

EU LOOSENS PURSE STRINGS, BUT EXPECTS ACTION

> As the economic crisis bites, the EU offers Serbia more financial help but expects reciprocal progress in preparation for Accession. <



The first half of the twentieth century presented dramatic challenges for Europe. Two wars and one deep and prolonged economic crisis devastated the continent. European integration was the response that allowed democracy to consolidate and brought unprecedented prosperity and peace.

The current crisis--first financial and then economic--has not spared Europe. Will this crisis put in jeopardy the European integration process, especially at a time when the EU is still dealing with internal reforms?

The serious crisis that we are now experiencing has clearly shown that no state in the world can--alone--cope with this problem. Once again, European integration is proving to be an effective response. This crisis has brought into prominence the importance of one of the main features of the EU--solidarity. Personally, I am convinced that--no matter how severe the crisis or how long it lasts--the EU will rise to the challenge. We will resist a return to policies that could lead to the reestablishment of any kind of barriers within the EU and the type of "beggar-thy-neighbor" attitudes that would in the end harm everyone. This does not mean that all Members States will share the same reaction, as the crisis does not affect all in the same way. The role of the European Commission in this process is, therefore, of primary importance. As the guardian of the treaties and the first to defend common European values and interests, the Commission has a special responsibility.

Economic Recovery Plan

Responding to the crisis, the EU recently launched a comprehensive 200 billion euro Economic Recovery Plan. The

Enlargement Should Continue

Though the crisis is already affecting both the EU and the Western Balkans, and no one can predict its magnitude or duration, this fact should not have a negative impact on EU enlargement. The countries of this region have received on many occasions clear confirmation of their EU prospects. There is definite proof of the EU's commitment to Serbia and the Western Balkans. Since 2000 the EU market has offered duty-free access for Serbian products. The EU has assisted Serbia with funds amounting to around two billion euros in order to consolidate institutions and speed up reforms. And a further one billion euros has been allocated up to 2011 in the context of the Instrument for Pre-accession Assistance (IPA). In particular, as announced by Commissioner Rehn, the Commission is looking into the possibility of using part of IPA funds to support the Serbian budget. Moreover, the Commission might also provide macro-financial assistance. This clearly shows that the EU is committed to helping Serbia weather the economic crisis.

Plan was proposed by the Commission and approved by EU leaders at the December summit in Brussels. Representing 1.5 per cent of the Union's combined GDP, the Plan will mostly (170 billion euros) be funded at the national level, with EU coordination and supervisory support. In order to ensure that Member States can customize their plans to suit their needs and learn from one another, the Commission has assembled tools that include greater support for the unemployed and the poorest households, the funding of large infrastructure projects such as energy networks and broadband internet, temporary VAT cuts across the whole economy and reduction of taxes on labor.

But these efforts should also be put in a global context. Another remarkable

aspect of the crisis is the extent to which the major economies of the world--both developed and emerging--have coordinated their responses and tactics. In addition to close transatlantic cooperation, which might have been expected given the alignment of the US and EU economies, there has also been close coordination within the so-called G-20. The crisis has brought forward the understanding that the turmoil can be constructively channeled to reform the global financial and trading systems to make them more efficient, equitable, sustainable and appropriate to the times. This is something from which everyone should benefit. As Commissioner Almunia recently said: "We must grasp this opportunity to drive forward a restructuring of global governance--including the Bretton Woods institutions."

Serbia will--most likely--join the EU within the next decade. However, the speed of this process primarily depends on the pace at which the country makes progress in aligning its norms, policies and institutions to EU standards.

The Current Position

Where does Serbia currently stand in the European integration process? Let me recall the Progress Report that the Commission issued last November. We noted a number of weaknesses concerning, in particular, the functioning of parliament, judiciary and regulatory bodies. We noticed a number of shortcomings in the field of competition and in areas related to the spending of taxpayers' money such as public procurement, state aid and financial controls. At the same time, we were pleased to find a stronger Serbian commitment to cope with these challenges.

The Serbian National Program for Integration (NPI) adopted last October is a good basis for further progress. Moreover, setting an "internal" target date for EU accession preparations can help mobilize the necessary political energy. However, for a target date to be credible, the pace of reforms needs to be adequate and achievable, and sufficient financial resources must be allocated. The NPI needs to be turned into new, effective laws, and these laws must be properly implemented. Recent amendments to the parliamentary rules of procedure should allow for an acceleration of legislative activity. And the forthcoming budget revision should not jeopardize Serbia's European integration.

Missing Framework

Unfortunately, a formal legal framework for EU-Serbia relations is still missing. Conditions for unfreezing the Interim Agreement and ratification of the Stabilization and Association Agreement--full cooperation with the ICTY--have not yet been met. Nevertheless, the Serbian authorities have given a strong political signal by starting the voluntary implementation of the Interim Agreement, which is resulting in the reduction of customs duties as well as in the strengthening of competition policy. This will bring cheaper products to Serbian firms and consumers.

It will also create a positive track record that will allow shortening of the time required to open accession negotiations once conditions are met and Serbia applies for EU membership.

Obviously, the current crisis makes it more difficult to find the resources necessary for implementation of new norms

Liberated Potential

As Commissioner Rehn has stressed, Serbia has an important potential that expects to be liberated. In this context, an experienced administration, a vibrant civil society and many talented people in the intellectual and economic fields are an



and policies and strengthening of the administration. However, the crisis must not become a pretext for slowing reforms. On the contrary, Serbian taxpayers' money needs to be used in a more efficient way. Citizens' purchasing power needs to be defended by improving competition in the Serbian market. Opportunities for workers and entrepreneurs need to be enlarged by making Serbian companies more competitive.

important asset. However, all this energy needs to turn into strong political will. I'm sure that Serbia can move much faster towards EU membership. Recent developments in areas related to visa liberalization show that if there is consensus on achieving a clear goal, rapid progress is possible. The European integration process is, therefore, the best catalyst for the reforms that Serbian citizens and companies need.