birth to the Lisbon Strategy

⁴ Kok (2004)

⁵ Rodrigues, M.J. (2002), Rodrigues, M.J. (2004).

that became one of the fundamental reference points in the last five years of European integration and a permanent preoccupation of the Commission.⁶

Evidently, „accidents” as mentioned above, could hardly have been able to influence the priority setting of the European Council meeting, and even less the „rooting” of the ideas in the last years not only in the policy-making circles of Brussels (and the member states), but also, and increasingly, in the public opinion-shaping debates all over Europe. The successful „birth” (or acceptance of the suggestion) needed a receptive environment. And this was given by at least three factors.

First, the medium- and longer-term assessment of the European economy became gloomier at the turn of the millennium. Although the Economic and Monetary Union could be sold, at least temporarily, as a success story, in the global context Europe seemed to loose ground in almost all areas. Growth rates remained much below the US ones, let alone a comparison with the booming Asian economies. The transition to a knowledge-based economy encountered substantial legal, institutional and mental barriers in most, but certainly in some of the key member countries. Registered unemployment revealed stubbornly high levels in most countries, without any prospect for short-term and meaningful reduction. A comparison with the US demonstrates the growing differentiation process. In 2004, the US GDP per capita was 40 per cent higher than that of the EU-15. There was a productivity gap between the two economic superpowers of 22 per cent in favour of the US. The employment ratio was about 10 per cent (in case of women almost 20 per cent, and of elderly people almost 50 per cent) higher in the US than in the EU-15. Moreover, R+D expenditure in the US reached 2.8 per cent of GDP instead of 2.0 per cent in the EU-15 (Kok, 2004). Correspondingly, average annual growth in the US amounted to 2.8 per cent between 2000 and 2006, as compared to a mere 2 per cent in the EU-15, to a large extent due to the higher employment rate in the former (Breuss, 2005).⁷

⁶ A large number of analyses prepared or commissioned by the European Commission have been published in the last years. Most of the studies appeared in the bi-annual professional review of the European Commission and in Occasional Papers of the European Economy. For recent sources see: European Commission (2005a), European Commission (2005b). Detailed surveys cover almost all areas of the Lisbon Agenda, from competitiveness through R+D, education, deregulation to labour market and employment issues.

⁷ At the same time, Europe performed better than the US in the fields of environment protection, specific energy consumption and general consumer price level. Concerning the growth differential between the US and the EU-15, in the period of 1991-2003 it reached an average annual rate of 2.9 in the US and 1.9 per cent only in the EU. However, this was translated to a much smaller difference in per capita GDP growth of 1.9 and 1.7 per cent, respectively. The main explanation lies in the substantially higher growth of the US population (1.2 per cent annually) than that of the EU-15 (0.4 per cent annually) (Breuss, 2005).

Second, the process of deepening came to a halt, even in the case of the EMU, as common monetary policies lacked to be accompanied by harmonization (or relevant coordination) of fiscal policies and national institutions. This was felt as a particularly important problem in the context of an enlargement by ten new members, in GDP per capita terms „poorer” than the EU-15 average. Thus, the double task of absorbing the enlargement impact successfully and channeling its positive energy into enhanced competitiveness on the one hand, and of successfully facing global challenges, on the other, became evident both for policy-makers and the European business community.

Third, although belatedly, the medium- and long-term impacts of the demographic trends in Europe started to get increasing attention, at least on the level of policy-advisors and policy-oriented research communities.

2. Main original objectives and the preliminary implementation record of the Lisbon Agenda

In March 2000, the European Council defined the (over)ambitious double goal that the European economy has to overcome the US economy by 2010 and become the most competitive economy in the world. The key elements of the strategy included innovation, liberalization, enterprise deregulation, employment and social inclusion as well as sustainable development. In more detail, the following tasks have been identified:

- (a) Innovation
 - (aa) Information society
 - increasing the internet access for households, schools and public services,
 - promoting new technologies (3G), mobil phones and broadband internet
 - (ab) Research and development
 - Introduction of community patent (originally by 2001)
 - annual R+D spending to reach 3 per cent of GDP by 2010
- (b) Liberalization
 - (ba) Telecoms and utilities
 - increasing the competition in telecom markets to reduce charges (particularly internet access charges)
 - liberalize gas and electricity markets
 - (bb) Transport
 - increasing rail services competition
 - creating a single European sky by 2004
 - (bc) Financial and other services
 - completing the financial services action plan by 2005

- creating a single market in services
- (c) Enterprise deregulation
 - (ca) creating favourable conditions for business start-up environment
 - developing a program for the support of entrepreneurship
 - develop and implement a European charter for small businesses
 - (cb) regulatory burden
 - simplifying the EU's regulatory environment to reduce the burden on business
 - implementing 98.5 per cent of the internal market legislation in the member states by 2002
 - (cc) state aid and competition policy
 - promoting competition and reducing subsidies to industry
 - overhauling public procurement rules and making them accessible to SMEs
- (d) Employment and social inclusion
 - (da) bringing people into the workforce
 - raising the overall workforce participation rate to 70 per cent by 2010,
 - raising the participation rate for women to 60 per cent by 2010,
 - raising the participation rate of older workers to 50 per cent by 2010
 - (db) upgrading skills
 - halving the number of 18 to 24 years-olds with only a basic secondary education by 2010,
 - fostering a culture of lifelong learning, with support from social partners
 - (dc) modernizing social protection
 - overhauling pension systems to ensure the long-term sustainability of public finances,
 - increasing the effective retirement age by five years (to 65) by 2010,
 - significantly reduce the number of people at risk from poverty and social exclusion
- (e) Sustainable development
 - (ea) climate change
 - reducing greenhouse gas emissions by 8 per cent from their 1990 levels by 2010, in line with the Kyoto protocol,
 - 22 per cent of electricity to derive from renewable sources by 2010,
 - breaking the link between economic growth and transport volumes by prioritising public and environmentally friendly forms of transport

(eb) natural environment

- reducing exposure to particulates and ozone emissions
- improving the management of natural resources and stopping the depletion of biological diversity.

Already at one-third of the ten-year period, by 2003, it became clear that the EU would not be able to meet the ambitious goals. Moreover, its overall performance has been downgraded between 2003 and 2004 (from C+ to C, according to Murray, 2004). This is the reality, even if the EU-15's performance was satisfactory in some areas, but very disappointing in other ones. Similarly, behind the EU-15 average, substantially different national performance indicators could be detected. In this context, and supported by the World Economic Forum's global competitiveness index, four groups have been crystallized in the EU-15. Scandinavian countries, as Finland, Sweden and Denmark certainly belong to the pioneering group, by occupying the first, third and fourth places on the international list (being the US on the second place). The second group of countries includes Britain, Ireland, the Netherlands and Spain, all of them highly committed to the Lisbon process. The next group involves two key economies of the European integration, namely France and Germany, with strengths and weaknesses alike, but with an ambitious reform agenda (particularly in Germany). Finally, the fourth group contains the worst performers, the less developed members as Greece and Portugal as well as „no-reform” Italy.⁸ Needless to say that measuring competitiveness of the individual countries is just one basis for comparison and assessing performance. However, in the global competition Europe is facing, this seems to be by far the most outstanding and comprehensive indicator that, directly or indirectly, includes a large number of Lisbon objectives (from deregulation over R+D spending to employment policies). Also, it has to be mentioned that no country performs evenly across the board, so that they may occupy different places on the Lisbon scorecard. In addition, changes in performance cannot be ruled out (in both directions), although structural indicators are unlikely to be able to change essentially within a relatively short period. Still, the average performance – that is broadly diverging - makes possible a general evaluation, as regularly prepared by Murray (2003, 2004, 2005). According to this picture and based on performance indicators between 2000 and 2003, in the altogether fifteen indicators, Sweden is mentioned seven (!) times on the positive side, followed by Finland, the Netherlands and Slovenia (each of them mentioned three times). On the negative list, Italy is „leading” by being placed among the worst performers in five areas, followed by Greece in four, Belgium, France, Ireland (!) and Portugal in three areas each. Later, in a short section (chapter 6) we will return to the performance of the new member countries. (For a detailed summary of the assessment of individual members see Table 1 at the end of the paper.)

⁸ For a detailed country-specific analysis see Murray (2004). The 2005 report was not yet available at the time of delivering this paper.

3. Methods and mechanism of implementation

The Lisbon Agenda was based on an implementation process different from the well-known Community practice, particularly expressed in the transposition of the internal market legislation. The latter made it a key and obligatory task of the governments of the member countries to take on and enforce community-level legislation in all areas included into the single market programme. Instead of a top-down process, the Lisbon Agenda applies a bottom-up approach. Since policy-making and decisions in most of the fields included in the Lisbon strategy still belong to national competence, there would have been hardly any other way to be chosen. „Functional harmonization” has to be started on the member state level, including actors of economic and social development on different levels of the given country (entrepreneurs, trade unions, regional and local authorities and, last but not least, the societies). Moreover, an interdisciplinary approach is required, since many of the originally formulated Lisbon objectives affect not only economic but social, institutional and psychological (behavioural) aspects as well.⁹ Therefore, spillovers from one area to another and from one member country to the other are expected to play a crucial role in this process. Similarly, best practice methods has been attached high importance. As a result, the Commission has proposed and insisted on the open method of coordination (OMC), instead of imposing community-level regulations on the member countries. However, in order to monitor the process, the Commission promised to prepare annual progress reports on the Lisbon process.

4. Some key problems and contradictions

There is a general agreement that the launching of the Lisbon strategy was necessary in order to shake up Europe and help the continent orient to and become equipped for global but also internal challenges. Unfortunately, the strategy was neither well prepared nor adequately communicated. The first years of its „existence” have proved a number of major deficiencies of the project. Evidently, it must not mean that the whole undertaking should be forgotten or abandoned. Just the opposite, it has to be streamlined, better provided with instruments and successfully disseminated. The original programme offers many lessons for future European initiatives.

First: strategies generally do not work if they formulate too many objectives at the same time. Lisbon’s original project contained eight major policy areas, subdivided into several „action plans”. (The above mentioned survey by Murray has identified 15 basic indicators for evaluation, fundamentally derived from the original programme.)

⁹ As an example, competitiveness is by far not just an economic indicator but both its level, structure and, even more, sustainability, are influenced by non-economic factors.

In such a situation, particularly if we want to implement a long-term strategy, rather earlier than later, a „process fatigue” is likely to emerge (Begg, 2005).

Second, more importantly, several priority objectives evidently contradict each other. High growth rates do not necessarily mean special care for our physical environment. Similarly, enhanced productivity growth can not always be accompanied with higher employment rates. In general, the basic strategic objectives – all of them to be agreed with in principle – do not support each other. One can hardly opt for higher global competitiveness while preserving the outdated and anti-competitive social models in many EU member countries. Moreover, sustainable development raises the basic questions, what should be sustained in the first instance: growth rates, productivity, competitive structures, employment, social welfare, environment? All of them cannot be put into the same package, probably not even in a special „policy mix”, with different shares of the individual factors. Of course, such a package may be balanced in the longer term, but not in the shorter one. The setting of clear priorities must not be avoided, even at the – provisional – detriment of other, equally important, factors.

Third: Contradictions are likely to emerge not only from conflicting objectives but also from conflicting consequences of different, sometimes carefully coordinated objectives. Viable strategies do not only require a „smooth” coordination of different objectives but also a forward-looking strategy of how to manage the different consequences of the individual policy elements of such a „package strategy”. What seems to be „perfectly” coordinated in the initial stage of the strategy does not provide any guarantee of diverging developments during the implementation of the given plan. As an example, ill-conceived regulatory reforms may result in inadequate incentives or anti-competitive behaviour. Flanking measures are regularly needed even in case of introducing one reform only. This requirement has to be taken into account even more if the introduction of a package of interdependent reforms is at stake. To a large extent, the success of reforms depends on the normal (supportive) functioning of the overall environment including other policy areas, institutional background and public opinion able to absorb the short- and longer-term impacts of the reforms.¹⁰

Fourth: in several aspects, the bad (or unfortunate) timing of launching the Lisbon strategy can also be blamed. Part of it can certainly be attributed to global economic problems and the falling growth rates in Europe a few months after coming out with the Lisbon Agenda. However, the basic motives of this slump could have been foreseen, and, to a large extent, they were related more to European than to global developments (and heritage). Another, and not less important, part of the „bad timing” can be directly connected to the long delayed reforms of some of the key member states. It is rather difficult to initiate a new stage of development, if the determining economic powers of the integration do not show any willingness for reforms, either on the political and on

the social levels. Key policy recommendations of the Lisbon Agenda, as flexibilization of the labour markets, social welfare reforms or lifelong learning were unknown objectives or, in many cases, opposed hostility and opposition in the largely (or absolutely) unprepared public opinion of several member states.

Fifth: some, may be unavoidable, contradiction evolved between goals and instruments. Generally, one of the basic instruments of enhancing competitiveness used to be considered deregulation. However, a European economy that wants to become a competitive factor on global markets in the 21st century, in some areas may need not just deregulation on the nation-state level, but also new regulation on the community level. This point is fully absent in the strategic thinking of experts involved in the elaboration and implementation of the Lisbon Agenda.

Sixth: most experts share the basic objectives of the Lisbon Agenda, but, at the same time, they are aware that the implementation of such goals may have substantially different impacts on the individual member state economies. First, the „absorptive environment” is different from country to country. Second, and partly due to this initial difference, but also as a result of different national policies, the outcome may be quite different. Obviously, the opted-for bottom-up approach is the only adequate one in such a situation. However, success on the level of integration, can only be expected if the adjustment process is driven by the key economic actors of the integration or they are ready to speed up their adjustment process and accommodate to the pioneering group that represents a smaller (generally rather modest) share of the EU global economic weight. According to overall historical experience, the first scenario only seems to be viable. Regrettably, the EU had been representing the second scenario in the last years.

Seventh: a technical or institutional construction failure of the original version of the Lisbon Agenda consisted in the lack of ownership. No strategy can work without leadership. Certainly, bottom-up processes need a different management and leadership than top-down approaches. Still, for several years, the implementation of the Lisbon Agenda was (almost) fully left to the policy makers and the public administrations of the member countries. Unfortunately, in the first years of the Agenda, the Commission did not play a sufficiently strong coordinating or steering role by providing concrete guidelines, encouraging the member states and seriously monitoring the adjustment (or non-adjustment) processes on the national level.

Finally, in contrast to the introduction of the common currency that was preceeded, accompanied and followed by a widespread communication campaign everywhere, the Lisbon strategy remained the issue of (part of) the political and intellectual elite. Excepting very few cases, it did not reach the public opinion, it did not become a really hot topic. Even large share of the business community remained unaffected, although,

¹⁰ For more details see European Commission (2005a), p. 38-39.

more and more, they were forced to face the positive and negative impacts of global competition, the Lisbon Agenda was intended to prepare them for successfully facing the (sometimes) harsh winds of global challenge.

5. The Lisbon Agenda reedited in 2005

In itself, the above mentioned shortcomings could have given sufficient arguments for reconsidering the original version of the Lisbon Agenda. However, some additional factors have also supported this approach. On the one hand, Europe could not fulfill the targets set in 2000. Almost at mid-time of the self-determined period, it became clear that the time still available for meeting the original goals, does not suffice. In several areas, instead of gradual approximation just the opposite happened. The continent's original position kept on showing signs of further deterioration. On the other, substantial experience could be gathered how such a strategy may work and where are the major bottlenecks that should be eliminated. Furthermore, the new Commission, headed by the previous Portuguese prime minister, Barroso, from the very beginning of taking office, considered the Lisbon Agenda as one of or the most important building stone of Europe's future. Thus, the revisiting of the issue got the highest-level support from within the Commission. In addition, ongoing reforms in Germany (less in France) and the new – and partly encouraging – challenges deriving from the big-bang enlargement urged for reconsideration.

Based on this political, economic and psychological environment, a Wim Kok, the previous Dutch prime minister and leader of several EU-level steering and monitoring task forces, was invited to prepare a report on the status of the Lisbon process, both taking into account the current situation and making proposals for the future.

Most importantly, and counting with the reality, the report skips to stress the key aim of the EU by 2010, concerning overcoming the US and becoming the most competitive region of the world. The key aims are much less ambitious but tailored to a (still) optimistic development scenario of Europe. Emphasis is laid on the growing competitiveness of the continent and policies that could prevent Europe from getting delinked from global developments. In this context, three major proposals have to be highlighted.

First, the priorities have been obviously reduced to two basic goals: economic growth and employment. Social and environmental issues became subordinated to them, while other issues fell „victim” of the „cleaning” process or became integrated into the main headings. In the two main „pillars”, altogether ten objectives have been defined:

- well-performing internal market,
- free and just trade,
- improvement of legal rules,

- improvement of the European physical infrastructure,
- investments in research and development,
- supporting innovations,
- establishment of a strong industrial base,
- more and better jobs,
- flexible labour markets,
- higher-quality education

(European Commission, 2005b).

The programme places high emphasis on the rapid completion of the liberalization process in the internal market.

Second, new initiatives and programs are expected to be implemented in order to support the implementation of the main objectives. A European Youth Pact and an active industrial policy can be singled out of the proposals.

Third, the management of the strategy has been reformulated. Without giving up the original bottom-up approach, the role of the Commission, as the guiding actor has been strengthened. It has to deliver a three-year program of integrated guidelines (2005-2008). Also, the member states got a stricter framework by producing annual national reform programs based on the redefined Lisbon objectives and starting in October 2005.¹¹ Moreover, they have to appoint a national expert (or politician) responsible for the national preparation for meeting the Lisbon objectives (Mr. or Mrs. Lisbon).

Despite these changes, it is clear that the success or failure of the Lisbon Agenda largely depends on the level of preparation and reform willingness of the member countries. While some deficiencies have been abolished, others remained in place.

One is the „soft” character of the reports. In contrast to the strict and (on paper) binding rules of the Stability and Growth Pact and convergence towards the EMU criteria, the fulfillment or non-fulfillment of the Lisbon objectives is not linked to any potential „punishment”. Due to the fact that most objectives fall into national competence and are not part of the *acquis communautaire*, Brussels could not go further in managing and guiding this process. The second issue relates to the cooperation between different levels of governance within each of the member countries. The success of the bottom-up approach would require the strong cooperation with local and regional administrations, agencies and non-governmental actors. However, this network (and mentality) is differently developed in the 25 member countries (Heichlinger-Määttä-Unfried, 2005). As a result, the outcome, or the real impact of dialogue and regional and local participation in the development of national action plans will also be rather different.

¹¹ Each country has already prepared its national report. However, a comprehensive evaluation and cross-country comparisons have not yet become available.

It is not yet clear to what extent the Community financial framework (the EU budget) will be able to support the achievement of the newly formulated Lisbon goals. Certainly, the approval of the financial framework in December 2005 for the period 2007-2013 contains some positive shifts towards providing more support to R+D activities, innovation and deregulation. Nevertheless, the amount of money, although much higher than in the budget ending in 2006, is falling definitely short of the necessities of creating a competitive Europe. In addition, the main structures remain under national competence and, increasingly are becoming integrated into the global network of transnational companies, both Europeans and non-Europeans. In most cases, the role of the Commission as the real European actor remains rather limited if not negligible.

6. Some remarks on the contribution of the new member states (NMS)¹²

All new member states entered the EU with the firm conviction of belonging to an international club of global influence. It was clear for all of them that the global economic position of the enlarged and further enlarging European integration can only be kept and potentially strengthened, if Europe becomes more competitive, remains open to the world and develops a future-oriented strategy. The Lisbon Agenda in general, and the renewed edition of the Agenda, in particular, was the first community-level policy in which the NMS could have a full-fledged participation and were able to shape the future of this strategy. Moreover, the Lisbon framework was considered to be a powerful incentive both for the „old” and the „new” member countries in their effort of upgrading their economies (and societies) and contribute to the creation of a more competitive environment within the enlarged Union and enhanced competitive strength on the global scale.

In fact, the NMS have had substantially higher growth rates than the EU-15 well before joining the club in May 2004. Following accession, the dynamism of economic growth was maintained, and, taking the period 2000 to 2006, it reached 2 to 3 times the average of the EU-15. As a result, and despite their modest share in total GDP of the enlarged Union, they could move the EU growth rate upward (from 2.1 to 2.2 per cent on the annual average). Of course, this contribution was insufficient to reduce the gap or catch up with the United States, let alone with fast-growing emerging markets in Asia and elsewhere. It is an open question how long the outstanding dynamism of growth can be kept. It is not less important to identify the right policy mix that would be able to prolong this process and implement the (further) necessary structural changes that could guarantee the high-growth path for the next ten years. In this context, the starting situation, the different (partly inherited, partly fundamentally reformed) structures of the

¹² Under the term “NMS” the eight Central and Eastern European countries, as well as Bulgaria and Romania are considered.

national economies, as well as their specific priorities (as reflected in their exchange rate and fiscal policies) and social textures have to be carefully analyzed and taken into account once recommendations are given to fundamental decisions.

Some of the NMS have been able to develop a rather competitive economic structure, mostly in cooperation with transnational companies and based on (much) lower wages, but also on more flexible labour markets and (until now) tolerant societies. Increasing wages and appreciating national currencies did not curtail competitiveness due to very high growth (and still huge reserves) of productivity. Nevertheless, this process cannot be sustained for ever, and new factors of sustainable and high growth have to be found and mobilized. Therefore, crucial importance has to be attached to (quality-based) institution building, human resource accumulation and social dialogue. All of them belong to the key elements of sustainable competitiveness in the 21st century. Obviously, the NMS can rely on a rich heritage in human resource development, both due to their developed educational system (at least on the primary and secondary levels) and as a consequence of R+D activities. At the same time, some serious shortages must not be overlooked either. The qualitative upgrading of the educational system is indispensable, not only because the 21st century requirements to competitive labour substantially differ from those of the previous decades. Supply and demand structure of the labour market has to become much more balanced, and priority setting in education has to follow the effective demand for labour both by domestic and foreign employers. In this context, serious shortcomings have become already manifest in those countries that had been playing a pioneering role in opening up their markets to transnational companies and, as a consequence, became part of the global network within one decade. Another challenge to the educational system is coming from the demographic changes that result in the partially dramatic decline of school-aged children. Moreover, the manoeuvring room of fiscal policies is rather small in various countries. Without a fundamental reform of the main elements of social provision (inherited elements of „social welfare”), just future-oriented activities in general, and research and development, in particular, may become the victim of fiscal constraints. Needless to say, that it would undermine the longer-term competitiveness of the NMS, reduce growth and, most probably, negatively affect Europe’s global position as well.¹³

Finally, the dilemma of reforming/modernizing the social welfare systems has to be mentioned. It is evident that the inherited (socialist) system cannot be maintained. However, a fundamental restructuring needs both time and money. On the current level of economic development, the NMS experience two basic constraints. On the one hand, and despite the surprisingly high level of flexibility and tolerance of their societies in the last 15 years, a critical mass of social balance has to be guaranteed in order not to

¹³ This process can be accelerated if highly-skilled young and flexible people look for new opportunities outside Europe, particularly in the United States. This phenomenon is nothing new, and could be observed not only in the NMS but in the EU-15 as well for a longer time now.

jeopardize the sustainability of the high-growth path. On the other hand, structural reforms, at least at the beginning of the process, need not less but more money that is only partially available in the central budget and the private savings of the NMS.

Summing up, at first glance, the NMS offer „new blood” to the reform process of the European integration and could positively contribute to the successful implementation of the Lisbon goals. However, some potential (or just real) dangers and conflictive areas should not be neglected. First, after less than two years of membership, not all of them seem to be unequivocally committed to forward-looking approaches (strong agricultural lobbies, anti-liberal pressure groups, and, not least, first-hand experience with and lessons from the behaviour of old EU members in issues that affect the future of Europe, e.g. budget, etc.). Second, serious deficiencies in selected crucial areas of the Lisbon agenda can already be identified. In the absence of target-oriented policies, these problems may become aggravated in the near future (education, research and development, labour market). Third, some countries seem to reveal signs of „reform fatigue” expressed in growing social resistance to (painful but urgent) reforms. This phenomenon can partly be attributed to „retarded backlash” effects of the unique transformation process. However, it cannot be decoupled from the reform unwillingness of some old EU member countries either. Fourth, and probably most importantly, demagoguery and populism are on the rise – not only in the NMS but in the whole of Europe as well. Not only the Lisbon Agenda but the entire future of Europe badly needs a society that is able to think and act (and react) according to the requirements, chances and challenges of the 21st century. The lack of this mentality is becoming more and more the key barrier to successful adjustment and enhanced competitiveness.

Strength and weaknesses of the NMS have been included into the 2004 report on the Lisbon Scorecard (Murray, 2004). It has to be underlined that, in several policy areas, some of the new members belong to the „heroes” (Slovenia in three cases, the Czech Republic twice and Estonia and Slovakia once), while the list of the worst performers („villains”) mentions Poland in two cases, and still non-member Bulgaria and Romania just in one case (in more detail see Table 1). Thus, new members seem to be average performers, and their lower level of economic development does not necessarily translate into worse performance in the light of the Lisbon goals. The clear difference in growth rates in favour of the NMS has already been mentioned. In the innovation scoreboard, the Czech Republic, Hungary and Slovenia are higher placed than several EU-15 countries. Concerning the transposition of internal market legislation and opening up to different services, some NMS are more advanced than their Western European counterparts. Despite well-known problems and complaints, part of the SME sector in Slovenia or Hungary is highly competitive on international markets. Moreover, the reforming of parts of the social welfare system (notably the pension system in several countries) seems to be at a more advanced stage than in key old EU members. Nevertheless, long-term success is based on sustainability. Therefore, partially

favourable records at a given time cannot and should not be taken for granted for the future. Scorecards are important indicators but the really relevant factor to be considered is the – positive or negative - change between scorecards prepared at different times, as well as the progress towards (or the lagging behind) the key objectives formulated in the renewed Lisbon Agenda.

7. Concluding remarks

Coming back to the title of the paper, and based on the main trends as illustrated in the previous chapters, Europe, more precisely, the European Union does not face any immediate collapse. At the same time, it is not yet on a path of sustainable recovery and growing international competitiveness. The picture is rather mixed, depending on selected fields of activities and on differences in member country performance.

The fundamental element of long-term success consists in the reforms the member countries in general, and the key members countries in particular are ready and able to implement in the next few years. Another essential factor is the capacity of the Union to deepen the integration in several areas (starting from the establishment of a real internal market through substantive reforms in community-level policies to the streamlining of the decision-making process). Also, a new, future-oriented approach to the reforming of the budget is required, even if it can hardly materialize before 2014. National and community-level reforms have to be complemented by a redefinition of Europe's goals, possibilities, limits and potential role in the global economy. The successful implementation of even the best-designed and future-oriented strategies needs vision and leadership. Thus, we are back to the core questions of European integration, of which Lisbon – even in its revisited form – is an instrument and not a goal in itself. Without vision and leadership no strategy is able to work. However, developing such a vision is not an exclusive area of politicians and the big business. Societies have to be included into the Europe-wide discussions. Not less importantly, the emphasis of the dialogue has to be changed. Instead of sticking on potential, partial or real risks and costs, arguments have to be turned to the costs of non-Lisbon (Boeri, 2005, European Commission, 2005a). As the Cecchini report just two decades ago argued on the basis of the costs of „non-Europe” (at that time the costs of missing the single market), today we have to base our arguments on the very real costs of non-Europe, if the continent fails to catch up to global developments and would not be able to give an adequate, 21st century answer to global (and European) challenges.

Among other perceptions, enlargement of the EU to Central, Northeastern and Southeastern Europe has been considered from the very beginning as one of the driving forces (or forceful motives) that would definitely and unavoidably push Europe on the path of restructuring, modernization and globalization. The first evidence of the new member countries is – partly understandably - mixed but not disappointing. They should

not forget their growing responsibility for the future of the continent. And, even more, they have to remain true to their starting position before entering the EU: everybody wanted to enter a future-oriented, competitive, globally open (and, of course, solidararian) Europe. The Lisbon strategy is in line with these basic priorities. And its implementation badly needs the bold, open and risk-taking attitude and mentality of the new (and future) members.

Table 1.

The scorecard of member state performance of the Lisbon objectives (as of 2004)

Issues	2004 mark	„Heroes”	„Villains”
A. Innovation			
Information society	B-	Denmark, Estonia, Sweden	Greece, Luxembourg
Research and development	C-	Finland, Slovenia, Sweden	Greece, Italy, Portugal
B. Liberalization			
Telecoms and utilities	B-	Netherlands, Sweden, United Kingdom	Greece (for telecoms), Italy
Transport	B-	European Parliament (for railways)	Belgium, France, European Parliament (for post services)
Financial and other services	B-	European Parliament, United Kingdom	Italy, Poland
C. Enterprise			
Business start-up environment	B-	Ireland, Slovenia	Bulgaria, Romania
Regulatory burden	C+	Denmark, Finland	Italy, France
State aid and competition policy	C+	Greece, Luxembourg, Netherlands	France, Germany, Portugal
D. Employment and social inclusion			
Bringing people into the workforce	C	Cyprus, Czech Republic, Netherlands, Sweden	Belgium, Italy, Poland
Upgrading skills	C	Czech Republic, Finland, Slovakia, Slovenia, Sweden	Greece, Portugal
Modernizing social protection	C	Austria, France, Sweden	Belgium, Ireland, United Kingdom (for social exclusion)
E. Sustainable development			
Climate change	C+	France, Sweden	Austria, Ireland
Natural environment	C	Austria, Belgium, European Commission	Ireland, Spain
Conclusion			
The Lisbon process	C+	Ireland, Sweden	Italy
Overall assessment	C+		

Source: Murray (2004).

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Regional Co-operation as a Prerequisite to EU Membership

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Slides

**PANEL: EU INTEGRATION OF SOUTH EASTERN EUROPE:
THE BUSINESS PERSPECTIVE**

Problems and Challenges of the Industry on the Way to EU

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Slides – Ph.Rombaut

Bulgaria's Economic Strategy on the Way to EU

Sasha Bezuhanova

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President, Bulgarian Industrial Business Association (BIBA), Sofia

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The Role of Long-term Investment Credit for the Development of Small and Medium-Sized Enterprises in Bulgaria

Sasho Tchakalski
Vice Chairman and Executive Director
Encouragement Bank AD, Sofia

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PANEL: THE FUTURE OF EUROPE

The Constitution for Europe is Dead – Long Live the Constitution for the European Union!

Lothar Jaschke

Minister Councillor

Austrian Embassy, Sofia

Un spectre hante l'Europe. Et toutes les puissances de la vieille Europe se sont unies pour traquer le spectre. The European Union, says its critique, is complaisant, arrogant and out of touch with Europeans. Why? Because it is complaisant, arrogant and out of touch with Europeans. Like a self fulfilling prophecy. *Un spectre hante l'Europe.* The spectre of negativism, the spectre of doubt. We see, we hear, we feel a negative tone, a sense of gloom in the public debate and perception. In the last months it has become almost fashionable to be Anti Europe.

To get it right: the European Union is the largest success story in the post second world war Europe. It has made armed conflicts within the Union unthinkable, it brought high living standard and welfare to most of its regions. Think about it and be grateful. The Union has developed a federal agenda from Customs Union and Single Market to Euro and Defence. Its attractiveness has caused 19 countries and two hundred fifty million people to join the European project and make it the driving force of integration. Being the only supranational entity, it is envied by other regions of the world. Integration has advanced to such an extent that representatives of the Member States – Members of national parliaments and the European Parliament, Members of the Commission and the Heads of States and Governments of all 25 EU countries – agreed to draw up, sign and ratify a “Constitution for Europe“.

All empty rhetoric? Obviously. Peace, welfare, unity, solidarity, global player – the lofty objectives of European integration inscribed in treaties and the constitutional text seem to have lost their appeal. The Union has a bad image. Wonder why? Since ages members of national governments blame the Union for failures at home and help to produce the Union’s bad image. The incessant talk about a crisis of confidence produces a crisis of confidence.

According to the latest Eurobarometer survey the overall rate of confidence, the trust or mistrust in European institution, the public support or disapproval of CFSP and JAI cooperation, of a Constitution, of enlargement, of the Single Market etc. has not

changed significantly. Confidence is not significantly higher or lower than before. The sense of priority has not shifted: the state of the economy, employment, inflation, growth etc. are still much more important to citizens than, for example, reforms in the EU's institutional set-up. Tony Blair is right – in principle - to schedule a summit meeting – albeit an informal meeting – to discuss the challenges of globalization, social equity and the personal security of citizens. A large majority supports membership in the EU and believe that their countries have drawn more advantages than disadvantages from membership. European concepts and policies like CFSP, ESDP, JAI and a European Constitution including a European Foreign Minister enjoy large support. Euro-scepticism seems to be a mirage. Nevertheless Eurosceptics again dominates the discussion.

The apparently rapid change of mood is mainly due to the outcome of the referenda in France and the Netherlands about the draft constitutional treaty. Let me briefly touch upon the draft for a European Constitution.

The idea and coming about of the “Constitution for Europe” was – and is - a long and difficult process starting with the declaration of Laeken in December 2001, the convention proceedings from February 2002 to July 2003, the European Council in June 2004, the signing ceremony in Rome on 29 October 2004 and the ratification in 14 countries. Legally the Constitution is an international treaty. The draft constitutional treaty will/would not propel the Union into a revolutionary area but will/would significantly smoothen the working of the Union and clarify its principles, its competences and its objectives. It would replace all existing treaties, abolish the three pillar structure, strengthen the Community method and the subsidiarity clause, facilitate decision making in the Council and include for the first time a Charter of fundamental rights. Therefore it is often referred to as a constitutionally treaty.

The **European Parliament** agreed the text on 12 January with 500 votes against 137. Two Member states have ratified it by referendum¹⁴, ten by parliament¹⁵. Two Member states however failed to ratify by referenda – to the dismay of the political establishment in these countries who campaigned for a positive vote on the constitution - leading to what is perceived as a crisis of confidence. The political establishment in Paris and Den Haag blamed the result on a lack of communication and dialogue with ‘the citizen’. Largely as a result of the outcome of these referenda the Commission-funded Plan D (democracy, dialogue, debate) was born.

¹⁴ In **Spain** a consultative referendum was held on 20.2.2005: 76,7% Yes with a participation rate of 42,3%. The Spanish parliament then ratified on 28 April and 18 May. The referendum in **Luxembourg** on 10 July 2005 resulted in 56,52% Yes votes.

¹⁵ **Lithuania**: 11 November 2004, **Hungary**: 20 December 2004, **Slovenia**: 1 February 2005, **Italy**: 25 January and 6 April, **Greece**: 19 April, **Slovakia**: 11 May, **Austria**: 11 and 25 May, **Germany**: 12 and 27 May, **Lettonia**: 2.6, **Malta**: 6 July

54,9% of voters who participated in the referendum in **France** – with overall participation rate of 70% - disapproved the ratification of the constitutional treaty. 61,6% of voters who participated in the consultative referendum in the **Netherlands** – with overall participation rate of 62,8% - disapproved as well. Great Britain then cancelled its referendum due in spring 2006. Sweden suspended ratification for at least one year. Reacting to these referenda the European Council decided on 16 June 2005 to continue the process of ratification, but to give each country the possibility to adopt its own speed of ratification¹⁶ meaning to delay ratification, notably in Poland, Sweden, Great Britain and other countries where referenda are due.

The European Council in June 2005 did not want to abandon the constitution as long as a refuge to this clause is possible. It still is in theory. It was a well balanced, brave, democratic but also stubborn decision.

The entry into force requests that all states ratify the constitution by their proper constitutional means. Nevertheless if 80% of the states (this is 20 member states) have ratified it by 29 October 2006 the European Council will reflect on further measures. Otherwise it is sent into the European orbit. 20 member states are the threshold of failure or further proceedings of the constitution. A summary table about the ratification procedures in the Member states is annexed to this paper.

This decision is a brave one because the EC decided to defend a pro European project and if necessary to swim against the current. French and Dutch EC's members went along despite domestic pressure. A democratic decision because at the moment of the European Council session twelve countries representing about 50% of EU citizens had ratified the constitution which failed to gather support in only two Member States representing about 15% of EU citizens. By the same token, it was a stubborn decision because it would have been much easier to declare failure and simply stop the process of ratification. This would have permitted to start the process a-new with a slimmed down version of the constitutional treaty, perhaps even dropping the word "constitution". Depending on your point of view it would have been a sign of courageous leadership or a sign of helplessness and weakness - cowardly backing off from further European integration, letting 15% have a say over a large majority.

It has been a long standing Austrian position to hold a **European referendum in all member states of the EU at the same time, on the same day(s)**. So far there is no legal basis but it is worth discussing the idea.

Being where we are, what are the current options:

¹⁶ At the end of the meeting of the European Council on 16 and 17 June 2005, the Heads of State or Government of the Member States of the European Union adopted a [Declaration on the ratification of the Treaty establishing a Constitution for Europe](#).

- The European Council could simply take note of failure “to convince the citizens” of the blessing of the Constitution and abandon the project. The earliest possible moment would be the June 2006 European Council after the reflection period. The existing Treaties as amended by the Treaty of Nice would continue to serve as the legal basis of the Union and the Communities. This is unlikely. It would mean to forfeit the 80% threshold clause.
- The European Council could stop ratification of the Constitution and start preparations for a new IGC with a slimmed down version with
 - part one
 - part one and two and four
 - part one plus the institutional provisions from part three integrated into part one.
- The European Council could decide to let Member States continue the process of ratification hoping for a threshold of 20 Member States. It would then consider further measures. Some observers think that the Constitution is frozen until the French Presidential elections in spring 2007. With a new President the Constitution might take a new start. This however gives a lot of weight to a single Member states while the Constitution encountered difficulties also in the Netherlands and perhaps in other Member states who have so far abstained from initiating ratification procedures.

Again, these procedural difficulties and the future scenarios do not seem to reflect the current mood expressed in European polls. They do give rise to optimism that the text of the Constitution will survive in one or the other way:

1. According to Eurobarometer (EOS Gallup Europe, Flash EB 159/2) 79% of **European citizens¹⁷ are favorable to the adoption of a European Constitution.** They are favorable in all Member States, including France and the Netherlands. In fact, support for a constitution amounts to between 68% and 86% depending on the Member state, education, sex and profession. Population living in highly urban areas and population with a high level of education agree more readily with the adoption of a Constitution. Agreement is lower if people feel less informed.
2. About 70% of the citizens see a need to reform the institutions and to create a **Foreign Minister of the European Union.**

¹⁷ Samples of about 1.000 to 2000 citizens in each Member states were asked in summer 2005 to give their opinion on EU subjects.

3. Polls confirm the **acceptance of reinforced cooperation**. This might in fact be the *future modus vivandi* of the European Union. 61% of the interviewed say they agree with a proposal according to which the Member states that so wish could increase their cooperation without waiting for others. The spread is from 51% in the Netherlands to 77% in Slovenia. There is more enthusiasm with the new Member states, with elder people and with women. Given that the Union will further enlarge reinforced cooperation is one of the key to further European integration.

4. Both in France and in the Netherlands the opinion on the constitution was the key factor for only 20% of their choice in the referendum: i.e. 80% of the votes were cast for other reasons than the subject matter of the referenda. 60% to 70% of those who disapproved the constitutional treaty on 29 May and 2 June said that a constitution should be drawn up but should take more into account national interests and social needs. (Although this might be to misunderstand the idea and the basic function of a constitution).

5. Lack of information was the main motivation of the NEE vote in the Netherlands. Other reasons were loss of national sovereignty (19%), opposition to national government (14%) and “Europe is too expensive” (13%). A negative attitude towards European integration and statements like “the draft text is too technocratic, goes too far, is too complex and too liberal” accounted for only 5% to 6% of the No motivation.

6. We see similarities in France. The French NON was associated with fear of globalisation and the loss of protective measures. 31% said the Constitution was bad for the economy, 26% blamed the no-vote on a bad economic situation, 18% said they voted against the Constitution because they were generally in opposition to President Chirac and 19% said the text of the Constitution was too liberal. Only 6% voted no because of Turkey.

My own conclusion: **The No-votes in France and the Netherlands were not Anti-Europe votes**. The majority of the people asked in the referenda did not vote against the Constitution neither did they refute the need for such a constitution. The data given above does not support the argument of a crisis of confidence between the European institutions – and the European citizens.

The constitution is important for further European Integration. Whatever its form, its text is not dead yet. Even if the current constitutional draft treaty will not be adopted, a large chunk of the text might survive and reappear in other forms.

Yes – said Jean Claude Junckers at the signing of the Accession Treaty with Rumania and Bulgaria - we are moving forward but nothing is easy on this complex continent Europe. Nothing is ever easy but for Europe all that is good, all that is worthy, all that advances man is possible all across Europe.

Summary table

Procedures planned for the ratification of the European Constitution

Some of the information in this table is subject to change. In particular, certain Member States might decide to hold a referendum.

Member State	Procedure	Date scheduled	Previous European referendums
Austria	Parliamentary (<i>Nationalrat and Bundesrat</i>)	Approval by the <i>Nationalrat</i> 11 May 2005. Approval by <i>Bundesrat</i> 25 May 2005	1994: accession
Belgium	Parliamentary (Chamber and Senate + Assemblies of Communities and Regions). Indicative referendum ruled out	Approval by the Senate: 28 April 2005 . Approval by the Chamber: 19 May 2005 Approval by the Brussels regional parliament: 17 June 2005. Approval by the German Community Parliament of Belgium: 20 June 2005. Approval by the Walloon regional Parliament: 29 June 2005. Approval by the French Community Parliament: 19 July 2005. Approval by the Flemish regional Parliament: no date	NO
Cyprus	Parliamentary	Approval by the House on 30 June 2005	NO
Czech Republic	Referendum probable But no final decision so far	Referendum should be postponed to end of 2006-beginning of 2007	2003: accession
Denmark	Referendum	Previously scheduled on 27 September 2005 Now postponed (no new date)	1972: accession 1986: Single European Act 1992: Maastricht Treaty (twice) 1998: Amsterdam Treaty 2000: euro
Estonia	Parliamentary	Debate in Parliament confirmed for	2003: accession

	Referendum unlikely	Autumn 2005. Public debate should however be held before the final vote.	
Finland	Parliamentary	Debate of Parliament previously scheduled in autumn 2005 and ratification envisaged in the end of the year or the beginning of 2006. Decision of report of ratification process and presentation of a report to the parliament foreseen in autumn 2005.	Consultative referendum: 1994: accession
France	Referendum	Referendum 29 May 2005 negative (NO: 54,68%; turn out: 69,34%)	1972: enlargement EEC 1992: Maastricht Treaty
Germany	Parliamentary (<i>Bundestag</i> and <i>Bundesrat</i>)	Approval by <i>Bundestag</i>: 12 May 2005. Adoption by <i>Bundesrat</i>: 27 May 2005.	NO
Greece	Parliamentary But the Left parties submitted a joint proposal for a referendum	Approval by Parliament: 19 April 2005	NO
Hungary	Parliamentary	Approval by Parliament : 20 December 2004	2003: accession
Ireland	Parliamentary + Referendum	Referendum postponed . A White paper would be presented in September 2005.	1972: accession 1987: Single European Act 1992: Maastricht Treaty 1998: Amsterdam Treaty 2001 and 2002: Nice Treaty
Italy	Parliamentary (Chamber and Senate)	Approval by the Chamber on 25 January 2005 and by the Senate on April 6th.	Consultative referendum: 1989: possible draft Constitution
Latvia	Parliamentary	Approval by the chamber on 2 June 2005	2003: accession
Lithuania	Parliamentary	Approval by Parliament 11-11-04	2003: accession
Luxembourg	Parliamentary (two votes) + consultative referendum	Approval by the Chamber (first reading) on 28 June. Positive Referendum on 10 July 2005: 56,52% in favour, 43,48% against Final approval by the Chamber must take place at least 3 months after the first reading.	NO
Malta	Parliamentary	Approval by Parliament: 6 July 2005	2003: accession
Netherlands	Parliamentary (First and second Chambers)+ consultative referendum	Referendum 1 June 2005 negative (61,7%, turn out: 63%)	NO

Poland	No decision so far	The Parliament failed on 5 July to vote on the ratification procedure. The decision should be taken by the next parliament	2003: accession
Portugal	Referendum	Referendum previously scheduled for October 2005 along with the local elections (preliminary revision of the national constitution adopted by Parliament on 22 June 2005) Government wishes to postpone the process (no date fixed).	NO
Slovakia	Parliamentary	Approval by Parliament: 11 May 2005	2003: accession
Slovenia	Parliamentary	Approval by Parliament: 1 February 2005	2003: accession
Spain	Parliamentary (Congress and Senate) + consultative referendum	Referendum 20 February 2005: 76,7% in favour . Turnout: 42,3%. Approval of the Congress on 28 April. Approval of the Senate on 18 May 2005	NO
Sweden	Parliamentary No referendum envisaged at this stage	Presentation of the Ratification Bill previously scheduled in Summer for approval in December 2005 has been postponed .	Consultative referendums: 1994: accession 2003: euro
United Kingdom	Parliamentary (House of Commons and House of Lords). + referendum	Parliamentary ratification process suspended (suspension announced by UK government on 6 June 2005)	1975: Continued membership of the EC

More Democratic and Effective Forms of Governance in the EU

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Slides

Some Observations on the State and the Future Perspectives of the EU

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I should like to make one remark at the outset: My analysis will be critical. However, do not understand them as destructive. On the contrary, the project of European cooperation and integration does have no rational, no desirable alternative. But in view of its significance for all our future, we have to look at it with critical eyes, be aware of weaknesses and deficit, recognize the challenges and look for appropriate answers.

Today the EU passes through a critical phase. We see crises of confidence, of identity and latent crises of functioning in terms of the Union's ability to decide and act efficiently and develop the integration process further.

This is, among the reasons, due to changed political parameters compared with the first decades of the Union's or better European Communities existence: the driving forces, which have marked these first decades, i.e. the memory of the two destructive European world wars and the threat from the Warsaw pact or Communist eastern Europe, have today vanished; the comprehensive, enlarged union poses new acute challenges for the institutions and their functioning; and, last but not least, the process of globalization has situated the Union in a new economic environment with considerable social consequences.

First the crisis of identity: what is the finality of the integration process and should one define the geographical borders of organized, integrated Europe. Can and should we pursue the vision and the concept of the Founding Fathers, i.e. a dynamic process of strengthening the supranational elements, structures and procedures of the Union by a continued transfer of parts of national competencies to the Common institutions, thus moving in the direction of at least partly federal structures.

Or should we rather rely on intergovernmental cooperation based on unanimous decisions and general consensus?

This fundamental question has to be faced and openly discussed in the context of further enlargement, which might go beyond the countries of South Eastern Europe or the Western Balkans (As far as these countries are concerned the EU has committed itself to open the door for membership, a commitment which has to be and will be honored).

The objective of developing a “European identity” which will be felt and lived by the citizens of the Union and thus be politically effective will depend on the answers to the above questions. And let us keep in mind that practical and practiced solidarity inside the Union will in turn to a large extent depend on the awareness of a common identity and a common fate.

What I have called a latent “crisis of functioning”, i.e. a possibly diminished capacity to decide and act efficiently, is due to the fact that the institutions and working procedures of the EU have not, or not sufficiently, be adapted to the enlarged Union. It is undeniable that the latest enlargement, which has practically doubled the Union’s membership, has lead to a greater heterogeneity of the group and has thus considerably widened the spectrum of divergent, if not contradictory interests.

This is an objective fact, and nobody’s fault. But the more heterogeneous, enlarged Union would, in order to preserve its capacity to decide and to act efficiently, need stronger supranational structures, for example the general rule of majority decisions.

It is questionable whether the “Constitution for Europe”, should it ever enter into force, ensure the proper functioning of the Union. As Mr. Martens has just said, the European Union has a “federal agenda”, but no “federal system”.

It is this gap between aspirations and reality, which is one of the main reasons of the present crisis of confidence. The best way to overcome it, will be, that the EU and its member states demonstrate that they are able to answer in common the challenges of the day, to take the appropriate decisions, in short to demonstrate their problem-solving capacity.

But again, the precondition will be – in addition to the necessary political will – functioning institutions and a strengthening of the supranational character of the Union.

I know that there are great reservations, not least in the smaller member states, to transfer additional competences or sovereign rights from member states to the Union. These reservations can be argued. However, let us not forget, that the smaller members should have a specific interest to limit and tame the use of power by the bigger ones which is best done in supranational institutions which function and work on the basis of common laws and rules.

And a final word on the significance of a functioning Union for the new members as well as present and future candidate countries: Only a functioning Union with an efficient problem solving capacity will fulfill the legitimate hopes and expectations they put into membership.

Thus the question and objective of “deepening” the structures and institutions of the EU must remain on the agenda, in spite and beyond the present uncertainties around the European Constitution. The understanding and active commitment of the new and the future member countries for this necessity will be of greatest importance.

Overcoming the Constitutional Crisis. A Treaty Amending the Treaty of Nice

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I will now and here present what we – the Bertelsmann Foundation and the Centre for Applied Policy Research in Munich – think what should or better what could be done facing the situation in the process of ratification as it is right now.

The European Union is in the midst of a crisis. The European Convention drafted a Constitutional Treaty which was finally signed after hard bargaining of the national governments. But now, it seems that the Constitution is dead. All bargaining and all work – including the work of the Bulgarian representatives in the Convention – was perhaps in vain, for nothing.

But political decision-makers and experts agree that the Treaty of Nice is still not the suitable framework for preparing a European Union of 25 and soon more member states to meet the future challenges. As a result, there is a need for alternatives in case the European Constitution cannot enter into force. And as I said, it seems as if the Constitutional Treaty in it's today's form won't become effective.

So, why was the Constitution so necessary and so good in our eyes? The central innovations of the European Constitution would improve both the EU's ability to take action and its democratic legitimation.

In the member states the controversies were not sparked off by the institutional and procedural core of the Constitution. The considerable improvements made by the Constitution with regard to efficiency, democracy and transparency have not been called into question. So we think that these central features ought to be preserved even if the ratification should fail.

A pragmatic option would be to incorporate the core of the constitutional innovations into the existing Treaties. To do this it would be necessary to identify the central reforms of the Constitution and to bring them together in the shape of a treaty amending the Treaty of Nice. So, we are talking about a real kind of traditional way of reform of treaty. All the treatys – Treaty of Amsterdam, of Maastricht, of Nice – were partial reforms of the preceding treatys. They changed something, they deleted something, and they added something. Why not proceed now this way?

The changes would refer to both the Treaty on the European Union (EU Treaty) and the Treaty establishing the European Community (EC Treaty). In the tradition of the Single European Act and the treaty revisions of Maastricht, Amsterdam and Nice, such a treaty would have to be adopted by an intergovernmental conference and ratified in the member states on the basis of the respective national provisions. That means, also by referendum in Denmark and Ireland at least. But as I said, the debate would necessarily be more concentrated in the concrete institutional and procedural reforms and we would not have a great debate about everything concerning Europe as the using of the word Constitution apparently provoked.

The reform of the current Treaties on the basis of the innovations contained in the Constitutional Treaty would affect the following areas:

- (1) the reform of the EU's institutional system;
- (2) the development of the decision-making and voting procedures;
- (3) the reform and enhancement of the instruments of differentiated integration;
- (4) and a series of structural provisions.

(1) Reform of the institutional system

We think that the central institutional reforms of the Constitution should be incorporated into the current Treaties. This applies above all to the appointment of an elected President of the European Council, the introduction of a European Foreign Minister including a new administrative structure (for example the creation of a European External Action Service), the establishment of a team presidency in the Council of Ministers, the appointment of a permanent president of the Euro Group, and the reduction in the size of the Commission and the strengthening of its President.

We think that the personalization of the European leadership architecture will make it possible to assign responsibilities on the EU level more clearly and to enhance the continuity, visibility and coherence of European policymaking.

(2) Development of the decision-making and voting procedures

If the EU wishes to keep its ability to take action and to enhance its democratic legitimation, it needs to reform the decision-making and voting procedures in the Council of Ministers and the European Parliament, and it needs to assign a prominent role to the national parliaments.

The introduction of the voting procedure of “double majority” constitutes a milestone in the development of the European Union. Applying the number of citizens and the number of states as a basis for decision-making in the Council of Ministers reflects the two strands of EU legitimation. This voting procedure will make it more difficult for

member states to form blockade coalitions and will promote the ability to form constructive majorities.

The extension of majority decision-making in the Council of Ministers from 137 to 181 instances is of decisive importance for the problem-solving competence of an enlarged EU and should also be taken into account in the revision of the Treaty of Nice.

The rights of national parliaments (early warning mechanism) should be enhanced and elements of direct democracy (citizens' initiative) should be introduced. Furthermore, the budgetary powers and the co-decision rights of the European Parliament in the legislative process should be strengthened (extension of co-decision).

(3) Reforming and enhancing the instruments of differentiated integration

In the enlarged EU the interests of the member states are becoming increasingly diverse. For this reason strategies of differentiated integration are of paramount importance. Blockades or the lack of political will in certain member states in the fields of monetary, internal and social policy were already in the past overcome with the help of differentiation, thereby promoting the process of integration.

The amendment of the current Treaties should take over the reforms of the existing flexibility instruments laid down in the Constitution (enhanced cooperation) and adopt the new instruments especially in the area of Common Security and Defence Policy (Permanent Structured Cooperation, EU Missions, cooperation within the European Defence Agency).

As in the Constitution, the Open Method of Coordination should be firmly embedded in the reformed Treaty of Nice. This Method reduces the role of the EU to setting targets for the member states and to making sure that the agreements are enforced. This is its primary advantage: The member states implement national action plans and compete with each other in a transparent manner.

(4) Structural Provisions

In addition to the institutional changes, the reform of the decision-making and voting procedures, and the development of the instruments of differentiated integration, certain important structural provisions of the European Constitution should form part of the amendments to the existing Treaties. These include the legally binding incorporation of the *Charter of Fundamental Rights* into the Treaty of Nice. A reference to the legally binding nature of the Charter – instead of the complete text – would suffice;

the introduction of *competence categories* that describe the areas in which the Union possesses exclusive powers, the responsibilities shared by the Union and the member

states, and the areas in which the Union may act only in a complementary or supportive manner;

the incorporation of the so-called “*passerelle*” or *bridging clauses*, which will make it possible to improve the decision-making procedures in the Council of Ministers, the co-decision-making powers of the European Parliament, or certain internal policies without convening an intergovernmental conference;

the reform of the *treaty revision procedure*, so that future changes to primary law are not decided merely by government representatives behind closed doors, but are publicly debated and concluded in the framework of a Convention including also representatives of the national parliaments, the European Parliament and the European Commission;

the adoption of the *solidarity clause*, according to which EU members assist each other in case a member state is subject to a terrorist attack or the victim of a natural or “man-made” disaster. This clause has already proved its worth in EU practice after the terrorist attacks in Madrid;

the introduction of the *mutual assistance clause*, with which the EU states undertake to provide support in the case of armed aggression on the territory of a member state, if need be of a military nature.

What’s the Conclusion? These changes to certain provisions of the Nice EU and EC Treaty could preserve the central innovations of the Constitution without embarking on a comprehensive reformulation of European primary law. The restricted revision of the current Treaties by an intergovernmental conference strengthens both the EU’s ability to act and its democratic legitimation. At the same time it deliberately eschews a symbolic emphasis on the treaty-based nature of integration.

The present draft of a treaty amending the Treaty of Nice is not designed to clarify all the ensuing legal and political questions. Its purpose is to make a constructive contribution to the current discussions about the fate of the Constitutional Treaty and to move the debate forward.

На гръбчето на корицата:

This volume contains the papers, presented at the fifth issue of the Summer Seminar for Young Public Servants from Southeastern Europe “Preparation for EU Accession”, which took place in Bulgaria, September 8-11, 2005.

The Summer Seminars “Preparation for EU Accession” are organized by the Economic Policy Institute, Sofia – an independent non-governmental organization, founded in 1997.

This first issue of the Summer Seminars took place in 2000 and was initiated by the Economic Policy Institute, Sofia, in cooperation with the EURISC foundation, Bucharest, within the framework of the joint project of the Bertelsmann Foundation, Guetersloh and the World Bank, Washington: “Towards European Integration”.