

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT –

The Western Balkans and European Integration

1. THE WESTERN BALKANS AND THE CHALLENGE OF ENLARGEMENT

The European Council in Feira in June 2000 confirmed the objective of the fullest possible integration of the countries of the Western Balkans [1] into the political and economic mainstream of Europe and recognised the countries as potential candidates for EU membership. The Copenhagen European Council in December 2002 reaffirmed this perspective. It underlined the European Union's determination to continue to support them in their efforts to realise their European aspirations. The Brussels European Council in March 2003 stated that "the future of the Western Balkans is within the EU" and invited "the Council and the Commission to examine ways and means, based also on the experience of the enlargement process, to further strengthen the Union's policy towards the region." The preparation of the countries of the Western Balkans for integration into European structures is a major priority of the European Union. The unification of Europe will not be complete until these countries join the European Union.

[1] Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia and Serbia and Montenegro.

The Stabilisation and Association process (SAP) is the EU's policy for relations between the Union and the Western Balkans. It is designed to help the five countries with their reforms and to bring them closer to European Union membership. It serves an invaluable purpose in promoting stability in the region. We now need to enrich the policy in order to further reinforce stability as well as to move the countries towards closer association, and ultimately membership of the Union.

Following the signature of the Treaty of Athens in April 2003, which paves the way to the accession of ten new Member States, the Thessaloniki Summit provides the occasion to give a new impetus to the Stabilisation and Association process. The success of the countries of central and eastern Europe in satisfying the criteria for EU accession should give inspiration and encouragement to the countries of the Western Balkans which share this aspiration. This Communication suggests how the Stabilisation and Association process can be enriched, and, in particular, how experience from the current enlargement process can be used to develop it further defining what can be considered a shared agenda for European integration.

2. INTENSIFYING THE STABILISATION AND ASSOCIATION PROCESS - A NEW PARTNERSHIP

The Stabilisation and Association process, its different instruments, the prospects it offers and, in particular, the countries' own efforts, have enabled them to make substantial progress. Considerable further efforts are needed, however, to address the priorities attached to the Stabilisation and Association process and to move towards satisfying the criteria for EU membership established by the Copenhagen European Council in 1993 and laid down in Articles 49 and 6 of the EU Treaty. The task now is to ensure that progress already made is irreversible and the foundation for further steps forward. There is a need to go beyond reconstruction and rehabilitation and to support political and economic transition, including when appropriate the approximation of EU legislation, with a view to the eventual goal of EU membership. The European Union will strengthen its support for the countries of the Western Balkans in their endeavours to meet these challenges.

The EU's commitment and assistance need to be matched by a genuine commitment of the governments to make necessary reforms, to establish the necessary administrative capacity, and to co-operate amongst themselves. The one major challenge common to all countries of the region remains the building of strong, fully functioning states capable of delivering on the needs of their citizens, of ensuring effective regional co-operation and of more advanced relations with the Union. In this context, high priority must be given to the fight against organised crime and corruption; progress in this field is essential for assuring the rule of law, creating confidence in state institutions, generating private investment and bringing the countries closer to European Union membership. The achievement of this objective will depend on the countries' own political will and capacities, as well as their ability to align with European standards and values.

Given the European perspective of the countries of the Western Balkans, as confirmed by the 2002 Copenhagen European Council and by the 2003 Brussels European Council, the Commission proposes to develop the Stabilisation and Association process further by introducing certain elements inspired by the pre-accession process.

- European Integration Partnerships

The Commission's second Annual Report of March 2003 [2], recognises progress made in all countries but also highlights shortcomings, particularly in the functioning and capacity of public institutions, the application of the rule of law, and in the continuing problems of organised crime and corruption. These issues need to be addressed in order to permit work to advance on political and economic reform and on adoption, implementation and enforcement of the *acquis*.

[2] COM (2003) 139 Final

With this in mind, consideration should be given to introducing European Integration Partnerships for the countries of the Western Balkans. Inspired by the pre-accession process, these partnerships would identify priorities for action in supporting efforts to move closer to the European Union. The purpose of these Partnerships would be to identify short and medium-term reforms which the countries need to carry out, to serve as a checklist against which to measure progress, and to provide guidance for assistance under the CARDS programme. They would reflect the particular stage of development of each country and be tailored to its specific needs.

The priorities of the Partnerships would be based on the Commission's political and strategic priorities in the light of the assessments in the Annual Reports, with due consideration to the Copenhagen accession criteria and to issues particular to the Western Balkans, including the 1997 conditionality [3]. They would be drawn up following informal consultations with the countries concerned. The Commission would then present a proposal for a Council decision approving each Partnership.

[3] General Affairs Council Conclusions, 29-30 April 1997

The countries of the region would be expected to respond to the European Integration Partnerships by preparing and implementing Action Plans, with a timetable and details of how they intend to address the Partnership's priorities. The progress in implementing this would be followed through the SAA structures, where they exist, or through a regular dialogue. It would be monitored regularly by the Commission, notably in the Annual Reports.

- Enhanced support for institution building

Twinning has proved to be an effective tool for institution building in the candidate countries and could be equally effective for the SAA countries. Twinning supports the secondment of civil servants from EU Member States to work as advisers to beneficiary institutions. It has been available for institution building in the SAP countries under the CARDS programme since October 2002. Twinning projects have been launched in Albania and Croatia and are under preparation for the rest of the region. Twinning will henceforth be incorporated in the CARDS programme, as a tool for transferring administrative skills to the SAP countries.

The Technical Assistance Information Exchange Office (TAIEX) was set up as part of the pre-accession strategy to provide targeted technical assistance to the candidate countries on the *acquis*. Its services are also suited to the needs of the countries of the

Western Balkans. Concrete modalities, including availability of human resources, for this TAIEX assistance are currently under discussion. Monitoring and assessing the countries' legislation will be developed further to ensure conformity with EU standards. The results of this assessment will be included in the Annual Reports and will lead to periodic revisions of the European Integration Partnerships.

Considering the need to improve the knowledge and skills of civil service staff in the region, the Commission will encourage the founding of a regional school or institute for Higher Education on Public Administration Reform.

In all these efforts, particular attention should be given to the provision of expertise from the new member states, in the light of their own successful transition process and preparations for EU membership. By sharing their expertise with their neighbours they can make a significant contribution to their development.

- Supporting the rule of law - co-operation in justice and home affairs

The rule of law is a fundamental value of the European Union. It is essential for economic development, the return of refugees, protection of human and minority rights and the fight against organised crime and corruption. Progress in the justice and home affairs area is crucial.

The Commission will initiate a dialogue with the countries of the region with the aim of identifying achievable, measurable and realistic benchmarks to assess progress in the JHA field. This will also serve to single out priorities in the JHA field in the European Integration Partnerships. The countries have expressed a particular interest in a liberalisation of EU's visa regime and its migration policy in general. The Commission would be prepared to lead concrete discussions with the countries, within the framework of the Stabilisation and Association process, regarding the requirements for how to take these issues forward in concrete terms. Assistance programmes should be strengthened in this priority field.

- Participation in Community programmes

Participation in selected Community programmes could be extended to the SAP countries. The international co-operation under the RTD 6th Framework programme is already open to the countries of the Western Balkans. Building on the experience from the TEMPUS programme, it would be particularly useful for the region to be included in Community programmes, for example covering education, vocational training and energy, at the appropriate time and depending on each country's needs and capacities. Participation would help familiarise the countries with Community policies and working methods and contribute to preparing them for a closer relationship with the Union. The Commission is ready to examine the necessary legal and financial issues in order to achieve this objective.

- Promoting economic development

The transition from centrally planned to functioning market economies requires reform efforts in many areas, including privatisation and financial sector development. The Commission will continue to provide assistance in this area.

Trade is a cornerstone of the Stabilisation and Association process. Following the introduction of the European Union's trade measures in the region, exports from the these countries to the Union have increased substantially. The network of free trade agreements between the countries will further stimulate trade, investment and thereby economic development. It is of great importance that the countries make full use of the potential that the trade measures, as well as of the network of free trade agreements, provide. The Commission will develop its assistance and other possible measures to improve the countries' ability to take advantage of these liberal trade measures. The creation of a free trade area in the region in the medium term would be desirable since it would enable the countries to reap additional benefits of trade liberalisation .

An extension of the system on pan-European diagonal cumulation of origin to the countries of the region - subject to it being applied in a manner which is fully consistent with all relevant community policies - would also serve this purpose. In addition, it would constitute a further step towards promoting greater intra-regional trade, which is essential for their economic development and would require increased co-operation and mutual trust, thereby supporting the overall objective of the Stabilisation and

Association process. The countries' different stages of preparation would require a step-by-step approach so that only those countries which fulfil all the requirements prescribed could join the system, including having the capacity to manage and control such a system. A Stabilisation and Association Agreement or an Interim Agreement would first need to be in place for a country to participate in the system.

Small and medium-sized enterprises are a key source of jobs, innovation and wealth and are essential for transforming centrally planned economies into competitive market economies. Consequently, it is important to improve the environment in which small and medium-sized enterprises operate. Commitment by the Western Balkans countries to the principles enshrined in the European Charter for Small Enterprises would serve this purpose. It would allow them to share good practice with other European countries. In the economic sphere, the Commission proposes to hold regular economic dialogue with each country.

A specific agreement governing energy trade would have enormous advantages in attracting investment into this strategic sector. The Commission will endeavour to come forward with proposals for extending the Internal Energy Market to the region as a whole by the end of 2003 and will recommend to the countries that this be done on a legally binding basis.

Scientific and technological development is an essential tool for economic stabilisation and development; the modalities of co-operation in this field between the Union and the Western Balkans will be further examined by the Ministerial meeting in Thessaloniki on 27 June.

- Responding to new needs - financial support

The CARDS programme will continue to be the main financial instrument to support the Stabilisation and Association Process. Following an initial focus on physical reconstruction and rehabilitation, emphasis has shifted to institution building, the strengthening of administrative capacity and justice and home affairs. While other national or regional needs might have to be addressed in the future, the Commission has proposed an increase of the CARDS budget with a view, in particular, to addressing these priorities, taking into account each country's particular needs and capacity.

In case of special need, the Community is ready to examine, in co-ordination with international financial institutions, the possibility of granting, on an exceptional basis, macro-financial assistance. This will be subject to certain conditions and will depend on the availability of financial resources.

- Enhancing regional co-operation

Regional co-operation is an integral part of the preparation for integration into European structures. The Commission is encouraged by substantial progress in this area and the increasing number of regional activities and agreements, including the creation of a regional electricity market in South East Europe as agreed in the Athens Memorandum of Understanding of November 2002 with the intention to broaden this to all energy questions.

The countries of the Western Balkans should be encouraged progressively to take ownership of regional co-operation through initiatives such as the South East Europe Co-operation Process, which they themselves have sponsored. Cross border co-operation with EU Member States should also be encouraged.

The Stability Pact plays an important role in supporting this process in such areas as refugee return, migration, freedom of movement, the fight against organised crime, trade and investment, energy, transport and infrastructure.

- Efforts to strengthen democracy - parliamentary co-operation

Strengthening parliaments in the Western Balkans and promoting their further integration into the network of regional or international parliamentary structures contributes to good governance in the region.

Stabilisation and Association Parliamentary Committees could be established with all the countries of the region. The European Affairs Committees of the Parliaments should be encouraged to develop their contacts at regional level in the framework of, for example, a Balkan Conference of European Affairs Committees. This process could be taken further by this Conference developing relations with parliaments of the Member States

and the European Parliament, for example by applying for a special status in the COSAC, [4] which meets during each EU Presidency. This would enable the European Parliament, the national parliaments of the Member States, the Candidate Countries and of the Western Balkans to exchange views on EU related matters regularly.

[4] Conférence des Organes Spécialisés en Affaires Européennes

- Improving political co-operation

The countries of the Western Balkans should be invited to associate themselves with EU declarations, Common Positions and other decisions in the framework of the CFSP. This will reinforce the alignment of priorities and bring them closer to the EU in the political sphere.

Political dialogue is an important element of the Stabilisation and Association process. As pointed out in the Commission's second Annual Report, many issues are common to the countries of the region or have a cross-border dimension. Political dialogue between the Union and all countries of the region could be developed further. The Summit in Thessaloniki is an important occasion for this. Dialogue should also be developed on a regular basis at other levels.

3. CONCLUSIONS AND RECOMMENDATIONS

In light of the above, the European Commission's conclusions and recommendations are the following:

- * The preparation of the countries of the Western Balkans for future integration into European structures is a major priority of the European Union. These countries should have a clear perspective of joining the European Union when they have satisfied all the necessary criteria.
- * The Stabilisation and Association process has laid the foundation for the further reforms required for the countries to prepare for a closer relationship with the European Union, with the goal of membership and should be further reinforced by the measures proposed in this Communication. The process will be strengthened further to draw the countries ever closer to the Union in a shared agenda for European integration.
- * While the European Union will provide all support possible, advancement in the process of European integration will depend mainly on each country's own commitment and capability as fully functioning states to political and economic reform as well as adherence to the core values and principles of the Union.
- * The countries of the Western Balkans need to develop further concrete co-operation among themselves particularly in such areas as refugee return, migration, freedom of movement, the fight against organised crime, trade, energy and transport.
- * The countries of the Western Balkans should establish a regional framework for parliamentary co-operation and develop relations with the European Parliament and Parliaments of the Member States and the Accession Countries.
- * The introduction of European Integration Partnerships, inspired by the pre-accession phase of the current enlargement, will give a fresh impetus to reform. The Commission could be invited to develop further the concept of European Integration Partnerships with a view to presenting these with the next SAP reports.
- * The countries should be invited to associate themselves with certain declarations, Common Positions and other decisions in the framework of the CFSP. Political dialogue at different levels should be strengthened.
- * Economic dialogue should now be extended to all the countries of the region.
- * Support for institution building under the CARDS programme should be strengthened by further expanding twinning programmes, by extending TAIEX-like services to the region and by closely monitoring legislation and administrative capacity. Particular attention should be given to mobilising expertise from the new Member States, which have had recent successful experience of transition and of pre-accession preparations.
- * In the field of justice and home affairs, the Commission will initiate a dialogue with the countries in the region with the aim of establishing key priorities and benchmarks, including in the area of organised crime and corruption. Programmes should be further strengthened in this area. The Commission encourages the countries in the region to establish national action plans to fight organised crime.
- * As a means of increasing the region's export possibilities and promoting investment

and economic growth, the system of pan-European diagonal cumulation of origin should be extended to the countries of the Western Balkans when the individual countries fulfil the necessary conditions, and applied in a manner fully consistent with all relevant community policies.

* Small and medium sized enterprises are particularly important for economic development and for the successful transition to a fully functioning market economy. The Western Balkan countries could make a commitment to the principles in the European Charter for Small Enterprises.

* Participation in relevant Community programmes should be further extended to the Western Balkans. The Commission could be invited to make the necessary proposals. The Commission suggests that the orientations in this Communication should guide the European Union in working with the countries of the Western Balkans to bring them closer to the shared goal of EU membership.

List of abbreviations

Acquis // Acquis communautaire - Community legislation

CARDS // Community Assistance for Reconstruction, Development and Stabilisation

CFSP // Common Foreign and Security Policy

COSAC // Conférence des Organes Spécialisés en Affaires Européennes

EU // European Union

JHA // Justice and Home Affairs

SAA // Stabilisation and Association Agreement

SAP // Stabilisation and Association process

TAIEX // Technical Assistance and Information Exchange Office