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# The EU's Strategy in the Post-Communist Balkans

DIMITRIS PAPADIMITRIOU

This article traces the development of the EU's relations with the post-Communist Balkans prior to and after the outbreak of the war in Kosovo. It provides a critical assessment of both the economic and political aspects of the EU's strategy in the region. In doing so, the article addresses several themes, including the effectiveness of the EU's 'carrot and stick' strategy in the region; the consistency with which the EU's conditionality principle was applied in the Balkans; the effectiveness of such a principle in promoting reform in the region and its compatibility with the main features of the Balkan crisis; as well as the willingness of the EU member states to subordinate their national agendas under the EU strategy in the region and to provide the necessary financial resources in order to substantiate such a strategy.

## INTRODUCTION

For most of the Cold War period, relations between the European Community (EC) and the Council of Mutual Economic Assistance (CMEA) were virtually non-existent. In addition to the wider ideological conflict between East and West, the EC's insistence on bilateral trade agreements with individual CMEA members and the CMEA's response that mutual recognition and subsequent trade negotiations could only be conducted on a 'bloc to bloc' basis left no room for cooperation between the two trading blocs. Within this confrontational context, the Communist Balkans<sup>1</sup> became an important Cold War battleground. Indeed, the region presented some important peculiarities: Albania, Romania and Yugoslavia, all under powerful and well-consolidated leaders,<sup>2</sup> had been pursuing independent foreign policies from Moscow. Hoxha's Albania left the Warsaw Pact in 1964 and, following a brief period of Chinese patronage, the country remained in complete isolation. In Romania and Yugoslavia, Nicolae Ceausescu and Josip Broz Tito had embarked upon more conciliatory strategies *vis-à-vis* the US and western Europe. Romania was the first Communist country in Europe to establish diplomatic relations with West Germany (1967) and to

condemn the Soviet invasion in Czechoslovakia. Yugoslavia had been a member of the non-aligned movement and Tito was the first Communist leader to meet with an American president. In fact, the two countries were the only CMEA members to break away from the Soviet line and sign cooperation agreements with the EC in the early 1980s.

The appeal of the Communist Balkans to the West, however, began to diminish during the second half of the 1980s. The increasing brutality of the Ceausescu regime in Romania and the re-emergence of ethnic tensions in Yugoslavia following Tito's death had led the West to reconsider its position *vis-à-vis* the two Balkan rebels. More importantly, the arrival of Gorbachev in the Soviet leadership in 1985 reduced East-West tensions. Facing severe economic problems at home, Gorbachev was forced to give in to EC demands and retreat from the long standing Soviet position on 'bloc to bloc' negotiations.<sup>3</sup> Hence, on 25 June 1988, the EC and CMEA signed the 'Joint Declaration'<sup>4</sup> in Luxembourg which paved the way for the extension of the EC's contractual relations with the USSR's satellites. The process of EC rapprochement with eastern Europe gained further impetus with the fall of the Berlin Wall in November 1989 and the subsequent collapse of Communism in the region.

The first part of this article will trace the development of the EC's relations with the post-Communist Balkans<sup>5</sup> up until the outbreak of the war in Kosovo, by looking at how the main principles of the EC's overall strategy in eastern Europe (conditionality, differentiation and compartmentalization) affected the timing and depth of contractual relations between the EC and the Balkan countries. The second part will examine the impact of the war in Kosovo on EU strategy in the region, focusing on the new instruments devised by the EU in order to deepen its ties with regional players and promote stability and prosperity in the Balkans. In its third, fourth and fifth parts, the article will provide a critical assessment of EU relations with the Balkans with reference both to the economic and political aspects of EU strategy in the region. In these parts of the article, several themes will be examined, including the effectiveness of the EU's 'carrot and stick' strategy in the region; the consistency with which the EU's conditionality principle was applied in the Balkans; the effectiveness of such a principle in promoting reform in the region and its compatibility with the main features of the Balkan crisis; as well as the willingness of EU member states to subordinate their national agendas under EU strategy in the region and provide the necessary financial resources in order to substantiate it. The concluding part of the article will highlight several preconditions for the development of a truly regional approach to the problems in the Balkans

which, it is argued, can provide the only guarantee for the success of EU efforts to assist economic and political reconstruction in the region.

#### AN OVERVIEW OF EC/EU RELATIONS WITH THE BALKANS PRIOR TO THE KOSOVO CRISIS

Following the signing of the EC–CMEA Joint Declaration and, in particular, following the fall of the Berlin Wall, the EC sought to establish a network of bilateral relations with all the eastern European countries, including the Soviet Union and the ‘state trading’ countries of the Balkan peninsula (then Albania, Bulgaria, Romania and Yugoslavia). From the outset, the EC’s strategy in eastern Europe was based on three fundamental principles:

- *Conditionality*: The conditionality principle was initially designed to ensure that countries that did not move quickly towards democratic and economic reforms would be allowed neither to strengthen their political relations with the EC, nor to be eligible to benefit from the opening of EC markets or the granting of EC aid. More specifically, closer relations with the EC were made conditional upon:

- the conduct of free and democratic elections;
- the respect of the rule of law;
- the respect of human rights and, in particular, the respect of minority rights;
- the undertaking of economic reforms leading to the creation of a market economy.<sup>6</sup>

- *Differentiation*: The differentiation principle was designed to ensure that EC aid and trade concessions would be tailored to address the specific problems of each eastern European country. In practical terms, the differentiation principle meant that whilst the basic format of the EC’s contractual relations with the eastern European countries would remain the same, the specific provisions of each individual agreement would vary and would have to be negotiated bilaterally between the EC and the eastern European country in question.<sup>7</sup>

- *Compartmentalization*: The principle of compartmentalization was never publicly acknowledged as official EC policy in eastern Europe. It was, nevertheless, the logical conclusion of the previous two principles. Since the EC refused to negotiate with the central and eastern European (CEE) countries on a ‘bloc to bloc’ basis, then the CEE countries would

have to be 'grouped' into different 'waves' (using the conditionality principle) and then be invited to negotiate with the EC one after the other.<sup>8</sup>

Relations between the EC and the Balkans have not remained unaffected by these principles. The timing of the collapse of Communist regimes in the region, their diverse economic and political starting points, the speed (and quality) of their reform process and, of course, the war in Yugoslavia have led to a fluid (and constantly changing) classification of these countries in eastern Europe's 'performance league'. As a result, the speed with which they were able to ascend the ladder of contractual relations with the EC was also affected.

During the initial stages of the transition process (1990-91), Bulgaria and Romania emerged as the second wave of CEE applicants. By March 1991, both countries had signed trade and cooperation (first generation)<sup>9</sup> agreements and were included in the list of beneficiaries of the PHARE programme (the French acronym for Poland and Hungary Assistance for Economic Reconstructing).<sup>10</sup> The two best Balkan performers, however, were separated from the first wave applicants. There, Hungary and Poland, already engaged in domestic reforms since 1988, were the first to sign first generation agreements (in September 1988 and 1989 respectively),<sup>11</sup> and were the initial beneficiaries of PHARE when the programme was first presented by the Commission in September 1989.<sup>12</sup> In the early months of 1990, the first wave was also joined by Czechoslovakia, the reform credentials of which were strengthened by the leadership of Vaclav Havel and the electoral victory of reformist parties in the June 1990 parliamentary elections.<sup>13</sup> Bulgaria's and Romania's relegation into the second wave of CEE applicants also became evident in August 1990, when the Commission published its report outlining the new type of contractual relations between the EC and CEE countries: the Association (Europe) agreements.<sup>14</sup> The Commission proposal provided for the opening of association negotiations with the first wave of CEE applicants (Czechoslovakia, Hungary, Poland) only, arguing that Bulgaria and Romania had not yet progressed far enough down the path of economic and political reform to be granted associate status. Indeed, the opening of Association negotiations with Bulgaria and Romania was not made possible until after the signing of the Visegrad Association agreements in December 1991. Hence, the Romanian and Bulgarian Association agreements were concluded in November and December 1992 respectively.<sup>15</sup>

In subsequent years, Bulgaria's and Romania's position as second wave applicants was undermined. Poor economic performance and

prolonged political uncertainty in the two countries, combined with the widening (following the collapse of the Soviet Union and Yugoslavia) of the list of eastern European applicants knocking on the EU's door, had led to further decline in Bulgaria's and Romania's economic and political importance for the EU, and to a stronger tendency for them to be grouped with the other Balkan countries rather than the relatively more stable, prosperous and dynamic countries of central Europe and the Baltic. Despite the hopes created by the electoral victories of Emile Constantinescu in Romania (19 November 1996) and Petar Stoyanov in Bulgaria (3 November 1996), the two countries' further relegation was confirmed by the Commission's opinions (*avis*) on the eastern European membership applicants,<sup>16</sup> published (alongside Agenda 2000) in July 1997.<sup>17</sup> The Commission's proposals provided for the inclusion of both Bulgaria and Romania (alongside Latvia, Lithuania and Slovakia) into the second, slower, lane of enlargement negotiations. On the other hand, latecomers such as Estonia and Slovenia (see below) were invited to join the frontrunners of the enlargement process (the Czech Republic, Hungary and Poland) in fast-track accession negotiations inaugurated in London on 12 March 1998.<sup>18</sup>

In Albania, the resilience of Ramiz Alia's Communist regime in the early 1990s meant that the country was the last CEE country to normalize fully its relations with the EC. It was only after the first multi-party elections in March 1991 that Albania was allowed to enter into contractual relations with the EC. The country joined the PHARE programme in December 1991,<sup>19</sup> whilst a trade and cooperation agreement was concluded with the EU in February 1992.<sup>20</sup> However, the extremely poor economic conditions in the country, coupled with frequent spells of political instability, have prevented Albania from progressing further up the ladder of contractual relations with the EU. Hence, the country has neither signed an Association agreement (similar to those of Bulgaria and Romania) with the EU, nor has it applied yet for full EU membership. Instead, in early 1996, Albania (alongside the republics of the former Yugoslavia except for Slovenia) became part of the EU's Regional Approach in the Balkans (see below) and also participated in Political Dialogue meetings with the EU.<sup>21</sup> Within this framework, EU-Albanian relations have since focused mainly on a series of humanitarian operations, as well as measures to ensure the economic and political stabilization of the country<sup>22</sup> following the collapse of public order in 1996 and the frequent outbreaks of violence ever since.<sup>23</sup>

Amongst the former republics of Yugoslavia, Slovenia has been clearly the best performer. Slovenia's status as the wealthiest region of central

and eastern Europe was not affected by its brief involvement in the Yugoslav war and its secession from the Federal Republic in July 1991.<sup>24</sup> Since then, Slovenia has enjoyed a sustained period of economic growth and a stable and democratic political system. The country's relations with the EU also developed at a very fast pace. In August 1992, the Council extended the operations of the PHARE programme to Slovenia,<sup>25</sup> and in November the same year the country concluded a trade and cooperation agreement with the EU.<sup>26</sup> In June 1995,<sup>27</sup> the country concluded an association agreement with the EU and a year later, on 10 June 1996, Slovenia formally applied for full EU membership. The publication of the Commission's *avis* in July 1997 came to confirm Slovenia's membership credentials: the country was selected to join (alongside Estonia) the frontrunners of the enlargement process (Czech Republic, Hungary and Poland), thus disassociating itself further from the Balkan membership applicants (Bulgaria and Romania) and becoming increasingly associated with the Visegrad or central European zone of stability and relative prosperity.<sup>28</sup>

The Former Yugoslav Republic of Macedonia (FYROM), on the other hand, despite its poor economic performance since its independence from Yugoslavia in 1992, came to be recognized as a reliable EU partner in the region. The moderate policies pursued by President Kiro Gligorov (1992–99) managed to preserve FYROM's fragile internal balance and keep the country clear from the potentially destructive tensions in Bosnia and Kosovo. Moreover, the gradual improvement of relations with Greece<sup>29</sup> paved the way for the strengthening of the country's ties with the EU. Hence, FYROM joined the list of beneficiaries of the PHARE programme in July 1993,<sup>30</sup> and full diplomatic relations with the EC were established in December 1995. Moreover, since the beginning of 1996, FYROM has been a participant in the EU's Regional Approach in the Balkans (see below) and in the Political Dialogue meetings, whilst on 29 April 1997, the country signed a trade and cooperation agreement with the EU.<sup>31</sup>

For the remaining republics of the former Yugoslavia (Bosnia, Croatia and FRY), relations with the EU were structured around the Regional Approach for the Balkans as agreed by the General Affairs Council on 26–27 February 1996.<sup>32</sup> The Regional Approach was initiated by the EU in an attempt to supplement the Dayton agreement and the OSCE efforts in the former Yugoslavia, and was designed to provide a framework which would assist in strengthening stability, good-neighbourliness and economic recovery in southeast Europe.<sup>33</sup> Meetings between the political leaderships of these countries and EU leaders were also scheduled under Political Dialogue. Within this framework, the five eligible countries

(Albania, Bosnia, Croatia, FRY, FYROM) were divided into two groups with different frameworks for the development of relations with the EU:

- FYROM and Albania, which were not involved in the Bosnian war, and were, therefore, eligible to conclude trade and cooperation agreements with the EU;<sup>34</sup>
- Bosnia, Croatia and FRY, which were involved in the Dayton peace agreement, and would need to comply with the EU's conditionality principle before being allowed to enter into any contractual relations with the EU.

The General Affairs Council on 29 April 1997 clarified the concept of political and economic conditionality with specific reference to each of the countries of southeastern Europe (Bosnia, Croatia, FRY).<sup>35</sup> It was also agreed that depending on the degree of compliance with these preconditions, the three Balkan countries would be eligible for:

- trade concessions through autonomous trade preferences;
- financial and economic assistance through the OBNOVA (aid for the republics of former Yugoslavia) and PHARE programmes;
- the eventual establishment of contractual relations (trade and cooperation agreements).

During the same meeting, the General Affairs Council also agreed to grant autonomous trade preferences to Bosnia, which was also deemed suitable to continue benefiting from PHARE funding.<sup>36</sup> Croatia was also granted autonomous trade preferences, but its request for re-entry into the PHARE programme (from which it was expelled in August 1995, due to the events in Krajina)<sup>37</sup> was rejected. FRY was also excluded from the PHARE programme. Nevertheless, the country was granted autonomous trade preferences, thus restoring the trade provisions which had existed under the 1980 cooperation agreement between the EEC and the former Yugoslavia.

Since then, compliance with the EU's conditionality principle has continued to be closely monitored by the Commission and the Council. Hence, on the basis of the Commission's April 1998 report,<sup>38</sup> the General Affairs Council decided on 9 November 1998 to continue the granting of autonomous trade preferences and PHARE operations in Bosnia,<sup>39</sup> but dismissed the country's request for the opening of negotiations for the conclusion of a trade and cooperation agreement with the EU. Autonomous trade preferences also continued for Croatia which, nevertheless remained excluded from PHARE funding and from opening negotiations for a trade and cooperation agreement. Finally,



given the continuation of human rights abuses in FRY and the deterioration of the situation in Kosovo throughout 1998, autonomous trade preferences were suspended and the country's relations with the EU remained virtually frozen.

Hence, at the end of 1998, the EU's relations with the countries of the wider Balkan region presented an astonishing variety: a full EU member (Greece); a member of the first wave of enlargement applicants (Slovenia); two members of the second wave of enlargement applicants (Bulgaria and Romania – also participating in the European Conference); a membership applicant, whose eligibility for negotiating entry was denied by the EU (Turkey – not participating in the European Conference); two members of the Regional Approach with a trade and cooperation agreement with the EU (Albania and FYROM); a member of the Regional Approach eligible for PHARE funding, but without a trade and cooperation agreement with the EU (Bosnia); a member of the Regional Approach with neither PHARE eligibility nor a trade and cooperation agreement with the EU (Croatia); and a country without any official contacts with the EC (FRY).

#### RESPONDING TO THE KOSOVO CRISIS

The breakdown of the Rambouillet talks over Kosovo and the subsequent NATO bombing of FRY (March–June 1999) marked a turning point in the EU's relations with the wider Balkan region. The outbreak of war demonstrated that the EU's 'civilian' efforts to stabilize the region were not working. As in the case of Bosnia in 1995, American (military) intervention in Kosovo proved once again to be a decisive factor in ending the crisis. There is little doubt that the Kosovo crisis changed the way in which the EU perceived itself as a military/foreign policy actor. For those traditionally opposed to NATO's dominance over the EU's defence identity (France), the alliance's inconsistencies and internal disagreements over its Kosovo strategy highlighted the need for a more distinct 'European' defence identity. Even the EU's most committed Atlanticists (Britain), whose patience had been severely tested by American reluctance to commit itself fully to the crisis, also came to recognize the need for a stronger European dimension within NATO. In this respect, the relatively trouble-free appointment of Javier Solana as the EU's High Representative for Common Foreign and Security Policy (CFSP),<sup>40</sup> as well as the decision to strengthen the operational capability of the CFSP should not be seen in isolation from the experiences gained by the Kosovo crisis.

Kosovo also marked a watershed for EU economic strategy in the region. The Vienna European Council in December 1998 had already

recognized the difficulties of existing EU policies in the region and had called for a broader and more integrated approach based on a 'common strategy' (in accordance with the post-Amsterdam CFSP provisions) for the western Balkans.<sup>41</sup> The Kosovo war clearly accelerated this process and affected EU relations with the countries of the region. The launch of the Stability Pact on 10 June 1999 was the first example of the EU's changing strategy.<sup>42</sup> Bringing together a very large number of countries and organizations (including the EU, the US, Russia, the IMF, the UN, the OSCE and others),<sup>43</sup> the Stability Pact sought to create a framework for the coordination of military and economic efforts to stabilize the region and to contribute to the consolidation of lasting peace, democracy and economic prosperity. For this purpose, Bodo Hombach (a former chief of staff in Gerhard Schröder's chancellery) was appointed special coordinator of the Stability Pact and chair of its governing body, the South Eastern Europe Round Table.<sup>44</sup>

Within the wider context of the Stability Pact, in June 1999 the EU launched a new type of relationship with the countries of the region: the Stabilization and Association Process (SAP).<sup>45</sup> Stabilization and Association Agreements (SAAs) were made available to five countries – Albania, Bosnia, Croatia, Macedonia and FRY – provided they comply with the EU conditionality principle as this was elaborated within the context of the Regional Approach in April 1997 (see above). The SAAs constituted a step further from the trade and cooperation agreements (first generation) and resembled the association (Europe) agreements, but with a greater emphasis on regional cooperation, democratization, the development of civil society and institution building. The agreements also included provisions for trade liberalization, financial assistance, cooperation in a wide range of policies (including Justice and Home Affairs) as well as the strengthening of the process of Political Dialogue.<sup>46</sup> FYROM was the first country to sign an SAA with the EU on 9 April 2001.<sup>47</sup> A similar agreement with Croatia was initialled on 14 May 2001,<sup>48</sup> whilst SAA negotiations between Albania and the EU will begin in late 2001. Bosnia and FRY (following Milosevic's departure from the political scene) are also likely to follow in the near future. Meanwhile, until the SAAs enter into force, the EU's trade relations with the countries concerned will continue to be regulated by autonomous trade preferences (amounting to duty-free access to the EU market), as agreed by the Feira European Council in June 2000.<sup>49</sup>

As far as Bulgaria and Romania are concerned, the aftermath of the Kosovo crisis saw a substantial improvement in their relations with the EU. The two countries' crucial support for NATO's bombing of Yugoslavia (against a very sceptical domestic audience) did not go

unrewarded. Soon after his appointment as Commissioner for Enlargement, Günter Verheugen (Gerhard Schröder's former Minister for Europe) made it clear that he intended to ditch the EU's strategy of two-speed accession negotiations (in place since March 1998), in favour of an all-inclusive enlargement process.<sup>50</sup> Hence, the Commission's Progress Reports on enlargement published on 13 October 1999<sup>51</sup> argued for the inclusion of Bulgaria, Latvia, Lithuania, Romania and Slovakia into the fast lane of accession negotiations. The Commission's proposals were agreed by the Helsinki European Council in December 1999,<sup>52</sup> and the formal opening of accession negotiations for the former second wave applicants took place on 28 March 2000.

#### THE ELUSIVE PURSUIT OF A BALANCED 'CARROT AND STICK' STRATEGY

Since the collapse of the Communist order and the resurgence of ethnic tensions in the Balkans, the EU has tried to act as a stabilizing factor in the region by employing a mixture of threats and promises. The EU's arsenal for the delivery of such a 'carrot and stick' strategy included a variety of 'weapons': trade measures available through the Common Commercial Policy (CCP); aid and financial assistance available through the G-24 and the EU's own budget; and, of course, instruments available through the CFSP. In retrospect, it is arguable that neither the 'carrot' nor the 'stick' end of the EU's Balkan strategy has been employed successfully. The 'carrot' was often absent; or, when present, it was late and presented in an uncoordinated fashion. For the first half of the 1990s, the EU lacked an integrated approach to the region's problems. Instead, its relations with the Balkan countries were regulated by a variety of frameworks (that is, trade and cooperation agreements, association agreements) which, nevertheless, linked each country bilaterally to the EC and did not provide for a coherent solution to the region's problems. For those countries with relatively advanced forms of relations with the EC (Bulgaria and Romania), the strengthening of cooperation with the region's less developed countries was seen as a distraction from the ultimate goal of EU membership, as well as an admission of their separation from the Visegrad group. For those countries with weaker (Albania) or no (FRY) contractual relations with the EU, the 'carrot' was far too small to make a difference. The initial linking of G-24 assistance (in particular the PHARE programme) to foreign investment activities also undermined its effectiveness as a 'carrot' strategy in the Balkans.<sup>53</sup> In a region plagued by war and the slow pace of economic reform (hardly a paradise for foreign investors), the rules governing the G-24 financial aid programme led to the paradoxical

situation of eastern Europe's poorest countries receiving (per capita) only a fraction of the assistance distributed to the Visegrad group (see below).

The introduction of the Regional Approach in 1996 sought to rectify some of the mistakes of the EU's early Balkan (non-)strategy. However, from the outset its success was undermined by the lack of sufficient financial resources and,<sup>54</sup> more importantly, by the fact that it was far less 'regional' than its title indicated. Bulgaria, Romania and Slovenia (already linked to the EU by association agreements) did not have any meaningful association with it. Nor did Greece and Turkey. Moreover, the strengthening of the conditionality principle inevitably affected the coherence of the Regional Approach. Amongst its five participants (Albania, Bosnia, Croatia, FYROM and FRY), three had no contractual relations with the EU (Bosnia, Croatia, FRY), and two (Croatia, FRY) did not qualify for PHARE funding, while soon after its initiation FRY was excluded from the process altogether. Against such a background of fragmentation, the launch of a 'regional' programme was, no doubt, destined to fail.

For all its mention of regional cooperation, the EC's Stabilization and Association Process (initiated in 1999 as part of the Stability Pact) in the region may suffer from the same lack of inclusiveness. Whilst the positive developments in FRY cleared some important hurdles in this direction, the continuing uncertainty over Macedonia, Kosovo and Montenegro may threaten a more inclusive EU strategy in the region. Bureaucratic delays may also undermine the credibility of SAP. Almost two years after the initiation of SAP and a year after Milosevic's removal from power, only one Balkan country (FYROM) has formally signed an SAA with the EU. Above all, the EU's ability to consolidate economic and political stability in the region may be substantially diminished by the lack of adequate financial resources. Following the end of the Kosovo war, the process of reconstruction in the Balkans has been remarkably slow and plagued by disagreements amongst the Western allies over who should bear the cost.<sup>55</sup> More recently, the conference of donor countries for FRY in June 2001 raised new hopes for a more aggressive reconstruction plan in the region, but more time is needed before an assessment of its practical results can be made.<sup>56</sup>

In addition to its often ungenerous, late and confusing 'carrot' strategy in the Balkans, the EU's 'stick' practices in the region have also been poor. During the early stages of the crisis in the Balkans (1991-92), the fiasco of Yugoslavia's disintegration overshadowed the EC's strategy in the wider region. The first signs of EC inability to cope with a complex and fragile security environment in the Balkans became visible

in late June 1991, when the EC Troika (consisting of Luxembourg's Foreign Minister Jacques Poos, Italian Foreign Minister Gianni de Michelis and the Dutch Foreign Minister Hans van den Broek) failed to reverse the unilaterally declared Croatian and Slovenian independence and to impose on the seceded republics the EC line of preserving the unity of Yugoslavia.<sup>57</sup> The failure of the troika to persuade Croatia and Slovenia to remain within Yugoslavia not only left the EC vulnerable to accusations that its mission was ill-prepared and unable to recognize the deeper structural factors that underpinned the Yugoslav crisis,<sup>58</sup> but also eventually brought to the EC agenda the most difficult dilemma of all: whether to recognize the seceded republics' independence.

The failure of the troika's mission and the escalation of the war in Krajina and Vukovar during summer 1991 strengthened the position of those who argued that the EC's line of preserving the unity of Yugoslavia was becoming unsustainable. Whilst the official EC line was to remain unchanged until January 1992, the realization that the status quo in Yugoslavia would inevitably change became commonplace. This was acknowledged by van den Broek as early as July 1991,<sup>59</sup> but was also becoming apparent by the fact that individual EC member states engaged in the pursuit of their national agendas in the region, with little or no consideration to decisions taken at the EC level.<sup>60</sup> Against this background, the EC-sponsored peace conference, which began in the Hague on 7 September 1991 under the chairmanship of Lord Carrington, produced poor results, with its calls for a ceasefire being repeatedly ignored by the warring parties. This was also the case for the report by the special Arbitration Commission (also part of the Hague process) under the French constitutional judge Robert Badinter. The Arbitration Commission had been set up by the General Affairs Council on 16 December 1991 in order to assess Croatia's and Slovenia's democratic and human rights credentials. The Commission's report would then serve as the basis upon which the Council would decide on 15 January 1992 whether to recognize the two republics. Whilst Badinter's report acknowledged that Slovenia fulfilled most criteria set up by the EC, it raised serious doubts over the respect for minority rights in Croatia. His warnings, however, were ignored by the EC which, under immense pressure from the German government,<sup>61</sup> was forced to recognize the two republics on 15 January 1992.

The link between the EC's recognition of Slovenia and Croatia in early 1992 and the subsequent spreading of the war in Bosnia (and later Kosovo), or the existence of a realistic alternative strategy for former Yugoslavia are both difficult to assess and, in any case, fall outside the scope of this article. However, the events surrounding the disintegration

of former Yugoslavia highlighted the difficulties of subordinating national agendas under an EU-led foreign policy. The bitter disagreements between those advocating early recognition for Slovenia and Croatia (led by Germany) and those who opposed it (led by Britain) were a clear manifestation of this. Moreover, the Yugoslav crisis put EU relations with the US under pressure, leading the latter to reconsider its initial optimism that Yugoslavia (and similar regional conflicts in the continent) would be a purely 'European affair'.<sup>62</sup> All these, in turn, proved massive blows of confidence from which the EU's newly born CFSP did not recover for years. A far less confident EU was, hence, only marginally involved in Bosnia,<sup>63</sup> *de facto* recognizing the UN as the main conductor of humanitarian operations and mediator between the warring parties. Eventually, the lead was to be taken by the Americans, whose diplomatic and military engagement proved decisive for the signing of the Dayton agreement which ended the Bosnian war in December 1995.

The conflict between national foreign policy objectives and EU strategy in the region was further illustrated in the case of FYROM. Following its independence from Yugoslavia in 1992, FYROM found itself engaged in a bitter dispute with Greece over the use of the term 'Macedonia' as the republic's official name. The dispute affected the process of full normalization of relations between the EU and FYROM and restricted the EU's ability to provide aid to the fragile republic. Later, when the Greek government raised the stakes further by imposing a unilateral trade embargo against FYROM in February 1994,<sup>64</sup> the EU was once again confronted with an impossible situation: on the one hand praising FYROM's moderate government as a stabilizing factor in the southern Balkans, but on the other being unable to stop unilateral actions by its own member states against the republic. It was only after the Greek-FYROM agreement under the auspices of the UN in September 1995 (which led to the lifting of the Greek embargo) that the EU was in a position to present a more coherent policy *vis-à-vis* a country that holds the key for overall stability in the southern Balkans.

The consolidation of moderate Prime Minister Simitis in Greece also facilitated the successful conclusion of the Italian-led WEU military operation in Albania, which sought to restore public order following the country's collapse into anarchy in late 1996. Despite moderate opposition on behalf of certain EU member states (that is, Britain and Germany), the WEU operation in Albania has been an encouraging sign that the EU could pursue 'high politics' objectives in the region.<sup>65</sup> The success in Albania, however, was only temporary. As soon as the Balkan puzzle was complicated further by the deterioration of the situation in

Kosovo during 1998, differences of geostrategic interests amongst member states impeded the EU's ability to develop a coherent policy in the region. Here too, the CFSP proved inadequate and the American intervention decisive. By the time the bombing campaign got under way, the EU members of NATO were unable to hide their differences over the nature, length and objectives of the campaign. In the aftermath of the Kosovo war, disagreements over the peacekeeping operations in the region continued to undermine the coherence and effectiveness of both NATO and EU strategies in the Balkans. The recent spillover of the crisis into neighbouring FYROM will offer another major test for both organizations.

#### RECONCILING CONDITIONALITY WITH ECONOMIC RECONSTRUCTION AND CONSOLIDATION OF DEMOCRACY

Conditionality has been a fundamental feature of the EC/EU's strategy in eastern Europe ever since the 1988 EC-CMEA Joint Declaration. Together with the principle of differentiation (also a consistent feature of EU strategy since the late 1980s), the application of conditionality has led to the *de facto* creation of a multi-tier eastern Europe, with different CEE countries negotiating the different rungs of the EU's ladder of contractual relations at different speeds and times. However, the compartmentalization of the CEE countries into different waves was meant neither to be permanent nor to reflect the EC's 'fixed preferences' favouring certain CEE countries over others. Instead, the grouping of the eastern European applicants into different waves was supposed to be based on an objective assessment of their political and economic performances. The door for 'promotion' was thus left open, provided that economic and political progress in a particular country justified it. This strategy, it was hoped, could provide twofold benefits: inclusion into the first wave would 'reward' those CEE countries committed to democratic values and the market economy, whilst exclusion from it would provide the worse performing CEE countries with an incentive to engage in serious economic and political reforms.

Whilst the need for an ethical dimension to the EU's Balkan strategy can hardly be disputed, the effectiveness of compartmentalization, as a reform-boosting mechanism in the Balkan countries, is debatable. A look at recent political developments across the region reveals a rather mixed picture. In Romania and Bulgaria (two of the region's best performers currently negotiating entry into the EU), the results of the recent elections saw a catastrophic defeat of reformist parties and the return to power of reactionary and populist forces.<sup>66</sup> In Croatia and FRY, the

arrivals of Stipe Mesic and Vojislav Kostunica have marked a rapid drive towards democratization, but in both countries the reform process (and the unity of the coalitions that support it) remains fragile. In Bosnia and Albania, progress has been slower. The political systems of both countries have been extremely volatile, and their governments have not yet managed to assume full control over their territory and curb the power of criminal gangs and warlords. In FYROM, which until recently was regarded as a Balkan model of moderation and peaceful multi-ethnic co-existence, the situation is also precarious. The recent outbreak of violence between the government forces and Albanian extremists has left the country in limbo, with the prospect of an all-out civil war looming dangerously.

Arguably, the inability of reformist forces within the Balkan countries to play the EU card successfully in initiating or carrying out reforms has been impeded by the fact that compartmentalization and exclusion from fast track relations with the EU has encouraged the consolidation of an 'underdog culture' in the region.<sup>67</sup> There are already convincing arguments<sup>68</sup> on how such a culture plays to the hand of populist/extremist forces which thrive under conditions of prolonged crisis and effectively block the process of the region's Europeanization. Such a process is also hampered by the economic side effects of exclusion from closer integration into the EU. Whilst the substantiation of a firm cause-effect relationship is difficult, there is convincing evidence that even the best performing economies in the Balkans have consistently under-performed in comparison to those CEE countries with fast track relations with the EU (that is, the Visegrad group), in terms of both macroeconomic stabilization and foreign investment.<sup>69</sup> Comparison between the Visegrad group and the Balkan countries whose economies have been directly affected by the Yugoslav wars (Albania, Bosnia, Croatia, FRY and Macedonia) reveals even greater disparities. Moreover, the application of conditionality to EU and G-24 aid programmes in eastern Europe (combined with the fact that these programmes were initially linked to business activities in the region) has led to the strikingly unequal distribution of aid, with the Balkan countries receiving per capita less than half the amount of aid available to the Visegrad group.<sup>70</sup>

#### RECONCILING CONDITIONALITY WITH BALKAN PRAGMATISM

The adverse effects of conditionality on the economies of the Balkan countries and the ever growing gap between central and southeast Europe would clearly have been easier to justify had conditionality been applied consistently by the EU. The debate over the way in which the EU



has applied its conditionality principle to its partners across the globe, though very important, falls outside the scope of this article. But how consistently has the EU applied its conditionality principle in the Balkan setting? A closer look at the development of the EU's contractual relations with the region reveals some interesting patterns.

In August 1990, the Commission excluded Bulgaria and Romania from entering into association negotiations with the EC on the basis that the two countries did not fulfil the conditionality requirements on economic and political reform.<sup>71</sup> However, in September 1991, the Commission revised its position and, against a sceptical European Parliament (particularly in relation to Romania), proposed the opening of association negotiations with the two countries. In fact, within this period the pace of reform in the two countries changed little, with the National Salvation Front (NFS) in Romania and the Socialist Party (BSP) in Bulgaria continuing to resist a far-reaching reform process.<sup>72</sup> As the Commission<sup>73</sup> and later the Presidency<sup>74</sup> acknowledged, the decision to allow the opening of association negotiations with Bulgaria and Romania (as well as of speeding up the process of opening first generation negotiations with Albania and the Baltics) was dictated by events in the former USSR (the August coup in Moscow and the clear prospect of the country's disintegration) as well as by the escalation of the war in Krajina (former Yugoslavia) during the summer of that year.

In subsequent years, the deepening of the crisis in the Balkans also led to fundamental changes in EU strategy in eastern Europe. Back in 1990–92, for example, the EU repeatedly refused to incorporate a clear reference to eventual full EU membership for eastern European applicants into the association agreements.<sup>75</sup> However, almost six months after the conclusion of the Bulgarian and Romanian association agreements, the EU's position was to change in the Copenhagen European Council (June 1993), where full EU membership for the CEE countries became a *mutual* objective. Building on the Copenhagen commitment, the Essen European Council in December 1994 agreed on a pre-accession strategy for the CEE countries, aiming to pave the way for their fast accession into the EU.<sup>76</sup> Here too, the radical changes in the EU's '*Ostpolitik*' seem to correlate more with important turning points in the Bosnian war (such as the collapse of the Vance-Owen peace plan in May 1993, or the Sarajevo market square bomb in February 1994 and the subsequent NATO ultimatum to the Bosnian Serbs), rather than a spectacular advance in the reform process in eastern Europe.

Perhaps the most striking example of how 'high politics' overshadowed conditionality in shaping EU strategy in the Balkans can

be seen in the aftermath of the Kosovo war. In July 1997, the Commission excluded Bulgaria and Romania from fast track accession negotiations,<sup>77</sup> on the basis that neither country complied fully with economic and/or political conditionality. In October 1999, however, the Commission's policy of multi-speed enlargement negotiations changed, with the new enlargement Commissioner Guenter Verheugen opting for an all-inclusive process. Once again, the Commission's change of policy had little to do with the process of internal reform in the two Balkan countries. Reformist Presidents Stoyanov and Constantinescu were in office in Bulgaria and Romania respectively at the time of the 1997 exclusion. By the end of 1999, however, the geopolitical situation in the Balkans was radically different, and the two countries were to be rewarded for the support of NATO's bombing of the FRY. The settling of the problem over the Turkish candidacy also leads to similar conclusions.

Strategy adaptation in accordance to a rapidly changing international (and regional) setting is both legitimate and advisable. Nevertheless, frequent changes (or inconsistent use) of the principles on which such strategies are based is far more problematic. Against this background, the inconsistency with which the EU has applied conditionality in the Balkans raises two important issues. The first concerns credibility. How can the EU pursue an effective 'carrot and stick' strategy when the principles behind it remain blurred? How can the EU deliver the message clearly enough that reform, not crisis, will lead to the carrot? Reversing the argument, how can the EU convince those at the end of the stick that they are penalized because reform is insufficient and not because of predetermined discrimination against the region, a concept so closely associated with the Balkan 'underdog culture'? The second question arising from the frequent changes in the EU's '*Ostpolitik*' relates to the more general theme of enlargement. Over the last decade, EU relations with the CEE countries have developed astonishingly fast. But what does this tell us about the EU's ability to control the pace of rapprochement with eastern Europe?<sup>78</sup> Does such pace mirror the member states' determination to end Europe's division swiftly and decisively, or is it indicative of how an unprepared EU has reacted spasmodically to the economic and political vacuum in eastern Europe? The failure of Amsterdam to resolve the question of institutional reform and the bitter disagreements over the reform of EU policies in view of enlargement revealed some alarming divisions. Whilst the new Treaty of Nice settled some of the past uncertainties, important institutional and financial aspects of the EU eastwards enlargement continue to remain unresolved.

## CONCLUSION: WHAT STRATEGY FOR THE BALKANS?

The best way forward for the stabilization of the Balkans continues to be an issue that generates much heated debate. There is little doubt that whatever strategy the EU chooses to pursue in the region, sceptics will always be able to present powerful counter-arguments. The question of conditionality is a central feature of this debate. Should the EU pursue a pragmatic, 'high politics' driven strategy in the region at the expense of its conditionality principle, or should the two not be seen as mutually exclusive? Does positive engagement strengthen the prospects of reform, or is punishment and isolation the only way to overthrow repressive regimes? Is the selective application of conditionality better than no conditionality at all? None of these dilemmas have easy answers and, along with the region's complex and rapidly changing security environment, should all be taken into consideration when an assessment of EU Balkan strategy is attempted.

Whilst the debate over the content and execution of EU strategy continues, the Kosovo crisis has produced a widespread consensus over the ends that such a strategy should serve. Today, very few analysts dispute the fact that the region will either recover collectively or it will not recover at all. This view has been supported by all EU protagonists in the region, including Commissioners Chris Patten (External Relations) and Guenter Verheugen (Enlargement), the coordinator of the Stability Pact, Bodo Hombach, and the UN's special envoy to the Balkans, Karl Bildt.<sup>79</sup> It has also been reflected in the importance attached to regional cooperation by the Stability Pact. This article argues that such a realization can provide important guidance for future EU strategy in the region.

An essential precondition for collective recovery in the Balkans is that none of the regional players will have an interest in challenging the (new) status quo. For many years, Milosevic-led Yugoslavia formed the main obstacle for the development of an inclusive Western strategy in the region. However, the recent political changes in Serbia have paved the way for Yugoslavia's international rehabilitation and inclusion into the reconstruction programmes for the Balkans. This is clearly a major new development and, assuming that the promises made in the recent donors' conference for Yugoslavia (June 2001) will materialize, its positive effects will be felt throughout the Balkans as Yugoslavia continues to be an important trade partner and transport interchange for the entire region. Yet not all of Yugoslavia's problems were resolved by Milosevic's departure from the political scene. The future of the Yugoslav federation remains uncertain as the relationship between Serbia and Montenegro

continues to be uneasy. Within Serbia, the status of Kosovo also causes resentment and friction. Both problems may soon fuel new instability, which could jeopardize the economic recovery of the wider region. The input of the EU in resolving these problems will, no doubt, be decisive.

At present, Albanian nationalism poses the greatest challenge to the reconstruction efforts in the Balkans. The Western policy of preserving multi-ethnicity in Kosovo today lies in tatters, and even the prospect of an autonomous Kosovo within Serbia seems an unrealistically optimistic contingency. Almost two years after the end of war in Kosovo, the region is still a breeding ground for extremism and criminal activities. K-FOR has largely failed to restore order and contain the exportation of Albanian nationalism to neighbouring countries. The deepening crisis in FYROM is a testament of these deficiencies. Western governments, particularly the US and Britain, who sided with the armed representatives of Albanian nationalism in their efforts to win the war in Kosovo, are today keeping their distance, warning against the dangers of violent border changes in the region.<sup>80</sup> Whilst today's status quo in the Balkans is becoming increasingly unsustainable, the future settlement of territorial disputes in the region remains unclear. Against this background, predictions of whether the Albanian populations in Kosovo and FYROM will emerge as challengers of the (new) status quo are also difficult to make. Yet, these uncertainties should not alter the main principles upon which the EU's reconstruction efforts should be based: inclusiveness and collective economic recovery will, in the long run, provide the only effective weapons against nationalism and opportunism.

Whilst being key to future developments in the Balkans, Yugoslavia and Albania remain two pieces of a wider Balkan puzzle. Greece and Turkey should also be at the forefront of any effort towards regional recovery. The former is the only Balkan member of the European Union and is by far the healthiest economy in the region. The latter is the region's largest economy. The prolonged cold war between the two countries and the disappointingly low levels of their economic inter-penetration have been a stumbling block for the region's economic development, as has Turkey's troubled relationship with the EU. The recent Greek-Turkish rapprochement leading to the signing of a series of 'low politics' agreements between the two countries, as well as the reaffirmation of Turkey's European orientation after Helsinki, has paved the way for the elaboration of a more consistent EU strategy in the Balkans. Nevertheless, neither of the two developments is irreversible. In this respect, the encouragement of the Greek-Turkish rapprochement must be placed high on the agenda and should be seen as inextricably linked to the success of the EU's reconstruction efforts in the region.

Bulgaria and Romania are also important players in the reconstruction process. Despite the fact that both countries were invited by the Helsinki European Council to begin fast track negotiations with the EU, their accession into the Union is still a long way off. Moreover, as in the next few years most of the Visegrad countries will begin joining the EU and subordinating their national trade policies under the EU's Common Commercial Policy (CCP), both Balkan countries are likely to lose the economic benefits provided to them by their participation in the Central European Free Trade Area (CEFTA).<sup>81</sup> Yet, Bulgaria's and Romania's commitment to the deepening of regional cooperation in the Balkans should not be taken for granted, and will depend on whether their leadership will perceive such a process as a contributing factor, not a substitute, to their aspirations of full EU membership. Reassuring all those CEE countries (including the Balkan countries) whose entry into the EU will not be possible for the foreseeable future that regional cooperation is supplementary to their EU membership aspirations is one of the greatest challenges for the EU.

Such reassurance, however, will require far more than pure rhetoric over the benefits of peaceful co-existence and regional development. It will require concrete EU action in ensuring that exclusion from the club will not result in less financial assistance and a widening of the gap between eastern Europe's 'winners' and 'losers'. It will also require a new pan-European trade arrangement which will alleviate the 'hub and spoke'<sup>82</sup> effects to those left outside the Single Market. To this end, proposals for an Association of Association Agreement (AAA),<sup>83</sup> a Pan European Free Trade Area (PEFTA), or a Pan European Customs Union (PECU)<sup>84</sup> need to be urgently pursued. Most importantly, the EU must devise ways of breaking away from the stereotypical division between 'central Europe' and 'the Balkans', and ensure that the environment of stability and prosperity, which the EU member states have so successfully created for themselves, spreads across the continent.

#### NOTES

This article was completed in July 2001.

1. Albania, Bulgaria, Romania and the Socialist Federative Republic of Yugoslavia.
2. Tito's reign over Yugoslavia lasted from 1945 until his death in 1980. In Albania, Hoxha's reign lasted from 1945 until his death in 1985. Ceausescu's reign over Romania lasted from 1965 until 1989.
3. For an excellent account of the interaction between the European Community and the former Soviet Bloc during the Cold War period, see Van Ham, Paul (1993): *The EC, Eastern Europe and European Unity. Discord, Collaboration and Integration Since 1947*, London: Pinter, ch.7.

4. Official Journal of the European Communities (OJL), 157/35, 24 June 1988.
5. The term 'Balkans' will refer to the following countries: Albania, Bosnia, Bulgaria, Croatia, FYROM, Romania, Slovenia and Yugoslavia (Serbia and Montenegro). The term 'wider Balkans' will include Greece and Turkey.
6. For an initial wording of the conditionality principle, see Strasbourg European Council, Conclusions of the Presidency, Doc/89/3, 9 Dec. 1989. Conditionality was further clarified by the Commission in April 1990, see *Agence Europe*, 21 April 1990. The conditionality principle has evolved together with the development of the EU's relations with the CEE countries. For example, conditionality was redefined by the Copenhagen European Council (June 1993) in order to flesh out the requirements with which the CEE countries had to comply before entering into the EU. Moreover, on 24 April 1997, the Council redefined the criteria for deepening the EU's relations with the countries in question, see 2003rd Council Meeting, General Affairs, Luxembourg, Rapid Database, PRES/97/129, 29–30 April 1997. It is also worth noting that the conditionality principle can also be found in the Accession Partnerships between the EU and the CEE countries who have applied for EU membership (Memo/98/21, 27 March 1998), as well as in the recently designed Stabilisation and Association Process for the Balkan region (see European Commission [COM] (99) 235, 26 May 1999).
7. The differentiation principle was most clearly expressed in the Commission's proposals for the Association agreements with the CEE countries in August 1990. For more details, see COM(90) 398 final, 27 Aug. 1990, p.4.
8. On the effects of compartmentalisation on the process of EU enlargement, see Papadimitriou, Dimitris (1999): *The European Community and the Negotiation of the Association Agreements with the Countries of Central and Eastern Europe: A Study of Bargaining in Iterated Games, 1990–1992*, PhD thesis, University of Bradford, chs.7, 8.
9. Bulgaria and Romania concluded their trade and cooperation agreements with the EC on 24 Sept. 1990 and 5 March 1991, the agreements coming into force on 1 Nov. 1990 and 1 May 1991 respectively. Despite their political significance as the first step in East-West cooperation, the first generation agreements had no provisions for political cooperation between the contracting parties and their scope was limited to trade related matters. Within this framework, the agreements provided for the gradual removal of all EC quantitative restrictions on industrial products, while the EC retained the right to impose preferential duties on imports originating from eastern Europe. Agriculture and European Coal and Steel Community products were excluded from the scope of the agreements. For an example of a first generation agreement (Bulgarian) see OJ L 291, 23 Oct. 1990.
10. The Brussels G-24 Ministerial meeting on 13 Dec. 1989 (see Rapid Database, IP/89/953, 14 Dec. 1989) decided in principle to extend the operation of the PHARE Programme to Bulgaria and Romania (alongside the GDR, Czechoslovakia and Yugoslavia). The beginning of PHARE operations in Bulgaria was agreed by the G-24 Ministerial meeting on 4 July 1990. The beginning of PHARE's operation in Romania was agreed by the G-24 Ministerial meeting on 30 Jan. 1991. For more details on the content and operation of the PHARE programme, see Mayhew, Alan (1998): *Recreating Europe: The European Union's Policy towards Central and Eastern Europe*, Cambridge: Cambridge University Press, ch.5.
11. The Hungarian and Polish first generation agreements came into force on 1 Dec. 1988 and 1 Dec. 1989 respectively.
12. For more details, see COM(89) 470, 26 Sept. 1989.
13. Following the election of 8–9 June 1990, a coalition government was formed consisting of the Civic Forum and Public Against Violence. On 5 July 1990, Vaclav Havel was re-elected President of Czechoslovakia. See Swain, Geoffrey and Swain, Nigel (1993): *Eastern Europe Since 1945*, London: Macmillan, ch.8.
14. COM(90), 398 final, 27.9.1990.

15. *Agence Europe*, 18 Nov. 1992, 23 Dec. 1992. The Romanian association agreement was signed by the Council in March 1993. The signing of the Bulgarian association agreement, on the other hand, was not made possible until Dec. 1993, following a series of internal EC disputes.
16. By 1997, ten eastern European countries had applied for EU membership: Hungary (31 March 1994), Poland (5 April 1994), Romania (22 June 1995), Slovakia (27 June 1995), Latvia (27 Oct. 1995), Estonia (28 Nov. 1995), Lithuania (8 Dec. 1995), Bulgaria (16 Dec. 1995), Czech Republic (23 Jan. 1996), and Slovenia (10 June 1996). The Commission's *avis* on the membership applications (in accordance with Article O of the TEU) were published following the request of the European Council in Madrid (Dec. 1995), which had agreed that the enlargement process would begin within six months of the conclusion of the inter-governmental conference for the revision of the Maastricht treaty. In addition to its *avis* on the membership applications, the Commission on the same day presented its proposals for the EU's new financial framework (2000–06) in view of the forthcoming enlargement, which included recommendations for the reform of the CAP and the cohesion policy. These proposals later became known as the 'Agenda 2000'.
17. See COM(97) Vols. I, II, III, 15 July 1997.
18. See the inaugural meeting of the 'European Conference', PRES/98/71, 12 March 1998.
19. See Council Regulation (EEC) No. 3800/91, 23 Dec. 1991. Some (mainly humanitarian) funds had been made available to the country since mid-1991.
20. Following the Commission's request (see COM(91) 309), the Council approval for the opening of negotiations with Albania was given on 23 Sept. 1991 (see EC Bulletin 9-1991). Following its conclusion on 17 Feb. 1992, the Albanian trade and cooperation agreement was signed by the Council on 11 May 1992 (see Bull. EC 5-1992) and came into force on 1 Dec. 1992. For the text of the agreement see COM(92) 178 final.
21. Political Dialogue meetings of this kind are instruments of the Common Foreign and Security policy (CFSP) and should be distinguished from the Political Dialogue title of the EU's association (Europe) agreements with other eastern European countries.
22. See, for example, the EU's joint actions for the establishment of a viable police force in Albania (Decision 1999/189/CFSP, OJ L 63, 12 March 1999) and the destruction of weapons in the country (Decision 1999/320/CFSP, OJ L 123, 13 May 1999).
23. The 1996 crisis in Albania was provoked by the breakdown of the pyramid schemes in late 1996 and by previous irregularities during parliamentary elections in May 1996.
24. Slovenia (alongside Croatia) was recognised as an independent state by the EC on 15 Jan. 1992.
25. See Council Regulation (EEC) No. 2334/92, OJ L 227/92, 4 Aug. 1992.
26. See Rapid Database, IP/92/879, 5 Nov. 1992. The agreement was signed by the Council on 5 April 1993 and came into force on 1 Sept. 1993. See OJ L 189, 29 July 1993.
27. Association negotiations between the two parties began on 15 March 1995 and the agreement was concluded three months later, on 15 June 1995. However, the agreement was not formally signed by the Council until 10 June 1996, owing to Slovenia's bilateral dispute with Italy and the latter's refusal to sign the agreement. The Slovenian association agreement finally came into force on 1 Feb. 1999. For the text of the agreement, see COM(95) 341, 15 June 1995.
28. On Slovenia's drive towards EU membership, see Brinar, Irena (1999): 'Slovenia: from Yugoslavia to the European Union', in Karen Henderson (ed.), *Back to Europe: Central and Eastern Europe and the European Union*, London: UCL, pp. 241–57.
29. In Sept. 1995, the two countries under the auspices of the UN signed an agreement for the partial normalization of their relations (the question of the FYROM name remained unresolved and was postponed for a later date).
30. Because of Greek objections over the name of the republic, the 'official' inclusion of FYROM into the PHARE programme was not made possible until March 1996 (Commission's Memo 96/76, Rapid Database, 24 July 1996). Nevertheless, the country

had been receiving PHARE funding since July 1993 (Rapid Database, IP93/679, 28 July 1993) through *ad hoc* operations.

31. Negotiations for the conclusion of a first generation agreement between the EU and FYROM began in March 1996. Following the Council's signature in April 1997, the agreement came into force on 1 Jan. 1998, OJ L 348, 18 Dec. 1997.
32. See 1903rd Council meeting, General Affairs, Brussels, PRES/96/33, 26–27 Feb. 1996, 27 Feb. 1996.
33. The objectives of the Regional Approach were:
  - to reinforce the successful implementation of the Dayton/Paris and Erdut peace agreements
  - to create an area of political stability and economic prosperity by:
  - promoting and sustaining democracy and the rule of law (institution-building, reform of the state and public administration, reconstitution of civil society) and respect for human and minority rights (notably non-discrimination between citizens, and including the resettlement of refugees and displaced persons)
  - re-launching economic activity (rebuilding the economy, restoring and improving infrastructure, reorienting former war economies to civilian activities, and former command economies to market reforms).
- These objectives were also compatible with the declaration of the General Affairs Council on 30 Jan. 1996, which stressed the importance of regional cooperation in southeast Europe, see 1902nd Council meeting, General Affairs, Brussels, PRES/96/16, 30 Jan. 1996.
34. Albania had already signed such an agreement since 1992.
35. The General Affairs Council set specific preconditions for each country before being allowed to deepen their relations with the EU. In addition, more general preconditions were also included under the titles of 'human rights, rule of law', 'respect for and protection of minorities' and 'market economy reforms', 2003rd Council Meeting, General Affairs, Luxembourg, PRES/97/129, 29–30 April 1997.
36. The country joined the PHARE programme in Jan. 1996, 1902nd Council meeting, General Affairs, Brussels, PRES/96/16, 30 Jan. 1996.
37. The country joined the PHARE programme in Nov. 1994, COM(94) 526, 23 Nov. 1994.
38. COM(98) 237, 15 April 1998.
39. 2129th Council Meeting, General Affairs, Brussels, PRES/98/369, 9 Nov. 1998.
40. Javier Solana was appointed CFSP's High Representative by the Cologne European Council, 3–4 June 1999.
41. Conclusions of the Vienna European Council, Doc/98/12, 11–12 Dec. 1998.
42. The establishment of the Stability Pact was originally envisaged by the General Affairs Council on 8 and 26 April 1999 (Special Council Meeting, General Affairs, Luxembourg, PRES/99/94, 8 April 1999, and 2173rd Council Meeting, General Affairs, Luxembourg, PRES/99/118, 26 April 1999). The plan was then approved by the Council on 17 May 1999 (2177th Council Meeting, General Affairs, Brussels, PRES/99/146, 17 May 1999) and was officially launched by the Cologne special international meeting on 10 June 1999.
43. The participants of the meeting were: foreign ministers of the member states of the European Union; the European Commission; the foreign ministers of Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Hungary, Romania, the Russian Federation, Slovenia, FYROM, Turkey, and the US; the OSCE chairman in office and the representative of the Council of Europe; the foreign ministers of Canada and Japan; and representatives of the United Nations, UNHCR, NATO, OECD, WEU, IMF, the World Bank, the European Investment Bank and the European Bank for Reconstruction and Development; as well as representatives of the Royaumont process, and other regional organizations. See Conclusions of the Cologne meeting, 10 June 1999.
44. At a lower level, the coordination of the Stability Pact was pursued through three working tables on 'democratization and human rights', 'economic reconstruction, development and cooperation' and 'security issues'.



45. These new types of agreements were proposed by the Commission on 26 May 1999 (COM(99) 235, 26 May 1999). The agreements were approved, in principle, by the Cologne European Council (Conclusions of the German Presidency, 4 June 1999) on 4 June 1999 and by the General Affairs Council on 21–22 June 1999 (provisional conclusions of the 2192nd General Affairs Council meeting, June 21–22, 1999).
46. See COM(99) 235, 26 May 1999.
47. For the Commission's recommendation to begin SAA negotiations with FYROM, see COM(99) 300, 16 June 1999. Following the Council's assent on 19 July 1999, negotiations between the Commission and the FYROM government began in Jan. 2000 and were concluded in Nov. 2000.
48. Following the results of the Croatian presidential election on 7 Feb. 2000, the Commission gave its positive recommendation for the opening of SAA negotiations with this country on 24 May 2000. Negotiations between the Commission and the Croatian government began in Nov. 2000 and the agreement was initialled in May 2001. By July 2001, the Croatian SAA with the EU was not yet formally signed.
49. Following the events in Belgrade in Oct. 2000, FRY was also included in the scheme. The EC's autonomous trade preferences for FRY entered into force in Dec. 2000.
50. See, for example, Verheugen's speech during his hearing at the European Parliament, 1 Sept. 1999.
51. For an overview of the Progress Reports, see Rapid Database, IP/99/751, 13 Oct. 1999.
52. Presidency Conclusions of the Helsinki European Council, Doc99/16, 10–11 Dec. 1999.
53. Before the changes introduced by the Copenhagen European Council (June 1993) to the PHARE operations, 'development of private sector' accounted for more than 25 per cent of total PHARE funding to eastern Europe. Since 1993, this trend was reversed and much more emphasis was put on infrastructure projects. However, for the period 1990–96, 'private sector development' accounted for more than 18 per cent of total PHARE funding in eastern Europe, second only to 'infrastructure projects', which accounted for 22.1 per cent of the total. See Mayhew (1998), p.141.
54. On earlier manifestations of the EU's inability to provide sufficient financial resources and trade concessions to the CEE countries in accordance with its rhetorical commitment to the transition process, see Sedelmeier, Ulrich (1994): 'The European Union's Association Policy towards Central and Eastern Europe: Political and Economic Rationales of Conflict', *SEI Working Paper*, No.7, Sussex European Institute, Falmer; Papadimitriou (1999).
55. See, for example, 'Disenchantment Lingers before Summit', *Financial Times*, 29 July 1999; 'Balkans Wait in Vain for Western Funds', *Guardian*, 14 March 2000.
56. The donor's conference pledged US\$1.8 bn worth of aid to Yugoslavia.
57. Silber, Laura and Little, Allan (1995): *The Death of Yugoslavia*, New York: Penguin p.174. The Slovenian and Croatian declarations of independence were announced on 13 and 15 June 1991 respectively. On 23 June 1991, the General Affairs Council declared that the EC would not recognize unilateral declarations of independence and called for the respect of Yugoslavia's constitutional order. In an effort to mediate between the Yugoslav republics, the EC troika flew in Belgrade on 28 June 1991.
58. Silber and Little (1995), p.178.
59. Hellenic Foundation for European and Foreign Policy-ELIAMEP (1992): *The South-East European Yearbook 1991*, Athens: ELIAMEP, p.397.
60. Germany offers, here, the most striking example. The German government, the most ardent proponent of Croatian and Slovenian independence, had already allowed the two breakaway republics to establish diplomatic representations in Stuttgart as early as Feb. 1991. In his meeting with his Croatian and Slovenian counterparts on 20 Aug. 1991, German Foreign Minister Hans Dietrich Genscher was the first EC foreign minister to announce that his country would be prepared to consider full recognition for the two republics. See Hellenic Foundation for European and Foreign Policy-ELIAMEP (1992), p.401.

61. On 19 Dec. 1991, the German government had already made it clear that it would not be bound by a negative report from the Badinter Commission and that it would proceed with recognition on 15 Jan. anyway, see *The Economist*, 21 Dec. 1991. On 12 Jan. 1992, a confident Helmut Kohl insisted that Germany 'had no reason to be ashamed for the recognition', as it (the recognition) 'had smoothed the way towards a peaceful settlement of the Yugoslav crisis', *Guardian*, 11 Jan. 1992).
62. See, for example, the speech by US Secretary of State James Baker in West Berlin, entitled 'A New Europe, A New Atlanticism: Architecture for a New Area', as reprinted in *Agence Europe*, 15 Dec. 1989.
63. In Feb. 1992, the EU tried to mediate between the three ethnic communities in Bosnia, proposing the 'cantonization' of the country along the lines of the Swiss federation. The plan, however, did not receive adequate support and was soon forgotten, Silber and Little (1995), pp.240–3. Under the new circumstances, the EU recognized Bosnia's independence in April 1992. Following these events, the EU's involvement was confined to organizing fund-raising conferences aiming to support the UN's humanitarian operations in Bosnia, such as the Geneva Conference in July 1992.
64. For more details, see 'Fears Grow Over Action Against Macedonia', *Financial Times*, 18 Dec. 1994.
65. For the disagreements amongst the EU member states as well as the US opposition to the deployment of troops in Albania, see *To Vima*, 30 March 1997.
66. In the Romanian parliamentary-presidential elections in Dec. 2000, the reformist governing coalition Democratic Convention (DC) suffered a crushing defeat, and former president Ion Iliescu returned triumphant to power. In Bulgaria, the party of the former king Simeon won the parliamentary elections of June 2001 after defeating the reformist UDF of former PM Ivan Kostov.
67. Diamantouros, Nikiforos (1994): 'Cultural Dualism and Political Change in Post-Authoritarian Greece', *Centro de Estudios Avanzados en Ciencias Sociales: Estudios Working Papers*, Madrid.
68. Glenny, Misha (1996): *The Fall of Yugoslavia: the Third Balkan war*, 3rd edn., New York: Penguin.
69. According to data provided by the European Bank for Reconstruction and Development (1997), foreign investment in Bulgaria and Romania for the period between 1989–96 reached just \$58 per capita in comparison to \$686 for the Visegrad group. Average GDP growth in Bulgaria and Romania for the period 1991–99 was –3.2 per cent as compared with –1.2 per cent in Poland, Hungary and the Czech Republic. For more details on recent economic performances in eastern Europe, see European Commission: *European Economy: Supplement C. Economic Reform Monitor*, No.3 (Oct. 1999).
70. For example, during the period 1990–95, the total G-24 assistance (including grants, foreign debt relief, export credits and emergency/humanitarian aid) to the Balkan countries (Albania, Bosnia, Bulgaria, Croatia, FYROM, Romania, Slovenia and FR Yugoslavia) was 388 ECU per capita, less than half of the amount distributed to the Visegrad group (Poland, Hungary and the Czech Republic), 882 ECU, see Mayhew (1998), p.158.
71. COM(90) 398 final, 27 Aug. 1990.
72. In Sept. 1991, the NFS government led by Peter Roman was still in office. It had been there since Aug. 1990, when the Commission's decision to exclude Romania from entering into association negotiation was taken. In Bulgaria, the BSP continued to participate in Dimitri Popov's coalition government until Nov. 1991.
73. *Agence Europe*, 5 and 7 Sept. 1991, p.7.
74. *Debates of the European Parliament*, 11 Nov. 1991, pp.153–4.
75. On the negotiations of the association agreements between the EU and the CEE countries, see Papadimitriou (1999).
76. The Essen European Council also agreed to align the Bulgarian and Romanian trade liberalization timetables (granted under their association agreements) with those of the

- Visegrad countries. Similar requests by the Romanian and Bulgarian governments had been rejected by the EC in previous occasions.
77. Slovakia, Latvia and Lithuania were also excluded.
  78. For excellent overviews of the EU's relations with eastern Europe since 1989, see Pinder, John (1991): *The European Community and Eastern Europe*, London: Pinter; Kramer, Heinz (1993): 'The European Community's Response to the "New Eastern Europe"', *Journal of Common Market Studies*, 32/2, pp.213-44.; Guggenbuhl, Alain (1995): 'The Political Economy of Association with Eastern Europe', in F. Laursen (ed.), *The Political Economy of European Integration*, Netherlands: The European Institute of Public Administration; Sedelmeier, Ulrich and Wallace, Helen (1996): 'Policies towards Central and Eastern Europe', in Helen Wallace and William Wallace (eds.), *Policy-Making in the European Union*, 3rd edn., Oxford: Oxford University Press; Maresceau, Marc (ed.) (1997): *Enlarging the European Union*, London: Longman; and Mayhew (1998).
  79. 'Daunting task of Rebuilding', *Financial Times*, 19 Jan. 2000; 'Hopes for Balkan Peace and Prosperity Lie in Export Credits', *Financial Times*, 19 Nov. 1999.
  80. See, for example, US Secretary of State Madeleine Albright's speech in the Albanian Parliament, press release by the Office of the Spokesman of the US Department of State, 19 Feb. 2000; see also 'Kosovo: What happened to peace?', *BBC Report*, 28 Feb. 2000.
  81. Romania and Bulgaria joined CEFTA in 1996 and 1997 respectively.
  82. Baldwin, Robert (1994): *Towards an Integrated Europe*, London: Centre for Economic Policy Research.
  83. Ibid.
  84. Sapir, Andre (2000): 'Trade Regionalism in Europe: Towards an Integrated Approach', *Journal of Common Market Studies*, 38/1, pp. 151-62.